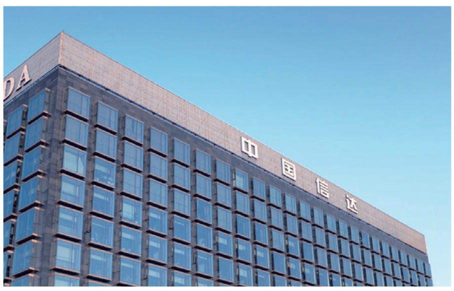
中国信达资产管理股份有限公司
CHINA CINDA ASSET MANAGEMENT CO., LTD.

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code: 01359 Preference Shares Stock Code: 04607

2020 Annual Report






Company Profile

China Cinda Asset Management Corporation, the predecessor of the Company, was the first financial asset management company established in April 1999 pursuant to the approval of the State Council to effectively tackle financial risks and maintain the stability of the financial system as well as to facilitate the reform and development of state-owned banks and enterprises. In June 2010, China Cinda Asset Management Corporation was reorganized to establish China Cinda Asset Management Co., Ltd. In April 2012, the Company received investments from four strategic investors, namely the National Council for Social Security Fund of the PRC, UBS AG, CITIC Capital Holdings Limited and Standard Chartered Bank. On December 12, 2013, the Company was successfully listed on the main board of the Hong Kong Stock Exchange and became the first financial asset management company in China to be listed on the international capital market.

Our principal business segments include distressed asset management and financial services. Distressed asset management is the core business of the Company. The Company has 33 branches (including Hefei Operation Support Center) in 30 provinces, autonomous regions and municipalities in mainland China and seven subsidiaries as platforms for providing distressed asset management and financial services in mainland China and Hong Kong, including Nanyang Commercial Bank, Limited, Cinda Securities Co., Ltd., China Jingu International Trust Co., Ltd., Cinda Financial Leasing Co., Ltd., China Cinda (HK) Holdings Company Limited, Cinda Investment Co., Ltd. and Zhongrun Economic Development Co., Ltd. The Group has approximately 13,000 employees.

In 2020, the Company was awarded the “Stars of China Awards – Best Corporate Governance Bank” by Global Finance Magazine, the “China Top 100 Enterprises Award” by the 20th China Listed Company Top 100 Summit Forum, the “Best Company of Investor Relations in Listed Companies” of China Securities Golden Bauhinia Awards, the “Most Socially Responsible Listed Companies” of Golden Qilin H-Share Value List, the “Best Practice Case Award in Social Responsibilities” of China Banking Association, the “Case of Influential Brand Communication of the Year 2020” of China Financial Brand Influence Summit, as well as the “Prize for Case of Brand Communication for the Year” of the Annual Brand Case Competition of China Finance.

Contents

1. Definitions

In this report, unless the context otherwise requires, the following expressions have the following meanings:

"(our) Company"	China Cinda Asset Management Co., Ltd.
"(our) Group"	China Cinda Asset Management Co., Ltd. and its subsidiaries
"Articles"	the current articles of association of China Cinda Asset Management Co., Ltd.
"CBIRC"	China Banking and Insurance Regulatory Commission
"CBRC"	the former China Banking Regulatory Commission
"Cinda Futures"	Cinda Futures Co., Ltd., a subsidiary of the Company
"Cinda Hong Kong"	China Cinda (HK) Holdings Company Limited, a subsidiary of the Company
"Cinda International"	Cinda International Holdings Limited, a subsidiary of the Company (a company listed on the Hong Kong Stock Exchange, stock code: 00111)
"Cinda Investment"	Cinda Investment Co., Ltd., a subsidiary of the Company
"Cinda Leasing"	Cinda Financial Leasing Co., Ltd., a subsidiary of the Company
"Cinda Real Estate"	Cinda Real Estate Co., Ltd., a subsidiary of the Company (a company listed on the Shanghai Stock Exchange, stock code: 600657)
"Cinda Securities"	Cinda Securities Co., Ltd., a subsidiary of the Company
"COVID-19"/"Pandemic"	Corona Virus Disease 2019
"Domestic Share(s)"	ordinary share(s) with nominal value of RMB1.00 each in the share capital of the Company, which is (are) subscribed for or credited as fully paid up in Renminbi
"First State Cinda Fund"	First State Cinda Fund Management Co., Ltd., a subsidiary of the Company
"H Share(s)"	ordinary share(s) with nominal value of RMB1.00 each in the share capital of our Company, which is (are) listed on the Hong Kong Stock Exchange
"Happy Life"	Happy Life Insurance Co., Ltd., a former subsidiary of the Company. As approved at the annual general meeting for 2018 and by the CBIRC, the Company has transferred all of its 50.995% equity interests in Happy Life. As of December 31, 2020, Happy Life was no longer a subsidiary of the Company
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Hong Kong SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Hong Kong Stock Exchange"	the Stock Exchange of Hong Kong Limited
"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board

1. Definitions

"Jingu Trust"	China Jingu International Trust Co., Ltd., a subsidiary of the Company
"Latest Practicable Date"	March 19, 2021, being the latest practicable date for the purpose of ascertaining certain information contained in this report prior to its publication
"MOF"	the Ministry of Finance of the PRC
"NCB China"	Nanyang Commercial Bank (China) Limited, a company established in the PRC and a wholly-owned subsidiary of NCB Hong Kong
"NCB Hong Kong"	Nanyang Commercial Bank, Limited, a company incorporated in Hong Kong and a licensed bank in Hong Kong, a subsidiary of the Company
"NCB"	NCB Hong Kong and its subsidiaries
"NCSSF"	National Council for Social Security Fund, PRC
"Offshore Preference Share(s)"	160,000,000 non-cumulative perpetual preference shares with a par value of RMB100 per share non-publicly issued by the Company in the offshore market on September 30, 2016, which are listed and traded on the Hong Kong Stock Exchange (stock code: 04607)
"PBOC"	the People's Bank of China
"PRC GAAP"	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by MOF, as well as other relevant regulations
"Reporting Period"	the year ended December 31, 2020
"State Council"	the State Council of the People's Republic of China
"RMB"	Renminbi
"Zhongrun Development"	Zhongrun Economic Development Co., Ltd., a subsidiary of the Company

2. Important Notice

The Board, Board of Supervisors and Directors, Supervisors and Senior Management of China Cinda Asset Management Co., Ltd. undertake that information in this annual report is true, accurate and complete and does not contain any false representations, misleading statements or material omissions, and severally and jointly take legal responsibility for its contents.

On March 26, 2021, at the 2021 second meeting and the 2021 second regular meeting of the Board, the Board considered and approved the 2020 Annual Report (2020 Annual Results Announcement) of the Company. There were 12 Directors eligible to attend the meeting, of whom 12 attended in person.

The annual financial reports for 2020 prepared by the Company according to the PRC GAAP and IFRS, respectively, were audited by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with the Chinese and International Standards on Auditing, respectively, and they have issued the standard and unqualified audit reports for the Company.

The Board proposed to distribute a cash dividend for ordinary shares of RMB1.041 per 10 shares (tax inclusive) for 2020 to shareholders, which is subject to the approval at the annual general meeting for 2020.

Board of Directors of China Cinda Asset Management Co., Ltd.
March 26, 2021

The Chairman of the Company, ZHANG Zi'ai, the President of the Company, ZHANG Weidong, and the Chief Financial Officer of the Company, YANG Yingxun, warrant that the financial statements in this report are true, accurate and complete.

This report may contain forward-looking statements relating to risks and future plans. These forward-looking statements are based on information presently available to us and from other sources which we consider reliable. These forward-looking statements relating to the future events or the financial, business or other performance of the Company in the future are subject to uncertainties which could cause the actual results to differ materially. Investors are advised not to place undue reliance on these forward-looking statements. Future plans involved in these forward-looking statements do not constitute any guarantee made by the Company to the investors. Investors are advised to exercise caution when making investment.

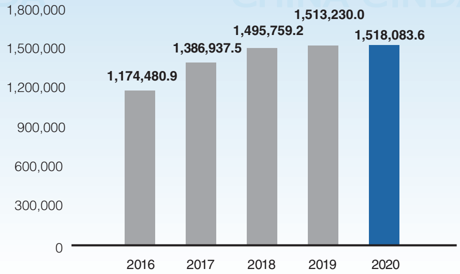
For details of the major risks faced and the relevant measures taken by the Company, please see "Management Discussion and Analysis" – "Risk Management" in this report.

3. Corporate Information

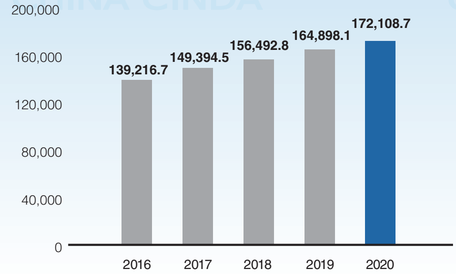
Official Chinese name	中國信達資產管理股份有限公司
Chinese abbreviation	中國信達
Official English name	China Cinda Asset Management Co., Ltd.
English abbreviation	China Cinda
Legal representative	Zhang Zi'ai
Authorized representatives	Zhang Zi'ai, Ai Jiuchao
Board Secretary	Ai Jiuchao
Company Secretary	Ai Jiuchao
Registered address	No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing, the PRC
Postal code of place of registration	100031
Company's website	www.cinda.com.cn
Principal place of business in Hong Kong	12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong
Website of Hong Kong Stock Exchange for publishing annual reports for H Shares	www.hkexnews.hk
Place for maintaining annual reports available for inspection	Board of Directors' Office of the Company
Place of listing of H Shares	the Stock Exchange of Hong Kong Limited
Stock short name of H Shares	China Cinda
Stock code of H Shares	01359
Place of listing of Offshore Preference Shares	the Stock Exchange of Hong Kong Limited
Stock short name of Offshore Preference Shares	CINDA 16USDPREF
Stock code of Offshore Preference Shares	04607
Registrar of H Shares	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Unified social credit code	911100007109249 45A
Registration number of financial license	J0004H111000001
Legal advisors as to PRC Law	Haiwen & Partners
	Zhong Lun Law Firm
	Tian Yuan Law Firm
	Fangda Partners
Legal advisors as to Hong Kong Law	Herbert Smith Freehills LLP
	Hogan Lovells
International accounting firm	Ernst & Young
Domestic accounting firm	Ernst & Young Hua Ming LLP

4. Financial Summary

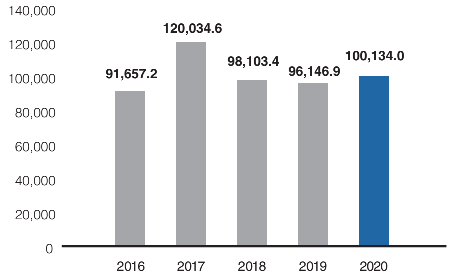
Total assets
Unit: in millions of RMB



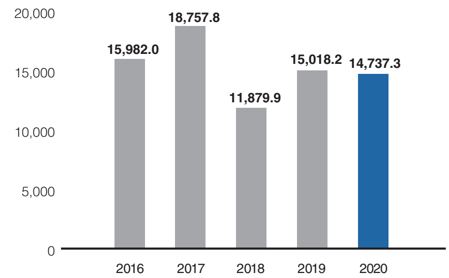
Equity attributable to equity holders of the Company
Unit: in millions of RMB



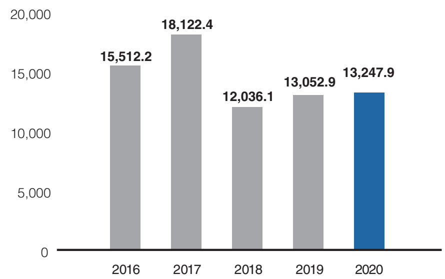
Total income from continuing operations
Unit: in millions of RMB



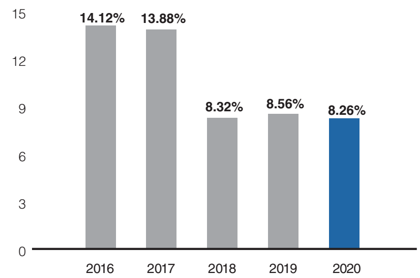
Net profit
Unit: in millions of RMB



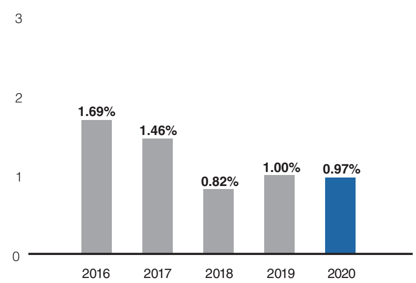
Net profit attributable to equity holders of the Company
Unit: in millions of RMB



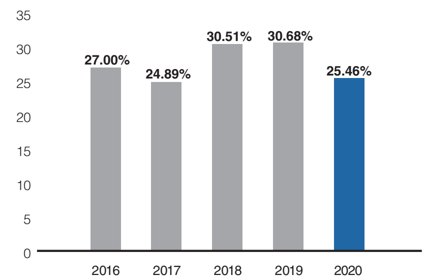
Return on average Shareholder's equity
Unit: %



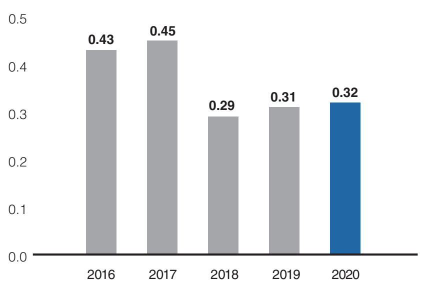
Return on average assets
Unit: %



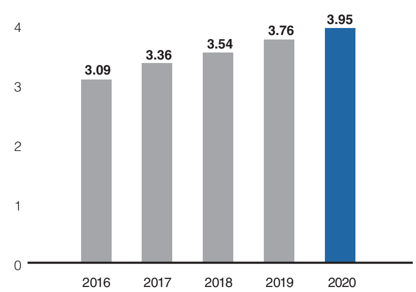
Cost-to-income ratio
Unit: %



Earnings per share
Unit: RMB



Net assets per share
Unit: RMB



4. Financial Summary

The financial information contained in this report was prepared in accordance with the IFRS. Unless otherwise specified, the financial information herein is the consolidated data of the Group and denominated in RMB. Since January 1, 2018, the Group has adopted IFRS 9 – Financial Instruments, and the differences arising from the adoption of IFRS 9 were directly reflected in shareholders' equity on January 1, 2018. For 2018 and the subsequent years, the financial data was prepared according to IFRS 9, while the data of prior years before 2018 was prepared according to the International Accounting Standard 39 – Financial Instruments.

In 2019, as approved at the shareholder's general meeting, the Company sold all of its equity interests in Happy Life, which accounted for 50.995% of the total share capital of Happy Life. As at December 13, 2019, the Company classified its equity interests in Happy Life as assets held for sale, based on the legally binding transfer agreement with the transferees. After such classification, insurance was no longer a business segment of the Group, and accordingly, it was presented as a discontinued operation. In July 2020, the CBIRC has approved the transfer of the equity interests, and the Company ceased to have any interest in Happy Life. For the financial information for 2019 and 2020 of the Group, the results of the discontinued operation and the results of continuing operations were presented separately, of which the profit or loss after tax from the discontinued operation was charged into the consolidated income statement separately.

	As at and for the year ended December 31,				
	2020	2019	2018	2017	2016
	(in millions of RMB)				
Continuing operations					
Income from distressed debt assets at amortized cost	19,150.7	16,403.6	19,308.3	–	–
Income from distressed debt assets classified as receivables	–	–	–	17,773.0	15,539.2
Fair value changes on distressed debt assets	12,547.0	13,645.3	11,451.5	8,266.4	5,716.2
Fair value changes on other financial instruments	12,566.5	14,840.1	16,085.0	2,582.2	2,656.3
Investment income	322.5	464.5	152.9	29,465.7	17,991.3
Net insurance premiums earned	–	–	–	19,266.9	16,635.8
Interest income	23,899.2	25,401.6	25,005.7	20,640.8	14,506.5
Revenue from sales of inventories	24,316.3	18,169.4	17,446.4	14,425.5	10,954.6
Other income and other net gains or losses	7,331.8	7,222.4	8,653.6	7,614.0	7,657.3
Total income	**100,134.0**	**96,146.9**	**98,103.4**	**120,034.6**	**91,657.2**
Impairment losses on assets	(14,096.8)	(8,924.2)	(8,156.2)	(11,404.7)	(4,813.7)
Insurance costs	–	–	–	(20,913.7)	(17,549.0)
Interest expense	(39,618.5)	(44,366.6)	(46,286.5)	(35,911.1)	(23,223.8)
Purchases and changes in inventories	(17,360.4)	(12,868.8)	(11,382.2)	(10,355.8)	(8,455.8)
Other costs and expenses	(12,984.0)	(12,398.2)	(11,549.3)	(15,651.5)	(14,315.4)
Total costs and expenses	**(84,059.7)**	**(78,557.8)**	**(77,374.2)**	**(94,236.7)**	**(68,357.7)**
Change in net assets attributable to other holders of consolidated structured entities	(17.8)	(237.5)	(519.8)	(1,284.7)	(2,331.7)
Share of results of associates and joint ventures	252.7	1,920.8	2,488.4	1,617.7	797.7
Profit before tax from continuing operations	16,309.3	19,272.4	22,697.8	26,130.8	21,765.5
Income tax expense	(5,324.0)	(5,754.6)	(6,951.9)	(7,373.0)	(5,783.5)
Profit for the year from continuing operations	**10,985.2**	**13,517.8**	**15,745.9**	**18,757.8**	**15,982.0**
Discontinued operation					
Profit/(Loss) after tax for the year from a discontinued operation	**3,752.0**	**1,500.4**	**(3,866.0)**	**–**	**–**
Profit for the year	**14,737.3**	15,018.2	11,879.9	18,757.8	15,982.0
Profit attributable to:					
–Equity holders of the Company	13,247.9	13,052.9	12,036.1	18,122.4	15,512.2
–Non-controlling interests	1,489.4	1,965.3	(156.2)	635.4	469.8

4. Financial Summary

	As at and for the year ended December 31,				
	2020	2019	2018	2017	2016
	(in millions of RMB)				
Assets					
Cash and balances with central banks	15,375.0	19,002.1	16,651.9	21,511.1	17,368.0
Deposits with banks and financial institutions	87,953.6	70,837.6	80,102.6	54,429.2	75,801.3
Financial assets at fair value through profit or loss	446,916.7	412,164.6	428,791.0	213,795.9	149,045.5
Available-for-sale financial assets	–	–	–	273,182.7	212,495.9
Financial assets at fair value through other comprehensive income	123,728.5	136,803.0	116,827.6	–	–
Loans and advances to customers	353,456.3	337,859.1	336,616.5	312,117.5	294,936.6
Financial assets at amortized cost	220,233.0	227,645.1	252,416.7	–	–
Financial assets classified as receivables	–	–	–	234,226.9	198,787.2
Assets held for sale	–	61,394.2	–	–	6,018.9
Other assets	270,420.5	247,524.3	264,352.9	277,674.2	220,027.5
Total assets	**1,518,083.6**	**1,513,230.0**	**1,495,759.2**	**1,386,937.5**	**1,174,480.9**
Liabilities					
Borrowings from the central bank	986.1	1,010.9	986.1	986.1	986.1
Accounts payable to brokerage clients	16,583.8	14,320.3	10,315.8	12,393.8	16,272.1
Due to customers	273,644.2	275,205.8	254,099.9	226,220.8	204,629.0
Borrowings	556,912.1	536,591.3	570,870.2	580,352.1	450,514.8
Accounts payable	4,886.7	5,050.8	5,303.8	3,220.9	3,053.9
Bonds issued	355,777.5	304,849.6	283,115.1	206,482.6	152,497.6
Liabilities held for sale	–	57,924.1	–	–	3,628.6
Other liabilities	114,250.8	129,866.7	192,499.8	189,016.6	194,928.8
Total liabilities	**1,323,041.2**	**1,324,819.5**	**1,317,190.7**	**1,218,672.9**	**1,026,510.9**
Equity					
Equity attributable to equity holders of the Company	172,108.7	164,898.1	156,492.8	149,394.5	139,216.7
Non-controlling interests	22,933.7	23,512.3	22,075.6	18,870.2	8,753.3
Total equity	**195,042.4**	**188,410.5**	**178,568.5**	**168,264.7**	**147,970.0**
Total equity and liabilities	**1,518,083.6**	**1,513,230.0**	**1,495,759.2**	**1,386,937.5**	**1,174,480.9**

	As at and for the year ended December 31,				
	2020	2019	2018	2017	2016
	(in millions of RMB)				
Financial indicators					
Return on average shareholders' equity (1) (%)	8.26	8.56	8.32	13.88	14.12
Return on average assets (2) (%)	0.97	1.00	0.82	1.46	1.69
Cost-to-income ratio (3) (%)	25.46	30.68	30.51	24.89	27.00
Earnings per share (4) (RMB)	0.32	0.31	0.29	0.45	0.43
Net assets per share (5) (RMB)	3.95	3.76	3.54	3.36	3.09

Notes:

(1) Represents the percentage of net profit (including net profit for the year from a discontinued operation) attributable to ordinary shareholders of the Company for the period in the average balance of equity attributable to ordinary shareholders of the Company as at the beginning and the end of the period.

(2) Represents the percentage of net profit for the period (including profit attributable to non-controlling interests and net profit for the year from a discontinued operation) in the average balance of total assets as at the beginning and the end of the period.

(3) Represents the ratio of the sum of employee benefits, depreciation and amortization and other expenses for the period to total income net of insurance costs, commission and fee expense, purchases and changes in inventories and interest expense for the period. The amounts above included amounts from both continuing operations and a discontinued operation.

(4) Represents the net profit for the period (including net profit for the year from a discontinued operation) attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue.

(5) Represents the net assets attributable to equity holders of the Company after deducting the amount of the preference shares at the end of the period divided by the number of ordinary shares as at the end of the period.

5. Chairman's Statement

Chairman
ZHANG Zi'ai

Time flies. With the coming of a new year, everything takes a completely new look. The year 2020 was an unusual year. Facing the comprehensive and severe domestic and overseas environment, as well the impact of COVID-19, the entire Group has been making concerted efforts, by practicing responsibility and commitment with actions and interpreting high-quality development with operating performance, to achieve favorable results in all aspects of work. As of the end of 2020, the total assets of the Group amounted to RMB1,518.08 billion, with a year-on-year growth of 0.3%; in 2020, the profit attributable to the equity holders of the Company reached RMB13.25 billion, representing a year-on-year growth of 1.5%; and the return on average shareholders' equity was 8.26%.

Over the past year, we have stood firm in the face of crisis

We have worked hard to prevent and control the Pandemic while focusing on production and operation, achieving good results in the operating development of the Company.

Fighting the Pandemic and putting life first. We always give top priority to the safety and health of our employees. We have strictly implemented the requirements of central and local governments for Pandemic prevention and control to protect safety and health of our employees. We also actively organized donation activities to provide full support for the fight against the Pandemic in Hubei.

Focusing on principal businesses and defusing risks. We focused on the central mission of defusing financial risks, deepened participation in the risk mitigation of small and medium financial institutions, and maintained the stability of the financial system. Taking the advantage of "industry + finance", we actively participated in bankruptcy restructuring of large enterprise groups, and supported social and economic development. We gave full play to countercyclical tools and financial assistance functions to accurately support enterprises to resume work and production.

Retaining our original profession and serving the real economy. We provided financial services such as bankruptcy and reorganization, merger and reorganization, bridge financing, mezzanine investment and staged shareholding for industrial restructuring, allocated resources to key industries such as advanced manufacturing and energy, and promoted industrial upgrading through market-based measures.

Strengthening risk control and promoting quality. We strictly controlled the standards of customers and projects, focused on distressed assets and distressed enterprises while seizing quality customers such as industry leaders, flexibly used financial instrument portfolio to provide tailor-made financial services for quality customers to merge and restructure distressed assets and distressed enterprises, and solidly built up margin of security for projects, so as to continuously improve the quality of business development.

Engaging in poverty alleviation and fulfilling our responsibilities. We adhered to practising the guidance of "Poverty alleviation should start with ambition raising and education vitalizing", helping eight districts and counties including Ledu County, Qinghai and 26 villages including Kelake Village in Aketao County, Xinjiang to get rid of poverty as scheduled, gracing the story of "one step across a millennium" by "Cinda features" with practical actions.

Over the past year, we have accumulated strength from challenges

We have been practicing our skills, consolidating the foundation, and making effective progress in the construction of institutional mechanisms.

Continuing to improve the corporate governance mechanism. We comprehensively reviewed the systems and procedures of the Company, further improved the corporate governance mechanism, and strove to transform system advantages to governance benefits. In 2020, the Company was awarded "Best Corporate Governance Bank" by the *Global Finance* Magazine.

Promoting the internal market-based reform. The disposal of the equity interests of Happy Life was completed, the spin-off and listing of Cinda Securities was successfully promoted, and the market-based reform plan of Jingu Trust took shape. We also implemented refined management measures and continued to deepen the Group synergy.

Steadily constructing the "Digital Cinda". We launched the information security construction plan, achieved milestones for off-site disaster recovery construction, built up the vision of "Digital Cinda", and formulated preliminary plans for 2021-2025 informationization planning.

Continuing to enhance the professional quality of talents. We strengthened staff training and talent cultivation, carried out professional trainings on core businesses and project cases to provide strong talent support for the business transformation and high-quality development of the Company.

The harvest comes from sowing. Every bit of success of the Company cannot be separated from the support of shareholders, customers and all walks of life, and the hard work of all the staff. On behalf of the Board, I would like to express my gratitude to them. In 2020, due to job changes, Ms. Yuan Hong no longer served as a director of the Company. On behalf of the Board, I sincerely thank her for her contribution to the Company during her tenure. At the same time, on behalf of the Board, I would like to extend our warm welcome to Mr. Wang Shaoshuang and Ms. Zhang Yuxiang to join the Board.

All the past is just a preface. In 2021, China will embark on a new journey of fully building a modern socialist country, as the year is also the starting point of the Company's "3rd Five-Year Plan". We will follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, strengthen our awareness of opportunities and risks, and make great achievements in our cause based on the new stage of development, the new vision of development and the new pattern of development. We will make best efforts to seize every moment with vigor and perseverance, create value with high quality growth, and reward our shareholders and the society.

Chairman: **ZHANG Zi'ai**

March 26, 2021

6. President's Statement

President
Zhang Weidong

6. President's Statement

In 2020, faced with the complex external situation and the impact of the COVID-19, the Group fully implemented the high-quality development concept of "professional operation, efficiency first, value creation". Focusing on the main responsibilities and principal businesses, for the purpose of defusing financial risks and serving the real economy, we consolidated our existing business advantages, strengthened customer and market development, vigorously promoted business innovation and transformation, strictly guarded the bottom line of risks, sped up asset turnover, and calmly coped with internal and external challenges, thus ensuring the stable and long-term operation of the Company.

Asset scale and profit level remained stable. In 2020, the profit attributable to the shareholders of the Company reached RMB13.25 billion, with an increase of 1.5% over the previous year; the Group's average return on shareholder equity was 8.26%. As at the end of 2020, the total assets of the Group amounted to RMB1,518.08 billion, with an increase of 0.3% over the end of the previous year; the Company's core tier one capital adequacy ratio was 10.66%, maintaining a reasonable and adequate margin of safety.

The advantages of the principal business of distressed assets were consolidated. We have steadily promoted the acquisition and disposal for the core business of distressed assets, and maintained our leading position in the industry for the Acquisition-operation business. In 2020, a new investment of RMB45.63 billion was put into the Acquisition-operation Business, and the carrying amount of such assets disposed of was RMB41.58 billion. We actively participated in the risk mitigation of small and medium-sized financial institutions, fully reflecting the professional level of our distressed assets business.

Business transformation was actively promoted. We have consolidated the existing businesses, and optimized businesses of robust income. Centering on the distressed institutions and distressed assets, we actively explored innovative businesses, established distressed assets judicial auction funds, and studied and explored new business models such as private equity fund secondary market transactions, enterprise structure adjustment, M&A and reorganization. We actively cultivated the customer ecosystem, deepened the cooperation with existing customers, and strengthened the expansion of high-quality customers.

Bottom-line thinking was strengthened, great results were achieved in risk control. We have taken risk management and control as the top priority in the Group's work, actively defused existing risks, improved business quality, and enhanced the prevention and control of new risks. The impairment rate and provision coverage ratio were maintained at sound level.

Resource allocation of subsidiaries was optimized, group management and control was enhanced. We have strengthened the market-based reform of the subsidiaries and improved the governance efficiency. We continued to optimize the structure of assets, regions, products and customers, deepen the synergy of the Group, strengthen subsidiary management, and implement the responsibilities of operating principals.

In 2021, the Group will further adhere to the general tone of pursuing progress while ensuring stability and the high-quality development ideas of "professional operation, efficiency first and value creation", focus on the main responsibilities and principal business, and strengthen sound management. We will focus on stabilizing business performance, further optimizing asset structure, speeding up business transformation, strengthening effective investment, improving turnover efficiency, strictly preventing and controlling risks, consolidating asset quality, strengthening regional coordination, and cultivating strategic customer base and ecosystem, in order to solidly promote the construction of "Digital Cinda" and ensure the strategic transformation and high-quality development of the Company.

张卫东

President: **ZHANG Weidong**
March 26, 2021

7. Statement of Chairman of the Board of Supervisors

Chairman of the Board of Supervisors
GONG Jiande

7. Statement of Chairman of the Board of Supervisors

In 2020, in the face of the sudden outbreak of COVID-19 and the complex and changing external situation, the Company adhered to the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, upheld the high-quality development concept of "professional operation, efficiency first and value creation", and promoted the deep integration of the Party leadership and corporate governance. We focused on our main responsibilities and principal businesses, braved the difficulties, operated prudently, guarded against and defused financial risks, in order to serve the real economy, and steadily promote high-quality development.

In 2020, the Board of Supervisors fully implemented the regulatory requirements of the CBIRC, and gave full play to its functions, focusing on the development positioning of the Company and the concept of high-quality development, and adhering to the problem-oriented approach. **We strengthened the supervision over the performance of duties.** We revised the Measures on the Performance Supervision of Boards of Supervisors, focusing on the Board, Senior Management and their members' performance of duties in corporate governance, development strategy, operation management and risk control, so as to continuously improve corporate governance. **We enhanced financial supervision.** We carefully reviewed the regular reports, and gave independent opinions objectively and impartially. We paid attention to the impact of the Pandemic and the economic situation on the Company, carried out supervision around the key areas in the operation process, and promptly reminded the management to make coping arrangements. **We strengthened the supervision on risk management and internal control.** We regularly listened to risk management reports, paid attention to changes in asset quality, and strictly controlled liquidity risks. We thoroughly summarized and analyzed the causes of the problems identified in the regulatory inspections over the years, supervised and urged systematic and radical rectification, in order to promote the Company's compliance and sound operation. **We strengthened collaborative supervision.** We improved the mechanism of joint supervision meetings, and gave full play to joint efforts in supervision. We regularly communicated with regulatory authorities to promote the two-way communication of supervision information, and enhanced the application of supervision results, in order to improve the supervision effectiveness.

Courage and perseverance can be developed only after experiencing difficulties and hardships, and success cannot be achieved without suffering. 2021 is the start year of the "14th Five-Year Plan", the beginning year of the new journey towards the Second Centenary Goal of fully building a modern socialist country, as well as the beginning year of the "3rd Five-Year Plan" of the Company to promote the high-quality development. The Board of Supervisors will deeply study and resolutely implement the principles of the Fifth Plenary Session of the 19th CPC Central Committee, focus on the new development stage, and supervise the implementation of the national macro policies, in order to ensure a good start for the "3rd Five-Year Plan" of the Company, and promote the effective implementation of various policies. We will focus on new development concepts, strengthen the supervision on assets and liabilities, promote the optimization of asset structure, explore new business development models, and promote the effective implementation of high-quality development requirements. We will focus on the new development pattern, promote the Company to improve the governance system and internal control system, highlight the risk supervision of important risks and major projects, and promote the effective implementation of corporate governance, internal control and risk management. We will further improve the supervision mechanisms by focusing on new development requirements, promote subsidiaries to improve their governance, strengthen the quality and effectiveness of supervision, and constantly improve the overall capacity of the Boards of Supervisors in fulfilling its duties.

龚建德

Chairman of the Board of Supervisors: **GONG Jiande**

March 26, 2021

8. Management Discussion and Analysis

8.1 Economic and Regulatory Environment

Since 2020, the global outbreak of COVID-19 has seriously threatened health of people worldwide and plunged the world economy into a deep recession. Economic globalization has suffered setbacks, supply chains and industrial chains have suffered shocks, geopolitical risks have increased, and the global governance system is facing a profound reshaping. Some economies have experienced acute social problems, with widening gap between the rich and the poor, and serious polarization. There has been obvious tendency of financial asset bubbles and government debts surge, which leads to the accumulation of systematic risks.

In spite of this, in 2020, China struggled to overcome the impact of the Pandemic, so that the economy achieved a "V-shaped" reversal and steadily recovered to normal state. With an annual GDP growth of 2.3%, China is the only major economy in the world achieving a positive economic growth. In China, Pandemic containment has been conducted on a regular basis in a scientific and effective way, production and demand have continued to rebound, investment and consumption have continued to improve, employment and prices have remained stable on the whole, livelihood has been effectively ensured, and major victories have been achieved in poverty alleviation. In addition, market entities have become more dynamic, the digital economy has grown rapidly, industrial transformation and upgrading have been accelerated, major breakthroughs have been made in scientific and technological development, and further progress has been made in new infrastructure construction and urbanization.

The Chinese government has promoted Pandemic containment as well as economic and social development in a coordinated way, focusing on the strategic basis of expanding domestic demand, and made solid progress in ensuring stability on the six fronts while maintaining security in the six areas. Key progress has been made in the three critical battles, economic growth has been better than expected, and social stability has been maintained. The government has greatly targeted its macro-policy to aid enterprises and stimulate the market, and adopted more vigorous, proactive and impactful fiscal policies, and more prudent, flexible and appropriate monetary policies. Special transfer payment mechanisms and tools were created to direct government funds to the real economy, the total amount of government funds were kept to an appropriate scale, the cost for real businesses was lowered, and the support for the development of the real economy was targeted. The government has advanced the supply-side structural reform of the financial sector, improved the governance capacity of financial institutions, vigorously promoted the reform of the stock issuance registration system, and expanded the high-level and mutual openness of the financial sector in an orderly manner. The modern financial regulatory system has been improved, a macro prudential framework has been intensified, in order to strengthen oversight of systemically important financial institutions, financial holding companies, real estate finance and other key areas, enhance anti-monopoly, prevent disorderly expansion of capital, and protect the rights and interests of financial consumers.

In order to forestall and defuse major risks, the regulatory authorities have coordinated economic development and financial security, adopted targeted and precise measures, handled prominent risks in key areas in an orderly manner, and effectively curbed the rise of systemic risks. The actions include: First, to respond proactively to the rebound in distressed assets from banks and defuse the debt risks of high-risk financial institutions and large and medium-sized enterprises in an orderly way. Financial assets classifications shall be strict, and disposal of distressed assets shall be enhanced. High-risk financial institutions shall be timely processed, and default risks in the bond market shall be properly handled. Second, to continue to expand the range of distressed assets market participants. The fifth national AMC was approved to start business, the first foreign-controlled regional AMC was approved to set up, and the business scope of AICs was further liberalized. Cross-border transfer of distressed assets has been put into pilot test or under exploration in the Guangdong-Hong Kong-Macao Greater Bay Area and Beijing, Sichuan, Zhejiang and other places. Third, to expand the channels and methods for the disposal of distressed assets. Pilot of the single transfer of non-performing corporate loan and batch transfer of non-performing individual loans have been carried out to fill the gap in the policy on the disposal of distressed assets. Fourth, to accelerate the online disposal of distressed assets. The Internet distressed assets trading platform has developed rapidly and in a normalized pattern. In conclusion, the distressed assets industry pattern is experiencing accelerated change under the impetus of economy, regulation, technology and other factors. Industry participants are taking the initiative to seek changes and accelerate transformation, with an aim to promote the innovative development of the distressed assets business.

8.2 Analysis of Financial Statements

8.2.1 Operating Results of the Group

In 2020, in the face of downward macroeconomic pressure and the impact of COVID-19, the Group resolutely implemented the decisions and arrangements of the CPC Central Committee and the State Council, as well as the regulatory requirements of “concentrating on and highlighting the core business”, focused on the core business of distressed assets, performed its professional duties, and actively dealt with pressures and challenges. Our operation performance was stable, and the risks were generally under control.

In 2020, the net profit attributable to equity holders of the Company amounted to RMB13,247.9 million, representing an increase of RMB195.0 million, or 1.5% year-on-year. The ROE and ROA were 8.26% and 0.97%, respectively.

	For the year ended December 31,			
	2020	**2019**	**Change**	**Change in percentage**
	(in millions of RMB)			**(%)**
Continuing operations				
Income from distressed debt assets at amortized cost	19,150.7	16,403.6	2,747.1	16.7
Fair value changes on distressed debt assets	12,547.0	13,645.3	(1,098.3)	(8.0)
Fair value changes on other financial instruments	12,566.5	14,840.1	(2,273.6)	(15.3)
Investment income	322.5	464.5	(142.0)	(30.6)
Interest income	23,899.2	25,401.6	(1,502.4)	(5.9)
Revenue from sales of inventories	24,316.3	18,169.4	6,146.9	33.8
Commission and fee income	4,444.9	3,536.6	908.3	25.7
Net gains on disposal of subsidiaries, associates and joint ventures	1,842.3	881.6	960.7	109.0
Other income and other net gains or losses	1,044.7	2,804.2	(1,759.5)	(62.7)
Total income	**100,134.0**	**96,146.9**	**3,987.1**	**4.1**
Commission and fee expense	(635.9)	(719.6)	83.7	(11.6)
Purchases and changes in inventories	(17,360.4)	(12,868.8)	(4,491.6)	34.9
Employee benefits	(6,158.9)	(6,001.9)	(157.0)	2.6
Impairment losses on assets	(14,096.8)	(8,924.2)	(5,172.6)	58.0
Interest expense	(39,618.5)	(44,366.6)	4,748.1	(10.7)
Other expenses	(6,189.2)	(5,676.7)	(512.5)	9.0
Total costs and expenses	**(84,059.7)**	**(78,557.8)**	**(5,501.9)**	**7.0**
Change in net assets attributable to other holders of consolidated structured entities	(17.8)	(237.5)	219.7	(92.5)
Share of results of associates and joint ventures	252.7	1,920.8	(1,668.1)	(86.8)
Profit before tax from continuing operations	16,309.3	19,272.4	(2,963.1)	(15.4)
Income tax expense	(5,324.0)	(5,754.6)	430.6	(7.5)
Profit for the year from continuing operations	**10,985.2**	**13,517.8**	**(2,532.6)**	**(18.7)**
Discontinued operation				
Profit after tax for the year from a discontinued operation	**3,752.0**	**1,500.4**	**2,251.6**	**150.1**
Profit for the year	**14,737.3**	**15,018.2**	**(280.9)**	**(1.9)**
Profit attributable to:				
—Equity holders of the Company	13,247.9	13,052.9	195.0	1.5
—Non-controlling interests	1,489.4	1,965.3	(475.9)	(24.2)

8.2.1.1 Total Income from Continuing Operations

In 2020, the total income from continuing operations of the Group increased compared with last year, increasing from RMB96,146.9 million in 2019 to RMB100,134.0 million in 2020, with an increase of 4.1%, mainly because the revenue from sales of inventories and income from distressed debt assets at amortized cost increased significantly compared with last year, which was partly offset by the decline of the fair value changes on other financial instruments and interest income.

Income from Distressed Debt Assets at Amortized Cost

The income from distressed debt assets at amortized cost of the Group, including the interest income and gains or losses from disposal of restructured distressed debt assets, increased by 16.7% from RMB16,403.6 million in 2019 to RMB19,150.7 million in 2020, which accounted for 17.1% and 19.1% of the total income from continuing operations in the corresponding years, respectively. The increase in the income from distressed debt assets at amortized cost was mainly due to the losses as a result of the disposal of endogenous distressed assets in 2019.

In 2020, the monthly average balance of distressed debt assets at amortized cost amounted to RMB200,616.4 million (2019: RMB212,199.0 million). The annualized monthly average return of such distressed debt assets (excluding disposal gains and losses of impaired assets) decreased from 9.1% in 2019 to 8.6% in 2020, mainly due to the decrease of the revenue level of the Restructured Distressed Assets business as influenced by downward market interest rates.

Fair Value Changes on Distressed Debt Assets

The fair value changes on distressed debt assets of the Group decreased by 8.0% from RMB13,645.3 million in 2019 to RMB12,547.0 million in 2020. The fair value changes on acquisition-operation distressed debt assets decreased by 25.1% from RMB13,484.9 million in 2019 to RMB10,094.9 million in 2020, accounting for 14.0% and 10.1% of the total income from continuing operations in the corresponding years, respectively.

The table below sets out the components of fair value changes on acquisition-operation distressed debt assets of the Group for the years indicated.

	For the year ended December 31,			
	2020	2019	Change	Change in percentage
	(in millions of RMB)			(%)
Realized fair value changes	12,420.4	12,377.3	43.1	0.3
Unrealized fair value changes	(2,325.5)	1,107.6	(3,433.1)	(310.0)
Subtotal	**10,094.9**	**13,484.9**	**(3,390.0)**	**(25.1)**

The table below sets out the changes on acquisition-operation distressed debt assets at fair value of the Group as at the dates and for the years indicated.

	For the year ended December 31, (in millions of RMB)
As at December 31, 2018	**189,113.9**
Acquisition in the year	52,155.4
Disposal in the year	(44,755.6)
Unrealized fair value changes	1,107.6
As at December 31, 2019	**197,621.3**
Acquisition in the year	45,978.4
Disposal in the year	(42,528.0)
Unrealized fair value changes	(2,325.5)
As at December 31, 2020	**198,746.2**

In 2020, the fair value changes on acquisition-operation distressed debt assets of the Group decreased by 25.1% over 2019. In particular, the realized fair value changes increased by 0.3% from RMB12,377.3 million in 2019 to RMB12,420.4 million in 2020; the unrealized fair value changes decreased by 310.0% from the valuation gains of RMB1,107.6 million in 2019 to the valuation losses of RMB2,325.5 million in 2020, mainly due to the decrease of the valuation of certain acquisition-operation distressed debt assets compared to the previous year as a result of the impact of the macroeconomic downturn and the Pandemic.

In 2020, due to the impact of the Pandemic, the Group's acquisition-operation business slowed down in acquisition and disposal, and the scale of new acquisition and disposal decreased from RMB52,155.4 million and RMB44,755.6 million in 2019 to RMB45,978.4 million and RMB42,528.0 million in 2020, respectively.

Fair Value Changes on Other Financial Instruments

The fair value changes on other financial instruments of the Group included the gains or losses on disposal, interest income, dividend income and unrealized fair value changes on financial assets at fair value through profit or loss (excluding the distressed debt assets at fair value through profit or loss), and the realized and unrealized fair value changes on loans and advances to customers at fair value through profit or loss, as well as on financial liabilities at fair value through profit or loss.

The fair value changes on other financial instruments of the Group decreased by 15.3% from RMB14,840.1 million in 2019 to RMB12,566.5 million in 2020, accounting for 15.4% and 12.5% of the total income from continuing operations for the respective periods. Of which, the fair value changes on DES Assets were RMB7,463.2 million and RMB3,459.7 million, respectively, accounting for 7.8% and 3.5% of the total income from continuing operations for the respective periods.

The table below sets out the components of fair value changes on financial instruments at fair value through profit or loss (excluding distressed debt assets at fair value through profit or loss) of the Group for the years indicated.

	For the year ended December 31,			
	2020	**2019**	**Change**	**Change in percentage**
	(in millions of RMB)			(%)
Fair value changes on financial instruments at fair value through profit or loss	3,784.3	5,473.7	(1,689.4)	(30.9)
DES Assets of the Company [1]	3,014.8	6,963.6	(3,948.8)	(56.7)
Others	769.5	(1,489.9)	2,259.4	151.6
Interest income	2,824.0	3,215.2	(391.2)	(12.2)
Dividend income	5,958.2	6,151.2	(193.0)	(3.1)
DES Assets of the Company	444.9	499.6	(54.7)	(10.9)
Others	5,513.3	5,651.6	(138.3)	(2.4)
Total	**12,566.5**	**14,840.1**	**(2,273.6)**	**(15.3)**

Note:

(1) Comprising the realized net gains on disposal and the unrealized fair value changes on DES Assets at fair value through profit or loss.

The fair value changes on DES Assets at fair value through profit or loss decreased by 56.7% from RMB6,963.6 million in 2019 to RMB3,014.8 million in 2020, mainly because the increase of valuation of certain DES projects of the Company in 2020 was lower than that of the previous year.

The fair value changes on other financial assets at fair value through profit or loss changed from the losses of RMB1,489.9 million in 2019 to the gains of RMB769.5 million in 2020, mainly due to the recovery of valuation of certain equity projects of the Group in 2020 with the influence of capital market fluctuations.

Investment Income

In 2020, the investment income of the Group was RMB322.5 million, representing a decrease of 30.6% from RMB464.5 million in 2019, of which the investment income of loans and advances to customers measured at amortized cost was RMB18.4 million, representing a decrease of 87.7% compared with RMB149.3 million in 2019.

Interest Income

The table below sets out the components of the interest income of the Group for the years indicated.

	For the year ended December 31,			
	2020	**2019**	**Change**	**Change in percentage**
	(in millions of RMB)			**(%)**
Loans and advances to customers	16,223.2	17,114.3	(891.1)	(5.2)
Financial assets at fair value through other comprehensive income	2,740.2	3,219.9	(479.7)	(14.9)
Other debt investments at amortized cost	2,312.4	2,353.1	(40.7)	(1.7)
Deposits with banks and other financial institutions	1,321.7	952.4	369.3	38.8
Financial assets held under resale agreements	779.6	670.7	108.9	16.2
Placements with banks and other financial institutions	314.1	816.9	(502.8)	(61.5)
Others	207.9	274.3	(66.4)	(24.2)
Total	**23,899.2**	**25,401.6**	**(1,502.4)**	**(5.9)**

The interest income of the Group in 2020 decreased by 5.9% when compared with last year, mainly due to the decline in interest income from loans and advances to customers, placements with banks and other financial institutions and financial assets at fair value through other comprehensive income, partly offset by the increase in interest income from deposits with banks and other financial institutions.

(1) The interest income from loans and advances to customers decreased by 5.2% from RMB17,114.3 million in 2019 to RMB16,223.2 million in 2020, mainly due to interest income from loans and advances to customers declined at NCB due to the downturn of market interest rates.

(2) The interest income from placements with banks and other financial institutions decreased by 61.5% from RMB816.9 million in 2019 to RMB314.1 million in 2020, mainly due to the decline in interest income from placements with banks and other financial institutions by NCB as a result of the decline in market interest rates.

(3) The interest income from financial assets at fair value through other comprehensive income decreased by 14.9% from RMB3,219.9 million in 2019 to RMB2,740.2 million in 2020, mainly due to the decline in the scale of such debentures of NCB and the decline in market interest rates.

(4) The interest income from deposits with banks and other financial institutions increased by 38.8% from RMB952.4 million in 2019 to RMB1,321.7 million in 2020, mainly due to the increase in the scale of balance of deposits with banks and other financial institutions of the Company.

Commission and Fee Income

The table below sets out the components of the commission and fee income of the Group for the years indicated.

	For the year ended December 31,			
	2020	**2019**	**Change**	**Change in percentage**
	(in millions of RMB)			**(%)**
Securities and futures brokerage	1,210.8	953.4	257.4	27.0
Banking business	1,040.9	1,053.5	(12.6)	(1.2)
Fund and asset management business	869.2	662.3	206.9	31.2
Agency business	460.8	303.2	157.6	52.0
Trustee services	315.6	223.3	92.3	41.3
Consultancy and financial advisory services	245.2	190.2	55.0	28.9
Securities underwriting	212.1	107.9	104.2	96.6
Others	90.4	42.7	47.7	111.7
Total	**4,444.9**	**3,536.6**	**908.3**	**25.7**

The commission and fee income of the Group increased by 25.7% from RMB3,536.6 million in 2019 to RMB4,444.9 million in 2020, mainly due to the growth in commission and fee income from securities and futures brokerage business, fund and asset management business and other businesses as a result of active trading in the securities market in 2020, of which:

(1) The commission and fee income from securities and futures brokerage business increased by 27.0% from RMB953.4 million in 2019 to RMB1,210.8 million in 2020.

(2) The commission and fee income from fund and asset management business increased by 31.2% from RMB662.3 million in 2019 to RMB869.2 million in 2020.

Revenue from Sales of Inventories and Purchases and Changes in Inventories

The table below sets out the components of revenue from sales of inventories and purchases and changes in inventories of the Group for the years indicated.

	For the year ended December 31,			
	2020	**2019**	**Change**	**Change in percentage**
	(in millions of RMB)			(%)
Revenue from sales of inventories	24,316.3	18,169.4	6,146.9	33.8
Purchases and changes in inventories	(17,360.4)	(12,868.8)	(4,491.6)	34.9
including:				
Revenue from sales of properties held for sale	24,078.7	18,155.3	5,923.4	32.6
Purchases and changes in properties held for sale	(17,131.6)	(12,855.3)	(4,276.3)	33.3
Gross profit from sales of properties held for sale	6,947.1	5,300.0	1,647.1	31.1
Gross profit margin from sales of properties held for sale (%)	28.9	29.2	(0.3)	(1.2)

The revenue from sales of inventories of the Group increased by 33.8% from RMB18,169.4 million in 2019 to RMB24,316.3 million in 2020, the purchases and changes in inventories increased by 34.9% from RMB12,868.8 million in 2019 to RMB17,360.4 million in 2020, mainly due to the significant increase in the project delivery scale of Cinda Real Estate in 2020 compared with last year, resulting in quick growth of revenue from sales of properties held for sale and purchases and changes in properties held for sale.

Net Gains on Disposal of Subsidiaries, Associates and Joint Ventures

The net gains on disposal of subsidiaries, associates and joint ventures of the Group increased by 109.0% from RMB881.6 million in 2019 to RMB1,842.3 million in 2020, mainly due to the increase in revenue from the disposal of associates and joint ventures by the Company and Cinda Investment.

Other Income and Other Net Gains or Losses

Other income and other net gains or losses of the Group decreased by 62.7% from RMB2,804.2 million in 2019 to RMB1,044.7 million in 2020, mainly due to the change of foreign exchange rate gains and losses. The foreign exchange rate of the Group shifted from foreign exchange gains of RMB839.6 million in 2019 to the foreign exchange losses of RMB1,529.3 million in 2020, mainly due to the exchange rate fluctuations of the USD and HKD in 2020.

8.1.1.2 Total Cost and Expenses from Continuing Operations

In 2020, the total costs and expenses from continuing operations of the Group increased over the previous year.

The table below sets out the components of total costs and expenses from continuing operations of the Group for the years indicated.

	For the year ended December 31,			
	2020	2019	Change	Change in percentage
	(in millions of RMB)			(%)
Interest expense	(39,618.5)	(44,366.6)	4,748.1	(10.7)
Purchases and changes in inventories	(17,360.4)	(12,868.8)	(4,491.6)	34.9
Impairment losses on assets	(14,096.8)	(8,924.2)	(5,172.6)	58.0
Employee benefits	(6,158.9)	(6,001.9)	(157.0)	2.6
Business depreciation and amortization	(2,057.7)	(1,558.7)	(499.0)	32.0
Commission and fee expense	(635.9)	(719.6)	83.7	(11.6)
Tax and surcharges	(599.3)	(577.0)	(22.3)	3.9
Other expenses	(3,532.1)	(3,541.0)	8.9	(0.3)
Total	**(84,059.7)**	**(78,557.8)**	**(5,501.9)**	**7.0**

The Group's total costs and expenses from continuing operation increased by 7.0% from RMB78,557.8 million in 2019 to RMB84,059.7 million in 2020, primarily due to an increase in impairment losses on assets and purchases and changes in inventories, partly offset by the decrease in interest expense.

Interest Expense

The table below sets out the major components of interest expense of the Group for the years indicated.

	For the year ended December 31,			
	2020	2019	Change	Change in percentage
	(in millions of RMB)			(%)
Borrowings	(21,589.8)	(26,122.3)	4,532.5	(17.4)
Bonds issued	(13,287.8)	(12,046.3)	(1,241.5)	10.3
Due to customers	(4,103.5)	(4,955.5)	852.0	(17.2)
Financial assets sold under repurchase agreements	(196.9)	(191.9)	(5.0)	2.6
Placements from banks and other financial institutions	(143.3)	(218.2)	74.9	(34.3)
Deposits from banks and other financial institutions	(135.5)	(662.1)	526.6	(79.5)
Accounts payable to brokerage clients	(55.4)	(45.2)	(10.2)	22.6
Lease liabilities	(36.7)	(43.7)	7.0	(16.0)
Others	(69.7)	(81.4)	11.7	(14.4)
Total	**(39,618.5)**	**(44,366.6)**	**4,748.1**	**(10.7)**

In 2020, the interest expense of the Group was RMB39,618.5 million, representing a decrease of 10.7% from RMB44,366.6 million in 2019, of which:

(1) The interest expense on borrowings decreased by 17.4% from RMB26,122.3 million in 2019 to RMB21,589.8 million in 2020 and the interest expense on bonds issued increased by 10.3% from RMB12,046.3 million in 2019 to RMB13,287.8 million in 2020, mainly due to the decline of the market interest rate and the continuous optimization of debt structure of the Group by effective control of debt growth and promotion of standardized financing.

(2) The interest expense on due to customers decreased by 17.2% from RMB4,955.5 million in 2019 to RMB4,103.5 million in 2020, mainly due to the decrease in the balance of due to customers of NCB as a result of market interest rate downturn.

Impairment Losses on Assets

The table below sets out the principal components of the impairment losses on assets of the Group for the years indicated.

	For the year ended December 31,			
	2020	**2019**	**Change**	**Change in percentage**
	(in millions of RMB)			(%)
Financial assets at amortized cost				
Distressed debt assets	(7,659.9)	(3,544.1)	(4,115.8)	116.1
Other debt investments	(636.5)	(328.3)	(308.2)	93.9
Loans and advances to customers	(2,699.4)	(2,084.0)	(615.4)	29.5
Properties held for sale	(1,343.9)	(433.8)	(910.1)	209.8
Assets in satisfaction of debts	(637.0)	(99.5)	(537.5)	540.2
Interests in associates and joint ventures	(403.6)	(1,858.4)	1,454.8	(78.3)
Financial assets held under resale agreements	(150.8)	(521.9)	371.1	(71.1)
Interest receivable	(111.2)	(0.5)	(110.7)	22,140.0
Goodwill	(103.5)	(4.3)	(99.2)	2,307.0
Property and equipment	(3.1)	(75.4)	72.3	(95.9)
Accounts receivable	63.9	115.5	(51.6)	(44.7)
Other assets	(412.0)	(89.5)	(322.5)	360.3
Total	**(14,096.8)**	**(8,924.2)**	**(5,172.6)**	**58.0**

The impairment losses on assets of the Group increased by 58.0% from RMB8,924.2 million in 2019 to RMB14,096.8 million in 2020, mainly due to the increase in impairment losses on distressed debt assets at amortized cost, partly offset by the decrease in impairment losses on interests in associates and joint ventures.

(1) The impairment losses on distressed debt assets at amortized cost increased from RMB3,544.1 million in 2019 to RMB7,659.9 million in 2020, mainly due to the impact of the macroeconomic downturn and the Pandemic, quality of certain financial assets at amortized cost held by the Company was under pressure, and the Company increased the provision for impairment of credit risk out of prudence.

(2) The Group made an impairment loss provision of RMB1,858.4 million as there were indications of impairment in the investment in certain associates and joint ventures in 2019.

Employee Benefits

The table below sets out the principal components of the employee benefits of the Group for the years indicated.

	For the year ended December 31,			
	2020	2019	Change	Change in percentage
	(in millions of RMB)			(%)
Wages or salaries, bonuses, allowances and subsidies	(4,909.8)	(4,624.6)	(285.2)	6.2
Defined contribution plans	(361.5)	(477.3)	115.8	(24.3)
Social insurance	(250.8)	(273.8)	23.0	(8.4)
Housing funds	(204.5)	(185.5)	(19.0)	10.2
Labor union fees and staff education expenses	(120.4)	(131.2)	10.8	(8.2)
Defined benefit plans	(4.4)	(4.6)	0.2	(4.3)
Others	(307.6)	(304.9)	(2.7)	0.9
Total	**(6,158.9)**	**(6,001.9)**	**(157.0)**	**2.6**

The employee benefits increased by 2.6% from RMB6,001.9 million in 2019 to RMB6,158.9 million in 2020, which basically remained stable.

8.2.1.3 Annual Results from a Discontinued Operation

On December 13, 2019, the Company entered into an equity transfer agreement with the transferees to transfer 50.995% equity interests in Happy Life held by the Company. In July, 2020, the CBIRC has approved the equity transfer, and the Group ceased to include Happy Life in its consolidated financial statements.

The results of discontinued operation for 2020 of the Group include the net gain or loss arising from Happy Life, the disposed subsidiary as of July, 2020 and the gain arising from the disposal of Happy Life in 2020. For details, please refer to Note VI.75 "Discontinued operation" to the Consolidated Financial Statements.

The table below sets out the annual results from a discontinued operation of the Group for the years indicated.

	For the year ended December 31,			
	2020	2019	Change	Change in percentage
	(in millions of RMB)			(%)
Net insurance premiums earned	6,805.5	8,205.6	(1,400.1)	(17.1)
Fair value changes on other financial instruments	1,117.4	2,475.5	(1,358.1)	(54.9)
Interest income	525.8	913.1	(387.3)	(42.4)
Commission and fee income	29.5	36.9	(7.4)	(20.1)
Investment income	226.1	17.7	208.4	1,177.4
Other income and other net gains or losses	10.7	(14.8)	25.5	172.3
Total income from a discontinued operation	**8,715.0**	**11,633.9**	**(2,918.9)**	**(25.1)**
Insurance costs	(7,200.9)	(9,016.0)	1,815.1	(20.1)
Commission and fee expense	(653.1)	(988.0)	334.9	(33.9)
Employee benefits	(344.1)	(654.0)	309.9	(47.4)
Interest expense	(144.0)	(322.1)	178.1	(55.3)
Business depreciation and amortization	(4.9)	(93.5)	88.6	(94.8)
Impairment losses on assets	(1.4)	(38.5)	37.1	(96.4)
Tax and surcharges	(3.8)	(7.1)	3.3	(46.5)
Other expenses	(110.0)	(268.5)	158.5	(59.0)
Total expenses from a discontinued operation	**(8,462.4)**	**(11,387.7)**	**2,925.3**	**(25.7)**
Change in net assets attributable to other holders of consolidated structured entities	–	0.3	(0.3)	(100.0)
Share of results of associates and joint ventures	12.9	26.7	(13.8)	(51.7)
Profit before tax	265.6	273.2	(7.6)	(2.8)
Income tax expense	(20.4)	1,227.2	(1,247.6)	(101.7)
Profit for the year	**245.2**	**1,500.4**	**(1,255.2)**	**(83.7)**
Gain on disposal of a discontinued operation	3,506.8	–	3,506.8	100.0
Profit after tax for the year from a discontinued operation	**3,752.0**	**1,500.4**	**2,251.6**	**150.1**

8.2.1.4 Income Tax Expense

The table below sets out the income tax expense attributable to continuing operations of the Group for the years indicated.

	For the year ended December 31,			
	2020	**2019**	**Change**	**Change in percentage**
	(in millions of RMB)			**(%)**
Profit before tax from continuing operations	16,309.3	19,272.4	(2,963.1)	(15.4)
Income tax expense attributable to continuing operations	(5,324.0)	(5,754.6)	430.6	(7.5)
Effective tax rate attributable to continuing operations (%)	32.6	29.9	2.7	9.0

The income tax expense attributable to continuing operations of the Group decreased by 7.5% from RMB5,754.6 million in 2019 to RMB5,324.0 million in 2020, mainly due to the decrease in the profit before tax. In 2019 and 2020, the effective tax rates attributable to continuing operations of the Group were 29.9% and 32.6%, respectively.

8.2.1.5 Segment Results of Operations

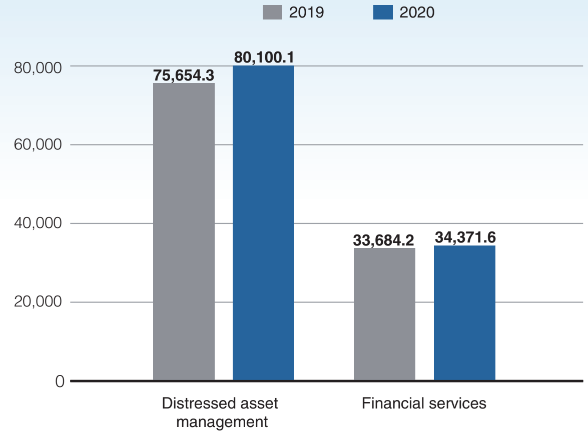
The Group has two business segments:

(1) Distressed asset management business, which mainly includes (i) management and disposal of distressed debt assets acquired from financial institutions and non-financial enterprises; (ii) investment, management and disposal of DES Assets; (iii) conducting distressed asset management business in a comprehensive way, such as restructuring of distressed entities and distressed assets, special situations investment; and (iv) entrusted operation business;

(2) Financial services business, which mainly includes banking, securities, futures, mutual funds, trusts and leasing.

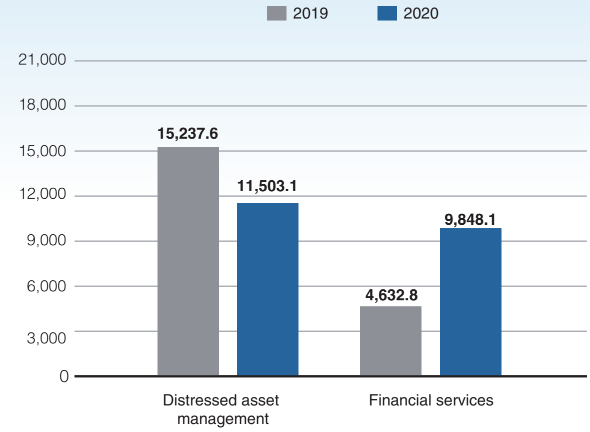
Total income

Unit: in millions of RMB



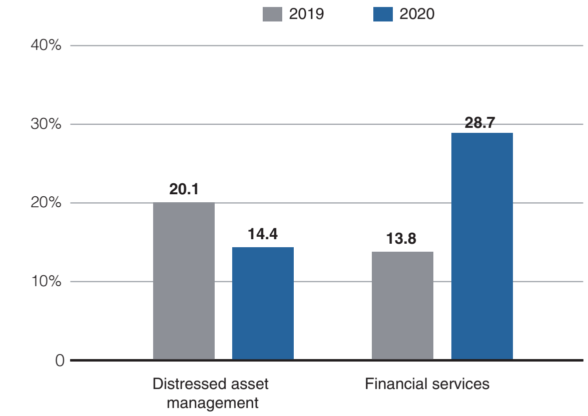
Profit before tax

Unit: in millions of RMB



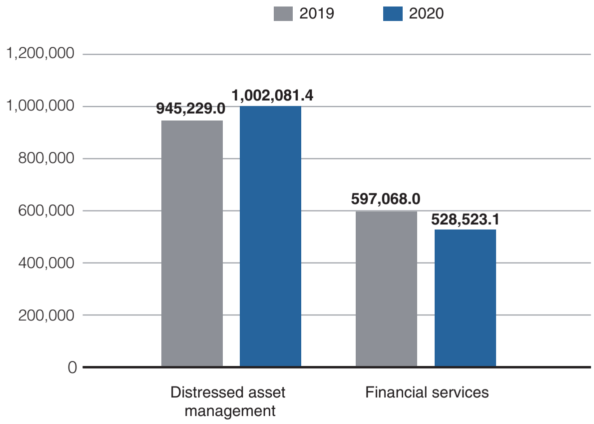
Profit margin before tax

Unit: %



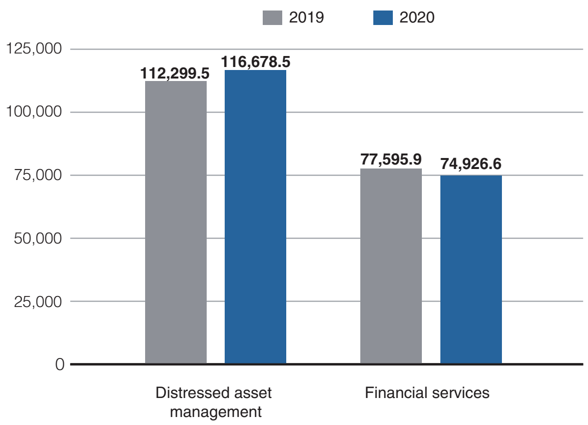
Total assets

Unit: in millions of RMB



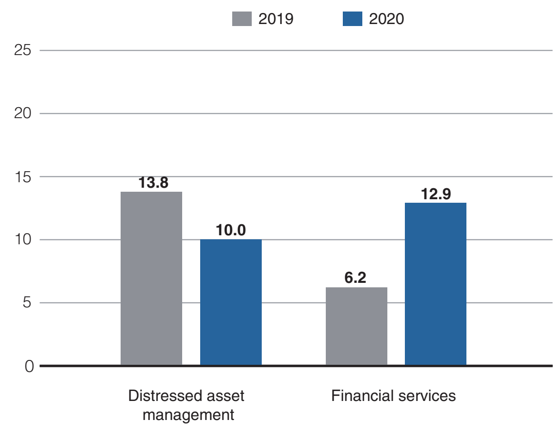
Net assets

Unit: in millions of RMB



Return on average net assets before tax

Unit: %



The following table sets forth the segment operation results and financial positions of the Group's business segments as at the dates and for the years indicated [(1)].

	For the year ended December 31,							
	2020	2019	2020	2019	2020	2019	2020	2019
	Distressed asset management		Financial services		Elimination		Consolidation	
	(in millions of RMB)							
Total income	80,100.1	75,654.3	34,371.6	33,684.2	(915.8)	(1,557.7)	113,555.9	107,780.8
Percentage of total (%)	70.5	70.2	30.3	31.3				
Total costs and expenses	(68,799.5)	(62,076.0)	(24,568.9)	(29,102.4)	846.4	1,233.0	(92,522.0)	(89,945.4)
Profit before tax	11,503.1	15,237.6	9,848.1	4,632.8	(69.4)	(324.7)	21,281.8	19,545.7
Percentage of total (%)	54.1	78.0	46.3	23.7				
Profit margin before tax (%)	14.4	20.1	28.7	13.8			18.7	18.1
Return on average net assets before tax (%)	10.0	13.8	12.9	6.2			11.1	10.7

	As at December 31,							
	2020	2019	2020	2019	2020	2019	2020	2019
	Distressed asset management		Financial services		Elimination and unallocated part[(2)]		Consolidation	
	(in millions of RMB)							
Total assets	1,002,081.4	945,229.0	528,523.1	597,068.0	(12,520.9)	(29,067.0)	1,518,083.6	1,513,230.0
Percentage of total (%)	66.0	62.5	34.8	39.5				
Net assets	116,678.5	112,299.5	74,926.6	77,595.9	3,437.3	(1,484.9)	195,042.4	188,410.5
Percentage of total (%)	59.8	59.6	38.4	41.2				

Notes:

(1) The segment operation results include both results from continuing operations and a discontinued operation. The segment total assets and net assets include the assets and liabilities held for sale. As Happy Life belonged to the financial services segment before it was disposed, the corresponding results from the discontinued operation, assets and liabilities held for sale were accounted into the financial services segment. For the segment data of continuing operations and the relevant gains or losses from the discontinued operation, please see Note VI.69 "Segment information" and Note VI.75 "Discontinued operation" to the Consolidated Financial Statements.

(2) Represents primarily income tax payable and deferred tax assets and liabilities that were not allocated to each business segment.

Distressed asset management is our core business and principal income contributor. In 2019 and 2020, the income generated from distressed asset management accounted for 70.2% and 70.5% of our total income, respectively, and the profit before tax generated from distressed asset management accounted for 78.0% and 54.1% of our total profit before tax, respectively. As at December 31, 2019 and 2020, the total assets of our distressed asset management accounted for 62.5% and 66.0% of our total assets and the net assets of our distressed asset management accounted for 59.6% and 59.8% of our net assets, respectively. In 2019 and 2020, the profit margin before tax of this segment accounted for 20.1% and 14.4%, respectively, and return on average net asset before tax was 13.8% and 10.0%, respectively, mainly due to the influence of provision for asset impairment losses.

As a key component of the business of the Group and an important cross-selling driver, the financial services segment benefited from our synergistic operations and management strategies. In 2020, total costs and expenses, total assets, net assets and their respective share of the financial services segment decreased from 2019 due to the impact of the disposal of Happy Life. The income and profit before tax of such segment increased, accounting for 31.3% and 30.3% of the total income, and 23.7% and 46.3% of the Group's profit before tax in 2019 and 2020, respectively; both the profit margin before tax and return on average net assets before tax increased significantly from 2019, which was influenced by the revenue from the disposal of Happy Life on the one hand, and on the other hand, it reflects the improvement of the operating efficiency of financial subsidiaries.

For details of the development of each business segment of the Group, please refer to "Business Overview".

8.2.2 Summary of Financial Position of the Group

In 2020, the Group's assets and liabilities basically remained stable. As at December 31, 2019 and 2020, the total assets of the Group amounted to RMB1,513,230.0 million and RMB1,518,083.6 million, respectively, representing an increase of 0.3%; total liabilities of the Group amounted to RMB1,324,819.5 million and RMB1,323,041.2 million, respectively, representing a decrease of 0.1%; total equity amounted to RMB188,410.5 million and RMB195,042.4 million, respectively, representing an increase of 3.5%.

The table below sets forth the major items of the consolidated statement of financial position of the Group as at the dates indicated.

	As at December 31,			
	2020		2019	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Assets				
Cash and balances with central banks	15,375.0	1.0	19,002.1	1.3
Deposits with banks and financial institutions	87,953.6	5.8	70,837.6	4.7
Financial assets at fair value through profit or loss	446,916.7	29.4	412,164.6	27.2
Financial assets at fair value through other comprehensive income	123,728.5	8.2	136,803.0	9.0
Loans and advances to customers	353,456.3	23.3	337,859.1	22.3
Financial assets at amortized cost	220,233.0	14.5	227,645.1	15.0
Assets held for sale	–	–	61,394.2	4.1
Other assets	270,420.5	17.8	247,524.3	16.4
Total assets	**1,518,083.6**	**100.0**	**1,513,230.0**	**100.0**
Liabilities				
Borrowings from the central bank	986.1	0.1	1,010.9	0.1
Accounts payable to brokerage clients	16,583.8	1.3	14,320.3	1.1
Due to customers	273,644.2	20.7	275,205.8	20.8
Borrowings	556,912.1	42.1	536,591.3	40.5
Accounts payable	4,886.7	0.4	5,050.8	0.4
Bonds issued	355,777.5	26.9	304,849.6	23.0
Liabilities held for sale	–	–	57,924.1	4.4
Other liabilities	114,250.8	8.6	129,866.7	9.8
Total liabilities	**1,323,041.2**	**100.0**	**1,324,819.5**	**100.0**
Equity				
Equity attributable to equity holders of the Company	172,108.7	88.2	164,898.1	87.5
Non-controlling interests	22,933.7	11.8	23,512.3	12.5
Total equity	**195,042.4**	**100.0**	**188,410.5**	**100.0**
Total equity and liabilities	**1,518,038.6**		**1,513,230.0**	

8.2.2.1 Assets

Monetary Capital

Monetary capital primarily consists of cash, principal deposits, balances with central banks, clearing settlement funds and deposits with banks and other financial institutions that Cinda Securities holds on behalf of its customers in the securities brokerage business. As at December 31, 2019 and 2020, monetary capital amounted to RMB89,839.7 million and RMB103,328.6 million, respectively, representing an increase of 15.0%, mainly due to an increase in bank deposits and deposits with banks and other financial institutions.

Financial Assets at Fair Value through Profit or Loss

The table below sets forth the principal components of the Group's financial assets at fair value through profit or loss as at the dates indicated.

	As at December 31,			
	2020	2019	Change	Change in percentage
	(in millions of RMB)			(%)
Financial assets classified as at fair value through profit or loss				
Listed investments				
Equity investments	13,561.9	9,565.8	3,996.1	41.8
Debt securities	11,868.8	10,491.0	1,377.8	13.1
Funds	7,295.4	2,071.0	5,224.4	252.3
Corporate convertible bonds	123.1	55.6	67.5	121.4
Unlisted investments				
Distressed debt assets	198,746.2	197,621.3	1,124.9	0.6
Funds	101,702.4	89,143.8	12,558.6	14.1
Equity investments	49,474.9	55,791.2	(6,316.3)	(11.3)
Debt instruments	31,674.6	28,148.6	3,526.0	12.5
Trust products and asset management plans	25,083.2	15,459.8	9,623.4	62.2
Security investments	2,569.3	1,642.9	926.4	56.4
Wealth management products	2,344.9	1,475.9	869.0	58.9
Derivative financial assets	2,416.1	619.3	1,796.8	290.1
Others	55.9	78.4	(22.5)	(28.7)
Total	**446,916.7**	**412,164.6**	**34,752.1**	**8.4**

As at December 31, 2019 and 2020, financial assets at fair value through profit or loss were RMB412,164.6 million and RMB446,916.7 million, respectively. Among which, funds and trust products and asset management plans increased while unlisted equity investments decreased.

(1) As at December 31, 2019 and 2020, listed and unlisted funds investment at fair value through profit or loss were RMB91,214.8 million and RMB108,997.8 million, respectively, increasing by 19.5%, mainly due to the increase in funds investment by the Company and Cinda Hong Kong.

(2) As at December 31, 2019 and 2020, trust products and asset management plans at fair value through profit or loss were RMB15,459.8 million and RMB25,083.2 million, respectively, increasing by 62.2%, mainly due to the increase in the trust scheme investment by the Company and Cinda Investment.

(3) As at December 31, 2019 and 2020, unlisted equity investments were RMB55,791.2 million and RMB49,474.9 million, respectively, decreasing by 11.3%, mainly due to the decrease in unlisted equity investment by the Company.

The table below sets forth the principal components of the equity investments at fair value through profit or loss by types of investment and listing status as at the dates indicated.

	As at December 31,			
	2020	2019	Change	Change in percentage
	(in millions of RMB)			(%)
The Group				
Listed	13,561.9	9,565.8	3,996.1	41.8
Unlisted	49,474.9	55,791.2	(6,316.3)	(11.3)
Total	**63,036.8**	**65,357.0**	**(2,320.2)**	**(3.6)**
The Company				
Listed	5,404.5	5,354.5	50.0	0.9
Unlisted	24,479.2	28,403.7	(3,924.5)	(13.8)
Subtotal	**29,883.7**	**33,758.2**	**(3,874.5)**	**(11.5)**
Including:				
DES Assets	27,638.2	31,836.0	(4,197.8)	(13.2)
Others	2,245.5	1,922.2	323.3	16.8
Subtotal	**29,883.7**	**33,758.2**	**(3,874.5)**	**(11.5)**

Financial Assets at Fair Value through Other Comprehensive Income

The financial assets at fair value through other comprehensive income include debt instruments held by the Group, which meet the contractual cash flow assessment, while with a business model whose objective is achieved by both collecting contractual cash flows and selling, and the equity instruments at fair value through other comprehensive income designated by the Group.

The table below sets forth the principal components of financial assets at fair value through other comprehensive income of the Group as at the dates indicated.

	As at December 31,			
	2020	2019	Change	Change in percentage
	(in millions of RMB)			(%)
Bonds	118,126.8	131,379.2	(13,252.4)	(10.1)
Equity instruments	4,473.1	4,227.6	245.5	5.8
Interest receivable	1,128.6	1,196.3	(67.7)	(5.7)
Total	**123,728.5**	**136,803.0**	**(13,074.5)**	**(9.6)**

As at December 31, 2019 and 2020, financial assets at fair value through other comprehensive income were RMB136,803.0 million and RMB123,728.5 million, respectively, decreasing by 9.6%, mainly due to the decrease in bonds invested by NCB.

Loans and Advances to Customers

The table below sets forth the major components of the Group's loans and advances to customers as at the dates indicated.

	As at December 31,			
	2020	**2019**	**Change**	**Change in percentage**
	(in millions of RMB)			**(%)**
By business type				
Corporate and personal loans and advances	301,926.4	294,211.9	7,714.5	2.6
Loans to margin clients	10,120.1	7,458.4	2,661.7	35.7
Finance lease receivables	48,895.5	44,459.2	4,436.3	10.0
Total	**360,942.0**	**346,129.5**	**14,812.5**	**4.3**
By security type				
Mortgaged	63,430.1	102,876.8	(39,446.7)	(38.3)
Pledged	108,765.7	68,909.6	39,856.1	57.8
Guaranteed	43,369.3	53,365.1	(9,995.8)	(18.7)
Unsecured	145,376.9	120,978.0	24,398.9	20.2
Total	**360,942.0**	**346,129.5**	**14,812.5**	**4.3**
Allowance for impairment losses	(7,485.7)	(8,270.4)	784.7	(9.5)
Net balance	**353,456.3**	**337,859.1**	**15,597.2**	**4.6**

The table below sets forth the principal components of the Group's corporate and personal loans and advances by business type as at the dates indicated.

	As at December 31,			
	2020	2019	Change	Change in percentage
	(in millions of RMB)			(%)
Corporate loans and advances				
Loans and advances	252,729.1	245,348.8	7,380.3	3.0
Discounted bills	555.9	2,036.5	(1,480.6)	(72.7)
Subtotal	**253,285.0**	**247,385.3**	**5,899.7**	**2.4**
Personal loans and advances				
Mortgages	27,377.1	26,316.5	1,060.6	4.0
Personal consumption loans	21,264.3	20,510.1	754.2	3.7
Subtotal	**48,641.4**	**46,826.6**	**1,814.8**	**3.9**
Total	**301,926.4**	**294,211.9**	**7,714.5**	**2.6**

Financial Assets at Amortized Cost

Financial assets at amortized cost are the debt instruments held by the Group that meet both of the following conditions: (1) the financial assets are held in the business model whose objective is achieved by collecting contractual cash flow; and (2) according to the contractual terms of the financial assets, the cash flow generated at a particular date is only the principal and the interest on the outstanding amount of principal.

The table below sets forth the major components of the Group's financial assets at amortized cost as at the dates indicated.

	As at December 31,			
	2020	**2019**	**Change**	**Change in percentage**
	(in millions of RMB)			(%)
Distressed debt assets				
Acquired from financial institutions	5,889.6	10,080.5	(4,190.9)	(41.6)
Acquired from non-financial institutions	181,520.5	184,439.4	(2,918.9)	(1.6)
Subtotal	**187,410.1**	**194,519.9**	**(7,109.8)**	**(3.7)**
Interest accrued	5,621.2	3,426.1	2,195.1	64.1
Allowance for impairment losses	(16,524.8)	(11,510.6)	(5,014.2)	43.6
Net balance	**176,506.4**	**186,435.4**	**(9,929.0)**	**(5.3)**
Other debt assets	**44,704.9**	**41,991.0**	**2,713.9**	**6.5**
Interest accrued	1,099.7	660.3	439.4	66.5
Allowance for impairment losses	(2,078.0)	(1,441.6)	(636.4)	44.1
Net balance	**43,726.5**	**41,209.7**	**2,516.8**	**6.1**
Total	**220,233.0**	**227,645.1**	**(7,412.1)**	**(3.3)**

As at December 31, 2020, the total balances of distressed debt assets at amortized cost were RMB187,410.1 million, all of which are the Group's restructured distressed debt assets, decreasing by 3.7% from RMB194,519.9 million as at December 31, 2019, mainly due to the decrease in newly acquired restructured distressed debt assets of the Company in 2020.

As at December 31, 2020, the total balances of other debt assets at amortized cost were RMB44,704.9 million, increasing by 6.5% from RMB41,991.0 million as at December 31, 2019, mainly due to the increase in trust and asset management plans measured at amortized cost of the Company.

As at December 31, 2020, the impaired distressed debt assets at amortized cost of the Company were RMB7,539.4 million, accounting for 3.9% of the total distressed debt assets at amortized cost. As at December 31, 2020, the allowance for impairment losses on distressed debt assets at amortized cost of the Company was RMB16,380.8 million, the coverage ratio of the impaired distressed debt assets at amortized cost was 217.3%, and the coverage ratio of allowance to total distressed debt assets at amortized cost was 8.5%.

8.2.2.2 Liabilities

Liabilities of the Group mainly consist of borrowings, bonds issued and due to customers, accounting for 42.1%, 26.9% and 20.7% of the total liabilities of the Group as at December 31, 2020, respectively.

The table below sets forth the components of the Group's interest-bearing liabilities as at the dates indicated.

	As at December 31,			
	2020		2019	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Borrowings	556,912.1	44.6	536,591.3	45.5
Bonds issued	355,777.5	28.5	304,849.6	25.9
Due to customers	273,644.2	21.9	275,205.8	23.3
Accounts payable to brokerage clients	16,583.8	1.3	14,320.3	1.2
Financial assets sold under repurchase agreements	15,990.7	1.3	19,495.6	1.7
Deposits from banks and other financial institutions	15,542.2	1.2	14,157.1	1.2
Placements from banks and other financial institutions	14,044.3	1.1	14,084.8	1.2
Total	**1,248,494.8**	**100.0**	**1,178,704.5**	**100.0**

Borrowings

As at December 31, 2020, the balance of borrowings of the Group amounted to RMB556,912.1 million, increasing by 3.8% from RMB536,591.3 million as at December 31, 2019, and basically remained stable.

Bonds Issued

The table below sets forth the components of the bonds issued by the Group as at the dates indicated.

	As at December 31,	
	2020	2019
	(in millions of RMB)	
Financial bonds	111,834.0	93,851.3
Asset-backed securities	102,944.6	70,141.9
USD guaranteed senior notes	75,062.0	77,528.9
Corporate bonds	22,571.1	24,867.6
Tier-2 capital bonds	18,216.7	10,189.4
Mid-term notes	8,132.3	5,076.3
Subordinated notes	4,558.7	4,871.6
Beneficiary certificates	4,099.8	1,224.3
Debt financing plan	2,933.4	2,988.5
Subordinated bonds	2,681.5	8,930.7
Certificates of deposit	1,805.0	2,218.9
Asset-backed notes	834.2	909.2
HKD bonds	44.3	47.2
Debt financing instruments	–	2,003.9
Total	**355,777.5**	**304,849.6**

As at December 31, 2019 and 2020, the balance of bonds issued by the Group amounted to RMB304,849.6 million and RMB355,777.5 million, respectively. The balance of bonds issued continued to increase, mainly because the Group continuously refined the structure of liabilities by carrying out direct financing with a focus on bond financing. Bonds issued in 2020 mainly consist of (1) asset-backed securities at a carrying amount of RMB55.05 billion issued by the Company; and (2) tier-2 capital bonds at a carrying amount of RMB8.00 billion issued by the Company.

Due to Customers

As at December 31, 2019 and 2020, the balance of due to customers of the Group amounted to RMB275,205.8 million and RMB273,644.2 million, respectively, which basically remained stable. Due to customers of the Group came from NCB.

The table below sets forth the components of due to customers of the Group as at the dates indicated.

	As at December 31,			
	2020	2019	Change	Change in percentage
	(in millions of RMB)			(%)
Demand deposits	**103,949.5**	**86,726.0**	**17,223.5**	**19.9**
Corporate	55,155.3	47,822.3	7,333.0	15.3
Personal	48,794.2	38,903.7	9,890.5	25.4
Time deposits	**155,695.8**	**176,449.0**	**(20,753.2)**	**(11.8)**
Corporate	82,949.4	86,160.2	(3,210.8)	(3.7)
Personal	72,746.4	90,288.8	(17,542.4)	(19.4)
Guarantee deposits	**12,759.6**	**10,363.6**	**2,396.0**	**23.1**
Interest payable	**1,239.3**	**1,667.2**	**(427.9)**	**(25.7)**
Total	**273,644.2**	**275,205.8**	**(1,561.6)**	**(0.6)**

8.2.3 Contingent Liabilities

Due to the nature of our business, the Group is involved in certain legal proceedings in the ordinary course of business, including litigation and arbitration. We make provisions, from time to time, for the probable losses with respect to those claims when our management can reasonably estimate the outcome of the proceedings, in light of the legal advice we have received. We do not make provision for pending litigation when the outcome of the litigation cannot be reasonably estimated or when our management believes that the probability of loss is remote or that any resulting liabilities will not have a material adverse effect on our financial condition or operating results.

As at December 31, 2019 and 2020, the claim amounts of pending litigation of which the Group was defendant were RMB2,473.8 million and RMB1,974.1 million, respectively, and provisions of RMB54.9 million and RMB9.4 million for the Group were made based on court judgments or the advice of legal counsel, respectively. The Company believes that the final result of these lawsuits will not have material impacts on the financial position or operations of the Group.

8.2.4 Difference between Consolidated Financial Statements Prepared under the PRC GAAP and IFRS

There is no difference in the net profit and shareholders' equity for the Reporting Period between the Consolidated Financial Statements prepared by the Company under the PRC GAAP and IFRS, respectively.

8.3 Business Overview

The principal business segments of the Group include (1) distressed asset management business, including debt asset management conducted with respect to distressed assets, DES Assets management, other distressed asset management, and entrusted operation businesses; and (2) financial services business, including banking, securities, futures, mutual funds, trusts and leasing.

The table below sets out the total income of each business segment for the years indicated.

	For the year ended December 31,			
	2020		2019	
	Total income	% of total	Total income	% of total
	(in millions of RMB)			
Distressed asset management	80,100.1	70.5	75,654.3	70.2
Financial services	34,371.6	30.3	33,684.2	31.3
Elimination	(915.8)	(0.8)	(1,557.7)	(1.5)
Total	**113,555.9**	**100.0**	**107,780.8**	**100.0**

The table below sets out the profit before tax of each business segment for the years indicated.

	For the year ended December 31,			
	2020		2019	
	Profit before tax	% of total	Profit before tax	% of total
	(in millions of RMB)			
Distressed asset management	11,503.1	54.1	15,237.6	78.0
Financial services	9,848.1	46.3	4,632.8	23.7
Elimination	(69.4)	(0.3)	(324.7)	(1.7)
Total	**21,281.8**	**100.0**	**19,545.7**	**100.0**

8.3.1 Distressed asset management

The distressed asset management business of the Group includes (1) management and disposal of distressed debt assets acquired from financial institutions and non-financial enterprises; (2) investment, management and disposal of DES Assets; (3) conducting distressed asset management business in a comprehensive way, such as restructuring of distressed entities and distressed assets, special situations investment; and (4) entrusted operation business.

Distressed asset management is the core business and the primary source of income and profit of the Group. In 2019 and 2020, the income from the distressed asset management business accounted for 70.2% and 70.5% of the total income of the Group, respectively, and the profit before tax from the distressed asset management business accounted for 78.0% and 54.1% of the profit before tax of the Group, respectively.

The table below sets forth the key financial indicators of the distressed asset management business of the Company as at the dates and for the years indicated.

	As at and for the year ended December 31,	
	2020	**2019**
	(in millions of RMB)	
Distressed debt assets		
Net balance of distressed debt assets [1]	375,603.2	385,449.7
Acquisition cost of distressed debt assets	105,056.9	116,710.8
Income from distressed debt assets [2]	29,326.5	30,101.2
DES Assets		
Book value of DES Assets	77,239.3	77,009.4
Gains on fair value changes [3]	3,459.7	7,463.2
Gains realized with other approaches [4]	1,393.8	(342.2)
Other distressed assets		
Book value of other distressed assets [5]	176,077.0	131,758.8
Income from other distressed assets [6]	6,893.2	5,688.0

Notes:

(1) Equivalent to the sum of the Company's "distressed debt assets at fair value through profit or loss", and "distressed debt assets at amortized cost", as presented in the Consolidated Financial Statements.

(2) Equivalent to the sum of the Company's "fair value changes on acquisition-operation distressed debt assets", and "income on distressed debt assets at amortized cost", as presented in the Consolidated Financial Statements.

(3) Income of the DES Assets at fair value through profit or loss attributed to distressed asset segment, including the net gains or losses on disposal, dividend income, interest income and unrealized fair value changes of DES Assets.

(4) The net gains or losses from DES Assets accrued in associates and joint ventures attributed to distressed asset segment; dividend income from DES Assets at fair value through other comprehensive income.

(5) Primarily includes book value of assets such as non-standard debt investments and equity investments, investments in fixed income asset management products, investments in securitized asset products and debenture investments related to the distressed asset business.

(6) Gains on other distressed asset business, including loss and profit from fair value changes.

8.3.1.1 Source of Acquisition of Distressed Debt Assets

The Company classifies the distressed debt assets into two main categories based on the source of acquisition: (1) FI Distressed Assets, including non-performing loans and other distressed debt assets from banks and other non-banking financial institutions and (2) NFE Distressed Assets, including receivables from non-financial enterprises.

The table below sets forth the key financial indicators of the Company's FI Distressed Assets and NFE Distressed Assets as at the dates and for the years indicated.

	As at and for the year ended December 31,			
	2020		2019	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Net balance of distressed debt assets (1)				
FI Distressed Assets	192,709.0	51.3	192,258.8	49.9
NFE Distressed Assets	182,894.2	48.7	193,190.9	50.1
Total	**375,603.2**	**100.0**	**385,449.7**	**100.0**
Acquisition cost of distressed debt assets (2)				
FI Distressed Assets	45,113.6	42.9	47,655.4	40.8
NFE Distressed Assets	59,943.3	57.1	69,055.4	59.2
Total	**105,056.9**	**100.0**	**116,710.8**	**100.0**
Income from distressed debt assets (3)				
FI Distressed Assets	10,164.5	34.7	13,163.5	43.7
NFE Distressed Assets	19,162.0	65.3	16,937.7	56.3
Total	**29,326.5**	**100.0**	**30,101.2**	**100.0**

Notes:

(1) Equivalent to the sum of the Company's "distressed debt assets at fair value through profit or loss" and "distressed debt assets at amortized cost", as presented in the Consolidated Financial Statements.

(2) Represents the carrying amount of distressed debt assets acquired during the year indicated.

(3) Equivalent to the sum of the Company's "fair value changes on acquisition-operation distressed debt assets" and "income from distressed debt assets at amortized cost", as presented in the Consolidated Financial Statements.

FI Distressed Assets

The FI Distressed Assets acquired by the Company primarily include non-performing loans and other distressed debt assets from banks, including large commercial banks, joint-stock commercial banks, city and rural commercial banks, policy banks and foreign banks. We also acquire distressed debt assets from non-bank financial institutions.

The table below sets forth the FI Distressed Assets in terms of acquisition costs among different types of banks and non-banking financial institutions for the years indicated.

	For the year ended December 31,			
	2020		2019	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Large commercial banks	14,726.7	32.6	15,001.0	31.5
Joint-stock commercial banks	13,135.1	29.1	13,446.7	28.2
City and rural commercial banks	10,482.6	23.2	3,938.2	8.3
Other banks [(1)]	1,397.7	3.1	1,553.6	3.3
Non-banking financial institutions [(2)]	5,371.5	12.0	13,715.9	28.7
Total	**45,113.6**	**100.0**	**47,655.4**	**100.0**

Notes:

(1) Include banking financial institutions such as policy banks and foreign banks.

(2) Mainly include non-banking financial institutions such as trust companies and finance companies.

NFE Distressed Assets

The NFE Distressed Assets acquired by the Company are primarily distressed assets which were held by non-financial enterprises or managed by financial institutions as trustee. The NFE Distressed Assets primarily include accounts receivable, other receivables, corporate bonds, entrustment loans and trust loans, etc.

8.3.1.2 Business Model of Distressed Debt Assets

The Company mainly employs two business models in distressed debt asset management, which are (1) Acquisition-Operation Model and (2) Restructuring Model.

The table below sets forth details on the acquisition and disposal of distressed assets by the Company using Acquisition-Operation Model and Restructuring Model as at the dates and for the years indicated.

	As at and for the year ended December 31,			
	2020		2019	
	Amount	Amount	Amount	Amount
	(in millions of RMB)			
Net balance of distressed debt assets				
Acquisition-operation Distressed Assets [(1)]	198,870.5	52.9	198,146.5	51.4
Restructured Distressed Assets [(2)]	176,732.7	47.1	187,303.2	48.6
Total	**375,603.2**	**100.0**	**385,449.7**	**100.0**
Acquisition cost of distressed debt assets				
Acquisition-operation Distressed Assets	45,631.8	43.4	52,155.3	44.7
Restructured Distressed Assets	59,425.1	56.6	64,555.5	55.3
Total	**105,056.9**	**100.0**	**116,710.8**	**100.0**
Income from distressed debt assets				
Acquisition-operation Distressed Assets [(3)]	10,131.6	34.5	13,602.2	45.2
Restructured Distressed Assets [(4)]	19,194.9	65.5	16,499.0	54.8
Total	**29,326.5**	**100.0**	**30,101.2**	**100.0**

Notes:

(1) Equivalent to the Company's "distressed debt assets at fair value through profit or loss", as presented in the Consolidated Financial Statements.

(2) Equivalent to the Company's "distressed debt assets at amortized cost" minus impairment losses, as presented in the Consolidated Financial Statements.

(3) Equivalent to the Company's realized and unrealized "fair value changes on acquisition-operation distressed debt assets", as presented in the Consolidated Financial Statements.

(4) Equivalent to the Company's "income from distressed debt assets at amortized cost", as presented in the Consolidated Financial Statements.

Acquisition-operation Distressed Assets

Acquisition-operation Distressed Assets refer to distressed debt assets acquired from financial institutions and non-financial institutions through competitive biddings, public auctions, blind auctions or negotiated acquisitions by the Company. Based on the characteristics of the distressed debt assets, the Company applied suitable strategies to maximize the value of assets and achieve cash recovery, including debt restructuring, debt-to-equity swap, asset swap, receipt of equity in satisfaction of debt, litigation recovery and disposal, etc.

The table below sets forth certain details of the general operation of the Acquisition-operation Distressed Assets of the Company as at the dates and for the years indicated.

	As at and for the year ended December 31,	
	2020	**2019**
	(in millions of RMB)	
Net balance of Acquisition-operation Distressed Assets	198,870.5	198,146.5
Acquisition cost of Acquisition-operation Distressed Assets	45,631.8	52,155.3
Carrying amount of Acquisition-operation Distressed Assets disposed [(1)]	41,577.4	46,052.9
Unrealized fair value changes	(2,231.1)	1,258.0
Net income from Acquisition-operation Distressed Assets	10,131.6	13,602.2
Internal rate of return [(2)] (%)	12.6	15.6

Notes:

(1) Represents the amounts of Acquisition-operation Distressed Assets disposed in a given period.

(2) The internal rate of return, or IRR, is the annualized implied discount rate calculated from a series of cash flows. It is the return that equates the present value of all capital invested in the Acquisition-operation Distressed Assets to the present value of all returns of capital, or the discount rate that will provide a net present value of all cash flows equal to zero.

In 2020, faced with the negative effects of the Pandemic, the Company adhered to effective investment, improved disposal efficiency to promote high quality development of Acquisition-operation Distressed Assets business. In terms of asset acquisition, the Company enhanced cooperation at “headquarter-to-headquarter”, conducted its public batch transfer business by “considering every package when invited, profiting from every package it won”, so as to consolidate its market leadership at reasonable purchase prices. Besides, the Company expanded its acquisition channel to cover trust, leasing, asset management and other various entities. In terms of asset disposal, the Company enhanced the classification management, promoted the disposal and turnover, consolidated cash recovery, and achieved stable net disposal income.

Restructured Distressed Assets

The primary sources of our Restructured Distressed Assets are non-financial enterprises. When acquiring debts, the Company would enter into a tripartite agreement with the creditor and debtor. We acquire the debts from the creditor, and we, the debtor and its related parties also enter into a restructuring agreement that details a series of arrangements of reorganization including the repayment amount, repayment method, repayment schedule, and collateral and guarantee agreements, with the goal of activating the existing assets of the debtor, recovering the debt in full and achieving target gains.

The table below sets forth certain details of the general operation of the Restructured Distressed Assets of the Company as at the dates and for the years indicated.

	As at and for the year ended December 31,	
	2020	**2019**
	(in millions of RMB)	
Net balance of Restructured Distressed Assets	176,732.7	187,303.2
Acquisition cost of Restructured Distressed Assets	59,425.1	64,555.5
Income from Restructured Distressed Assets	19,194.9	16,499.0
Annualized return on monthly average balance (1) (%)	8.6	9.1
Balance of impaired Restructured Distressed Assets	7,539.4	5,706.1
Impaired Restructured Distressed Assets ratio (2) (%)	3.90	2.87
Allowance for impairment losses	16,380.8	11,412.4
Impaired Restructured Distressed Assets coverage ratio (3) (%)	217.3	200.0

Notes:

(1) Equals income from Restructured Distressed Assets (excluding the losses on the disposal of impaired assets) divided by monthly average balance of Restructured Distressed Assets.

(2) Equals impaired Restructured Distressed Assets divided by gross balance of Restructured Distressed Assets.

(3) Equals balance of allowance for impairment losses divided by balance of impaired Restructured Distressed Assets.

In 2020, the Company updated distressed asset management business with investment bank thinking, and continuously promoted structural optimization and model upgrading of Restructured Distressed Assets business. In this regard, the Company increased investments in business with steady income and innovative business on the basis of consolidating the existing businesses, and actively explored businesses opportunities in corporate structural adjustment, liquidity assistance, risk alleviation, anti-pandemic relief and other fields; strengthened the client-centric strategy, improved accumulation and maintenance of existing customers, cooperated with preponderant industry investors, and led to create an "extensive distressed asset" ecosystem and achieve quality resources convergence; continued to make prudent and effective investments, sped up the activation and disposal of inefficient assets, optimized the asset portfolio, and promoted the high-quality development of restructuring business.

The table below sets forth details of the Restructured Distressed Assets of the Company classified by industry as at the dates indicated.

	As at December 31,			
	2020		2019	
	Acquisition Amount	% of total	Acquisition Amount	% of total
	(in millions of RMB)			
Real estate	88,674.7	45.9	97,974.3	49.3
Manufacturing	26,321.2	13.6	25,859.4	13.0
Wholesale and retail trade	16,240.1	8.4	19,143.8	9.6
Construction	11,348.4	5.9	8,918.5	4.5
Mining	10,903.6	5.6	12,642.3	6.4
Leasing and commercial services	8,353.9	4.3	10,717.9	5.4
Others	31,271.6	16.3	23,459.4	11.8
Total	**193,113.5**	**100.0**	**198,715.6**	**100.0**

The table below sets forth details of the Restructured Distressed Assets of the Company classified by region as at the dates indicated.

	As at December 31,			
	2020		2019	
	Acquisition Amount	% of total	Acquisition Amount	% of total
	(in millions of RMB)			
Yangtze River Delta	38,990.8	20.2	36,009.5	18.1
Pearl River Delta	22,562.9	11.7	24,908.4	12.5
Bohai Rim	39,382.6	20.4	47,667.3	24.0
Central Region	54,645.4	28.3	57,263.8	28.8
Western Region	35,307.9	18.3	30,503.5	15.4
Northeast Region	2,223.9	1.1	2,363.1	1.2
Total	**193,113.5**	**100.0**	**198,715.6**	**100.0**

8.3.1.3 DES Assets Management

The Company acquires DES Assets through debt-to-equity swap, receipt of equity in satisfaction of debt and other transactions related to distressed asset management.

The table below sets forth the business condition of DES Assets of the Company as at the dates and for the years indicated.

	As at and for the year ended December 31,	
	2020	**2019**
	(in millions of RMB)	
Total book value		
DES Assets at fair value through profit or loss	31,169.6	33,656.2
DES Assets at interests in associates and joint ventures	42,626.3	39,153.6
DES Assets at fair value through other comprehensive income	3,443.4	4,199.6
Total	**77,239.3**	**77,009.4**
DES Assets Income		
Fair value changes (1)	3,459.7	7,463.2
Gains realized with other accounting approaches (2)	1,393.8	(342.2)

Notes:

(1) Refers to fair value changes of the DES Assets at fair value through profit or loss including the net gains or losses on disposal of DES Assets, dividend income, interest income and unrealized fair value changes.

(2) Includes net gains or losses from DES Assets accrued in associates and joint ventures and dividend income from DES Assets at fair value through other comprehensive income.

In 2020, the Company continued to thoroughly engage in the supply-side structural reform and actively grasped the policy opportunities, such as the mixed ownership reform of state-owned enterprises and market-oriented DES. The Company enhanced the operation and disposal of existing DES projects, accelerated the disposal of listed DES Assets as needed, continued to promote the market-oriented DES business, expanded DES projects for private enterprises, and optimized structure of asset allocation. While supporting the real economy to reduce leverage, the Company has further consolidated its professional brand image in the market-oriented DES field.

8.3.1.4 Other Distressed Asset Businesses

Other distressed asset business of the Group is the investment business conducted in a comprehensive operation method other than distressed debt asset business and DES business. Income of such business comprises fixed income as the dominance and floating income as the auxiliary. The risk characteristic of such business comprises credit risk and market risk. The Group mainly conducts other distressed asset business through the Company, Cinda Hong Kong, Cinda Investment and Zhongrun Development.

Other Distressed Asset Business of the Company

Other distressed asset business of the Company primarily refers to the investment business, in which the Company focuses on distressed entities aid and distressed assets revitalizing. By means of private funds, trust plans and asset management plans, the Company uses its own funds in specific projects to resolve the existing risk and also obtain investment income, mainly including non-standard debt investments and equity investments, fixed-income asset management product investment, securitization product investment and bond investment.

In 2020, the Company's other distressed assets business focuses on real economy relief and restructuring of distressed enterprises, with emphasis on providing integrated financial solutions via substantial restructuring and other means; vigorously promotes business innovation and exploring new business directions such as listed company relief, judicial auction funds and private equity fund default risk resolution.

As at December 31, 2019 and 2020, the investment balance of other distressed asset business of the Company amounted to RMB131.76 billion and RMB176.08 billion, respectively. In 2019 and 2020, the income of other distressed asset business of the Company amounted to RMB5.69 billion and RMB6.89 billion, respectively.

Other Distressed Asset Business of Cinda Hong Kong

Under the model of "core business of distressed assets + investment banking" and by strengthening the cooperation within the Group, Cinda Hong Kong focused on the development of the restructuring business of distressed assets with cross-border demands, and participated in relevant investment and financing projects such as cross-border industrial restructuring, cross-border mergers and acquisitions and overseas settlement, which are supported by the national policies of industrial transformation and upgrading. The main types of business include restructured business of distressed entities and distressed assets, acquisition and disposal business of overseas non-performing loans of Chinese financial institutions, restructured business of defaulted offshore USD denominated bonds issued by Chinese entities and supportive business of global resource integration of the Group's strategic clients.

As at December 31, 2019 and 2020, the investment balance of other distressed asset business of Cinda Hong Kong amounted to RMB44.10 billion and RMB62.22 billion, respectively. In 2019 and 2020, the income of other distressed asset business of Cinda Hong Kong amounted to RMB2.41 billion and RMB3.16 billion, respectively.

Other Distressed Asset Business of Cinda Investment

By emphasizing the position of distressed asset investment, and through the combination of equity and debt, resources integration, and initiative management, etc., Cinda Investment vigorously promotes substantial restructuring of distressed entities and distressed assets. It also actively engages in settlement and rescue of default and crisis events in such areas as shanty house rebuilding and urban renewal, and properly participates in the separation of the primary and subsidiary businesses of state-owned enterprises, mixed ownership reform, and disposal of zombie enterprises and enterprises in extreme plight. It also continues to improve its abilities in differentiated, characteristic, and professional operations. In mitigating regional financial risks, serving the real economy, and supporting supply-side structural reforms, it has formed its operational characteristics with obvious comparative advantages, effective and strong coordination, and accomplished risk management and control, as well as healthy financial structure.

As at December 31, 2019 and 2020, the investment balance of other distressed asset business of Cinda Investment amounted to RMB54.00 billion and RMB54.10 billion, respectively. In 2019 and 2020, the income of other distressed asset business of Cinda Investment amounted to RMB4.40 billion and RMB3.92 billion, respectively.

Other Distressed Asset Business of Zhongrun Development

Based on its professional ability and brand advantages in the field of enterprise custody, bankruptcy and liquidation management, Zhongrun Development focuses on the enterprise bankruptcy management segment by conducting reorganization of enterprises, establishing the dedicated platform to provide bankruptcy costs and debt financing in the bankruptcy procedure for distressed enterprises and by exploring special investment opportunities such as enterprise restructuring and reorganization by means of custody, liquidation and reorganization, so as to collaborate and promote the "extensive distressed asset" business.

As at December 31, 2019 and 2020, the investment balance of the other distressed asset business of Zhongrun Development amounted to RMB2.42 billion and RMB3.11 billion, respectively. In 2019 and 2020, the income of the other distressed asset business of Zhongrun Development amounted to RMB0.15 billion and RMB0.42 billion, respectively.

8.3.1.5 Other Investments

Cinda Real Estate

By taking advantage of its real estate expertise, Cinda Real Estate is committed to creating a professional real estate service platform within the "extensive distressed asset" business of the Group. It provides professional post-investment management services and consultancy services for the real estate business of the Group, revitalizes distressed real estate and enhances values of such assets through equity merger and entrusted construction, so as to provide effective methods for asset disposal and realization.

In 2019 and 2020, Cinda Real Estate achieved revenue from sales of properties held for sale of RMB18.16 billion and RMB24.14 billion, respectively. The main reason for the substantial increase in 2020 is that the delivery area of real estate projects had a large increase compared with last year according to the project schedule.

8.3.1.6 Entrusted Operation

The Group provides entrusted operation services to distressed assets and entities under the engagement of government, enterprises and financial institutions. The entrusted distressed asset operation business was mainly conducted by the Company. As at December 31, 2019 and 2020, the balance of the entrusted operation distressed assets amounted to RMB18.16 billion and RMB11.40 billion, respectively.

8.3.2 Financial Services Business

According to the strategic plan, the Group has focused on the development of the financial services business that can provide services and support to the development of distressed assets business. A synergistic financial services platform has been established, covering banking, securities, futures, mutual funds, trusts and leasing business. The Group is committed to providing customized financial services and comprehensive solutions to customers.

In 2019 and 2020, the income from the financial services business accounted for 31.3% and 30.3% of the total income of the Group, respectively, and the profit before tax from the distressed asset management business accounted for 23.7% and 46.3% of the profit before tax of the Group, respectively.

The table below sets forth the key financial data of the financial service subsidiaries of the Group as at the dates and for the years indicated.

	As at and for the year ended December 31,							
	2020				2019			
	Income	Profit before tax	Total assets	Net assets	Income	Profit before tax	Total assets	Net assets
	(in millions of RMB)							
NCB	13,328.5	3,676.0	424,117.0	52,048.7	15,273.3	3,798.8	437,016.0	51,556.3
Cinda Securities	4,336.7	954.1	47,321.5	11,633.6	3,310.9	230.5	45,422.5	9,624.2
Jingu Trust	489.4	154.5	4,761.8	4,154.8	640.7	72.0	5,295.3	4,043.6
Cinda Leasing	2,716.7	203.6	53,874.1	7,429.3	2,644.8	87.9	48,819.5	7,204.7

8.3.2.1 Banking Business

The Group conducts banking business in Hong Kong and Mainland China through NCB (mainly including NCB Hong Kong and NCB China).

The development of NCB played an important role in the Group. Considering both internal and external economic conditions and its strategies, the Group has put forward the goal of developing NCB into a platform for group account management, cross-selling and integrated financial services, as well as a growth point of group collaboration and transformation, which will promote the development of the entire financial services sector.

Based on the above development object and functional position, NCB effectively utilizes its highly complementary products and customer channels with the Group's other businesses, takes the advantages of its solid foundation and strong synergy effect in enterprise financial business, to provide targeted and comprehensive solutions for customers, and to effectively enhance its capacity of professional services and market competitiveness. NCB focuses on wealth management and provides mid-to-high end customers with personalized, customized and comprehensive wealth management solutions according to their asset allocation needs. With the effective use of the characteristics of cross-border business, NCB expands sustainable partners and creates a platform of comprehensive financial services in cross-border business. NCB fully implements the transformation strategy, actively promotes the synergy of the Group and continues to strengthen risk prevention and control, which has resulting in stable performance and achieved sustainable and stable development.

NCB

NCB principally (1) engages in the provision of various wealth management services to individual customers, including deposits in various currencies, foreign exchange, stock trading, funds, bonds, foreign exchange margin, securities margin, housing mortgage, taxation, personal loans and insurance services and (2) provides import and export bills, trade financing, commercial loans, project financing and syndicate loans for corporate customers.

The table below sets forth the key financial and business indicators of NCB as at the dates and for the years indicated.

	As at and for the year ended December 31,	
	2020	2019
	(in billions of RMB)	
Total assets	424.1	437.0
Total loans	235.4	235.7
Total deposits	295.9	309.8
Net interest income	5.7	5.9
Net commission and fee income	1.4	1.3
Asset quality indicators (%)		
Non-performing loan ratio (1)	0.86	0.67
Capital adequacy ratio indicators (%)		
Total capital ratio (2)	19.26	21.73
Tier-1 capital ratio (3)	15.61	17.99
Common equity tier-1 capital ratio (4)	12.89	14.58
Profitability indicators (%)		
Return on average assets (5)	0.77	0.73
Return on average shareholder's equity (6)	6.49	7.30
Net interest margin (7)	1.45	1.51
Cost-to-income ratio (8)	36.30	37.57
Other indicators (%)		
Liquidity coverage ratio (9)	149.77	154.97

Notes:

(1) Equals the sum of loans classified as substandard, doubtful and loss divided by total loans to customers.

(2) Equals the sum of tier-1 capital and tier-2 capital divided by net risk-weighted assets.

(3) Equals tier-1 capital divided by net risk-weighted assets.

(4) Equals common equity tier-1 capital divided by net risk-weighted assets.

(5) Equals profit after tax for the period divided by the average of assets as at the beginning and the end of the period.

(6) Equals net profit attributable to equity holders for the period divided by the average of equity attributable to equity holders as at the beginning and the end of the period.

(7) Equals net interest income divided by daily average balance of interest-generating assets.

(8) Equals operating expenses divided by operating income.

(9) Equals high-quality liquid asset reserves divided by the difference between cash outflows over the next 30 days and cash inflows over the next 30 days.

NCB Hong Kong

Rooted in Hong Kong, NCB Hong Kong focused on providing professional service and deep cultivation, and it is well-known for its expertise for personal wealth management and corporate banking services.

The table below sets forth certain details of loans and deposits of NCB Hong Kong as at the dates and for the years indicated.

	As at and for the year ended December 31,	
	2020	**2019**
	(in billions of RMB)	
From retail customers		
Balance of deposits	111.6	119.2
Balance of loans	29.0	29.4
Net interest income	0.8	0.9
Net commission and fee income	0.6	0.5
From corporate customers		
Balance of deposits	98.1	100.0
Balance of loans	137.7	140.6
Net interest income	2.2	2.4
Net commission and fee income	0.6	0.5

NCB Hong Kong continues to develop various wealth management and asset management products to help corporate and personal customers to hedge and manage interest rate and exchange rate risks. Moreover, it has made substantial investment in RMB bond market and expanded the domestic financing channels. In particular, it has developed new services for free trade zone lending, domestic cash account financing and RMB bond collateral repurchase in Mainland China, with an aim to diversify the sources of RMB denominated funds and decrease interest expense.

NCB China

NCB China, which leverages the resources of the Group and the advantages of NCB Hong Kong, is characterized by cross-border integrated financial and asset management services. It constantly improves the level of serving domestic and overseas customers by upholding the principle of "dedicating to serving customers" and transforming into fintech institution.

The table below sets out the main financial and business indicators of NCB China as at the dates and for the years indicated.

	As at and for the year ended December 31,	
	2020	**2019**
	(in billions of RMB)	
Total assets	143.0	140.1
Total loans	82.1	73.2
Total deposits	95.4	94.8
Net interest income	1.9	1.7
Net commission and fee income	0.3	0.3
Asset quality indicators (%)		
Non-performing loan ratio	0.86	0.84
Provision coverage ratio	233.52	189.82
Capital adequacy ratio indicators (%)		
Core tier-one capital adequacy ratio	15.57	16.71
Tier-one capital adequacy ratio	15.57	16.71
Capital adequacy ratio	16.58	17.37
Profitability indicators (%)		
Return on average assets	0.39	0.55
Return on average shareholder's equity	3.81	5.78

The principal businesses of NCB China include corporate banking business, personal banking business and financial markets business.

The corporate banking business of NCB China mainly includes deposits, loans, settlement, trade-related products and other banking services for corporate customers. By relying on the comprehensive banking service model, NCB China gives full play to the business characteristics of the integration of the platforms in two places, and takes active steps to serve the corporate customers under the national “Belt and Road” strategy with a flexible portfolio of cross-border products and service solutions.

The personal banking business of NCB China mainly includes deposit, credit and debit cards, consumer credit and mortgage loans and personal assets management services for individual customers. In active response to the national call, NCB China intensifies efforts to develop inclusive finance with a series of products such as "Agriculture-related Loans" and "Inclusive Finance Platform" while sticking to its main businesses, to serve the real economy.

The financial markets business of NCB China mainly includes: (1) foreign exchange market business, mainly including spot, forward and swap transactions; (2) monetary market business, mainly including interbank deposit, lending and loans as well as positive and negative repurchase business; (3) derivatives business, mainly including interest rate swap business and structured wealth management agent services; (4) fixed income market business, mainly including bond business and large transferable certificates of deposit business; and (5) commodity business, mainly including gold and silver deferred business, gold forward and gold swap business.

The table below sets forth certain deposit and loan details of NCB China as at the dates indicated.

	As at December 31,			
	2020		2019	
	Balance	% of total	Balance	% of total
	(in billions of RMB)			
Loans				
Corporate Banking Business	62.5	76.1	55.7	76.2
Personal Banking Business	19.6	23.9	17.4	23.8
Total	**82.1**	**100.0**	**73.2**	**100.0**
Deposits				
Corporate Banking Business	85.0	89.1	84.1	88.7
Personal Banking Business	10.4	10.9	10.7	11.3
Total	**95.4**	**100.0**	**94.8**	**100.0**

8.3.2.2 Securities, Futures and Fund Management

The Group conducts securities, futures and fund management through Cinda Securities and its subsidiaries. In 2019 and 2020, the revenue of Cinda Securities amounted to RMB2,223.0 million and RMB3,162.4 million.

Cinda Securities

The table below sets forth the business income of Cinda Securities and their corresponding percentages for the years indicated.

	For the year ended 31 December,			
	2020		2019	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Securities brokerage	780.1	24.7	553.2	24.9
Investment banking	543.7	17.2	249.9	11.2
Asset management	135.7	4.3	80.2	3.6
Futures	154.3	4.9	148.1	6.7
Other businesses	1,548.6	48.9	1,191.6	53.6
Total	**3,162.4**	**100.0**	**2,223.0**	**100.0**

Securities brokerage: As at December 31, 2019 and 2020, the number of clients of Cinda Securities' securities brokerage business amounted to 1.741 million and 1.915 million, the total value of its AUM amounted to RMB185.04 billion and RMB228.88 billion, respectively. In 2019 and 2020, the total turnover of Cinda Securities' securities brokerage business amounted to RMB1,701.98 billion and RMB2,626.33 billion, respectively.

Investment banking: In 2019 and 2020, Cinda Securities' underwriting fee and commission income amounted to RMB178.3 million and RMB459.9 million, respectively.

Asset management: As at December 31, 2019 and 2020, the AUM balance of Cinda Securities amounted to RMB105.68 billion and RMB140.78 billion, respectively. In 2019 and 2020, commission and fee income from Cinda Securities' asset management business from trust clients amounted to RMB80.2 million and RMB135.7 million, respectively.

Other businesses: Mainly includes investment business and credit business. In 2019 and 2020, the gains realized from the investment business of Cinda Securities amounted to RMB362.0 million and RMB484.6 million, respectively.

As at December 31, 2019 and 2020, the turnover of margin financing business of the Cinda Securities amounted to RMB6.86 billion and RMB9.59 billion, respectively. The turnover of stock pledge amounted to RMB1.77 billion and RMB0.80 billion, respectively.

Cinda Futures

The Group conducts futures business through Cinda Futures. In 2019 and 2020, income from the futures business of Cinda Futures amounted to RMB148.1 million and RMB154.3 million, respectively, and the operating profit realized amounted to RMB48.8 million and RMB57.6 million, respectively.

First State Cinda Fund

The Group conducts mutual fund business through First State Cinda Fund. Such mutual funds are classified into monetary funds, equity funds, bond funds and hybrid funds, which mainly invest in equity assets and fixed income assets. As at December 31, 2019 and 2020, the Group had 24 and 30 mutual securities investment funds with the total AUM of mutual funds and asset management plans amounted to RMB21.80 billion and RMB46.54 billion, respectively. In 2019 and 2020, management fee income from such funds and asset management plans amounted to RMB97.7 million and RMB310.9 million, respectively.

Cinda International

The Group conducts cross-border securities brokerage, financial product trading, investment banking and asset management businesses in Hong Kong through Cinda International. In 2019 and 2020, Cinda International generated revenue of RMB208.7 million and RMB250.2 million, respectively.

8.3.2.3 Trusts

The Group conducts trust business through Jingu Trust. As at December 31, 2019 and 2020, the existing trust AUM amounted to RMB100.29 billion and RMB143.00 billion, respectively, and the Group managed 141 and 164 existing trust projects, respectively. In 2019 and 2020, the fees and commission incomes generated from trust business were RMB0.26 billion and RMB0.39 billion, respectively, accounting for 41.0% and 79.0% of Jingu Trust's total revenue in respective periods.

The table below sets forth details of distribution by industry of the trust AUM of the Group as at the dates indicated.

	As at December 31,			
	2020		2019	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Infrastructure	9,272.0	6.5	9,254.0	9.2
Real estate	9,662.0	6.8	17,152.0	17.1
Securities markets	800.0	0.5	2,878.0	2.9
Industry and commerce	32,924.0	23.0	13,693.0	13.7
Financial institutions	3,760.0	2.6	4,588.0	4.6
Asset-backed securitization	54,903.0	38.4	19,304.0	19.2
Others	31,676.0	22.2	33,422.0	33.3
Total	**142,997.0**	**100.0**	**100,291.0**	**100.0**

8.3.2.4 Financial Leasing

The Group conducts financial leasing business through Cinda Leasing. As at December 31, 2019 and 2020, the net finance lease receivables of the Group was RMB41.69 billion and RMB46.58 billion, respectively. In 2019 and 2020, the net revenue generated by the financial leasing business of the Group was RMB1,319.1 million and RMB1,592.7 million, respectively, and the net profit generated from the financial leasing business of the Group was RMB85.4 million and RMB224.6 million, respectively.

Product Types

In 2020, the total income from specialized products and non-specialized products was RMB666.5 million and RMB2,050.2 million, respectively, representing 24.5% and 75.5% of Cinda Leasing's total income, respectively.

Clients

The financial leasing clients of the Group are mainly from industries including manufacturing, mining, water conservancy, environment and public utilities management, construction, transportation, logistics and postal services.

The table below sets forth the outstanding finance lease receivables of the Group by industry as at the dates indicated.

	As at December 31,			
	2020		2019	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Manufacturing	17,624.7	36.2	16,411.1	37.1
Water conservancy, environment and public facility management	7,976.3	16.4	4,158.1	9.4
Production and supply of power, heat, gas and water	7,182.8	14.8	7,431.5	16.8
Transportation, logistics and postal services	4,701.4	9.7	4,556.2	10.3
Leasing and commercial services	4,682.7	9.6	8,625.8	19.5
Others	6,477.7	13.3	3,052.2	6.9
Total	**48,645.6**	**100.0**	**44,234.9**	**100.0**

8.3.2.5 Business Synergy

In 2020, the Group deepened market-oriented reforms, and proactively built the "comprehensive synergy" brand. With diversified scenarios, unblock channels, positive education and moderate motivation in place, and by motivating the professional expertise of financial service subsidiaries, making full use of business synergy advantages, the Group provided comprehensive financial services based on customers' needs, and built a high-level service system that covers customers in every respect and collaborates across the entire business chain, thereby enhancing the overall operating efficiency of the Group.

In 2020, the Group recorded business synergy scale totalling RMB444.20 billion from 2,278 customers, which realized synergy income of RMB4.87 billion, among which, Cinda Investment recorded business synergy scale totalling RMB28.10 billion with a synergy income of RMB1.48 billion; NCB recorded business synergy scale totalling RMB74.50 billion with a synergy income of RMB0.82 billion; Cinda Leasing recorded business synergy scale totalling RMB25.60 billion with a synergy income of RMB0.60 billion; Cinda Securities recorded business synergy scale totalling RMB50.30 billion with a synergy income of RMB0.55 billion; Cinda Capital recorded business synergy scale totalling RMB93.40 billion with a synergy income of RMB0.35 billion; Cinda Real Estate recorded business synergy scale totalling RMB141.40 billion with a synergy income of RMB0.17 billion; Jingu Trust recorded business synergy scale totalling RMB29.80 billion with a synergy income of RMB0.10 billion.

8.3.3 Information Technology

In 2020, the Company successfully completed the conclusion of the 2016-2020 informationization planning, achieving a comprehensive coverage of business and internal management. We completed the formulation of the 2021-2025 informationization planning, and put forward the target of "Digital Cinda". We launched a comprehensive Group data governance plan and information security construction plan, and carried out risk assessment and information technology management system optimization. We continued to improve the information technology systems and passed the annual audits of ISO20000 and ISO27001 management systems, etc.

Construction of Information Systems

In 2020, the Company achieved remarkable results in information system construction. We started the construction of new core systems, and completed the launch of a number of new systems, including the fund transaction system, the value-added tax management system, the contract management system and the mobile portal. We continued to optimize and improve key systems such as the group customer relationship management platform, principal business platform, big data platform and the group financial sharing platform. We promoted and integrated the risk management system, and completed the improvement and optimization of the business audit system, anti-money laundering system and connected transaction system. We implemented the artificial intelligence technologies such as natural language understanding and intelligent graph.

The information system operated safely and stably, and the availability of key systems reached 99.99%. We achieved the phased goal of remote disaster recovery construction by greatly improving the disaster recovery capability of information system and the guarantee capability of business continuity, achieving the leading level of the industry. We completed the construction of enterprise command center and improved the command capability of emergency.

8.3.4 Human Resources Management

In 2020, the Company further strengthened the professional competence of our staff, deepened the reform of the market-based mechanism for selecting and employing personnel and the system of incentives and constraints, made overall plans to promote the Party's organizational construction and the building of talent teams, and improved the efficiency of organizational and personnel management, thus providing strong organizational and talent support for the Company to overcome the impact of the Pandemic and achieve high-quality development.

8.3.4.1 Employees

As of December 31, 2020, the Group had 13,067 employees (excluding those employed through labor dispatch agency), of which 11,217 were in Mainland China and 1,850 were in Hong Kong and Macao. In the Company and its tier-one subsidiaries (head offices), employees with master's degree or above and employees with bachelor's degree accounted for 60% and 32% of the total number of employees, respectively. In order to ensure its stable development in the long run, the Company has attached great importance to its relationship with all employees. The business and financial conditions of the Company are not reliant on particular employee(s).

8.3.4.2 Remuneration Policy

The Company adopts a remuneration policy that focuses on fairness and competitiveness, and pays equal attention to incentives and constraints. The compensation distribution aims at realizing the Company's business plan, improving organizational efficiency and mitigating business risks. With preference in incremental compensation distribution given to the front desk and the front-line positions that directly create value, the remuneration policy is designed to emphasize the performance appraisal, improve the labor efficiency, and match the compensation to performance contributions.

8.3.4.3 Education and Training

In 2020, by adhering to the principle of action-oriented, demand-oriented and problem-oriented, and centering on the transformation and development, the Company further improved the systematicness, pertinence and effectiveness of training through the combination of concentrated training and video lectures, offline learning and online learning, and practical operation exercises and air classes, focusing on enhancing the professional ability and performance fulfillment. More than 1,700 training sessions were held throughout the year, and the training attendance reached 150,000, providing a strong support and guarantee for the high-quality development of the Company.

8.4 Risk Management

8.4.1 Framework of Comprehensive Risk Management

The comprehensive risk management is a continuous process which calls for the participation of the Board, Senior Management and all levels of employees of the Company to identify all types of potential risks and forecast the extents of risk impacts in strategy setting and routine operations, as well as to effectively manage the risks in all aspects of the Company within the Company's risk appetite.

In 2020, the Company continued to attach importance to strengthening risk management and control in the Group's work, adhered to the risk management concept of "protecting the bottom-line by managing risks proactively", and steadily promoted the development of a comprehensive risk management system. The Company further strengthened the transmission mechanism of the Group's risk appetite, exerted the guidance and restraint role of the Group's risk management policies, continued to strictly control new risks and resolve existing risks, enhanced risk management, improved business quality, and started to establish a comprehensive and complete risk monitoring system. Significant progress was made in the computerized management of risks, and the effectiveness of the Group's risk management was further improved.

8.4.2 Risk Appetite

At the beginning of 2020, the Risk Appetite Statement of the Group (2020) was formally issued and implemented upon the approval of the Board and subject to its supervision in implementation. In 2020, the Company continuously monitored and evaluated the operation of risk appetite system, prepared quarterly reports on the execution of the Group's risk appetite, optimized indicators for risk appetite and improved the transmission mechanism of risk appetite, with a view to further make use of risk appetite system as a guide in the operation and management of the Group as a whole. Since its launch, the risk appetite system has effectively facilitated the implementation of the development strategy and secured sound business operation and risk control objectives of the Group.

The overall risk appetite statement of the Company: in the course of business, the Company is devoted to strategically control risk profile, streamline risk sequence, prevent and control risk exposure, maintain a stable risk appetite, and constantly pursue a balanced development of efficiency, quality and scale. The Company attaches importance to the alignment of business scale, operating income and risk exposure, and will not pursue higher profits at the expense of the bottom line of risks. The Company strives to maintain the stability and sustainability of profitability within an acceptable risk level, to ensure an endogenous capital growth and to comply with the required capital adequacy and maintain a stable external rating. The Company will also ensure that all business activities are implemented effectively within the risk appetite framework. All substantive risks are to be accurately defined, clearly measured, carefully assessed and proactively managed in the ordinary course of business, so as to align with the risk tolerance and capital adequacy of the Company. The Company will also strive to achieve the maximization of the risk-adjusted returns within the planned risk tolerance.

8.4.3 Risk Management Organizational Structure

The Company has continuously promoted the construction of the risk management organizational system. The Board assumed the ultimate responsibility for comprehensive risk management, and exercised functions relevant to risk management, considered major issues of risk management, and supervised and evaluated the establishment of risk management system and risk level of the Group through its Risk Management Committee, Audit Committee and Connected Transaction Control Committee. The Board of Supervisors assumed the responsibility of monitoring comprehensive risk management, and is responsible for supervising and inspecting the performance of the Board and the Senior Management in risk management as well as supervising their rectification. The Senior Management assumed specific responsibilities of comprehensive risk management in accordance with the authorization of the Board, and is accountable to the Board on the effectiveness of the risk management system. The risk management committee of the Senior Management exercised part of the risk management duties of the Senior Management in accordance with the authorization.

In 2020, the Risk Management Committee of the Board convened six meetings to consider various resolutions, such as the risk appetite statement of the Group, and the risk management report of the Group. The risk management committee of the Senior Management convened five meetings to consider and approve various resolutions, such as the risk management policy, the market risk limits management plan and the risk monitoring and evaluation plan of the Group.

The Company incorporated various requirements of risk management into its management activities and business processes, and gradually established and improved its three lines of defense for risk management including: the business operation departments of the headquarters, branches and subsidiaries as the first line of defense; the functional departments of risk management as the second line of defense; the functional departments of internal audit as the third line of defense.

In 2020, the Company further strengthened its risk management structure. The independence and professionalism of risk management have been continuously improved, the risk management ability has been further strengthened, and the working efficiency of risk management has been improved. As a step forward, the Company also carried on its progress in developing a dedicated risk management team, and strove to continuously improve the performance and competence of all Group personnel involving in risk management through business training program, qualification verification, job rotation and expertise tests.

8.4.4 Risk Management Policy System

The Company has established a comprehensive risk management system covering all major risk categories, and has continuously modified and improved the system according to the management needs. The system has been well implemented.

In 2020, the Company formulated and issued the group risk management policy for 2020 covering seven major types of risks, including credit risk, market risk, operational risk, liquidity risk, connected transaction risk, reputation risk and concentration risk, in order to further improve the forward-looking risk management, to match the alignment of business scale, operating income and risk exposure, to resolutely prevent the occurrence of systemic risks, to carry out business compliantly and prudently according to the risk appetite, and to ensure the asset quality and liquidity security.

In addition, according to the regulatory requirements and internal management needs, the Company revised the Measures for Penalty for Operating Risk Liability, the Measures for the Administration of Internal Credit Risk Rating, the Measures for the Management of Risk Inspection, and the Interim Measures for Concentration Risk Management, introduced the Guidelines on the Management of Connected Transactions (Trial), the Measures for Unified Management of Customer Credit Granting, and the Measures for the Management of Risk Accumulation, and improved the relevant management processes. The management efficiency was improved, and the effectiveness of risk control was further enhanced.

8.4.5 Risk Management Tools and System

The Company strengthened monitoring, analysis and alert of risks in key regions, industries and customers through launching a risk management operation and transmission mechanism that seeks to balance between capital, risk and income, and raised its risk identification, measurement, monitoring and control capabilities by utilizing various risk management tools such as economic capital, risk limit, rating classification, impairment provision, stress test and risk assessment.

In 2020, the Company proactively adjusted its business strategy and structure in alignment with regulatory requirements and market changes, so as to ensure the concentration risks in key regions, industries and customers under control. The Company also adjusted the management and control methods on a timely basis and issued control directives based on changes in risk exposure, so as to ensure the effectiveness and timeliness of concentration management. With economic capital management on top of the agenda, the Company optimized the risk limit control standard and appropriately assigned the economic capital quota for each business line, with an aim to optimize allocation of business and management resources and boost the overall risk-adjusted profitability.

The Company actively promoted the establishment of information systems related to risk management, and continuously optimized and improved the internal rating system, connected transaction management system, collateral management system and risk alert system, aiming to further enhance its credit risk management capabilities. The Company enabled the direct data connection of subsidiaries, promoted the internal rating system and risk alert system among the Group, comprehensively improved the data integrity and accuracy, and improved the data sharing level of the Group, thus eliminating information isolated island.

8.4.6 Management of Credit Risk

Credit risk of the Group is primarily related to its distressed debt asset portfolio, the corporate and individual loans of its financial subsidiaries, fixed-income investment portfolio, the finance lease receivables of its financial leasing business and other on- and off-balance sheet exposures to credit risk under the consolidated financial statements.

The Company has strictly complied with the regulatory requirements of the CBIRC on credit risk management. Under the guidance of the Risk Management Committee and the Senior Management, the Company has constantly improved the management system of credit risk in order to achieve strategic goals.

In 2020, in order to implement the Company's business development strategy and risk appetite requirements and improve credit risk management, the Company, with strengthening the Group's credit risk management and control as the main goal, and "quantity limit, effective investment, overall management, comprehensive coverage, quality improvement, and stock revitalization" as the principle, constantly built client portfolios that can maximize risk-adjusted returns under capital constraints, continuously optimized the internal rating system, and established a client and business quota system that matches with risk appetite and tolerance; established a unified credit granting system of the Group, and reasonably controlled the customers' credit risk exposure; strengthened the value management of collateral, giving full play to its role of risk mitigation; optimized the customer concentration risk management mechanism, and improved the forward-looking of management and the ability of warning and prevention, with an aim to control and resolve credit risk.

8.4.7 Management of Market Risk

Market risk refers to the risk that may bring losses due to adverse movements in interest rates, exchange rates and market prices such as stock and commodity prices, and operating losses due to magnificent crises. The market risk management of the Group refers to the process of identifying, measuring, monitoring, controlling and reporting of market risk in accordance with the risk tolerance of the Group to establish and refine the market risk management system, thereby controlling the market risk within acceptable range so as to maximize the risk-adjusted returns and constantly improve the standard of market risk management.

With respect to interest rate risk, the Company controlled the interest rate risks mainly by flexibly adjusting the financing maturity and pace, reasonably controlling the asset investment maturity and interest payment method and improving the matching degree of the maturity structure of assets and liabilities

With respect to foreign exchange risk, the Company has effectively controlled its exposure of foreign exchange risk mainly by matching currencies used in assets and liabilities. As for the USD bonds and preference shares issued by the Company, investment assets are mainly denominated in USD or the HKD linked to USD.

In 2020, under the influence of multiple factors such as the COVID-19, international situation changes, domestic policy stimulus and the expectation of economic stabilization, the A-share market fluctuated violently, showing an upward trend of shock and a structural market quotations. The Company will continue to closely monitor the effects placed by factors such as trends of macro economy, the trends of relevant industries, tightness of market liquidity and the regulations and requirements on the value of equity investment target enterprises, and raise its efforts in research and prejudgment so as to reasonably formulate and adjust the management strategies of its equity investment in listed companies and endeavor to enhance management effectiveness.

8.4.8 Management of Liquidity Risk

Liquidity risk refers to the risk that, while the Group remains solvent, it fails to obtain sufficient funds or obtain sufficient funds at reasonable cost to repay debts when they fall due, perform other payment obligation and meet the financial needs of normal business development.

The Group has put liquidity security at the core and has resolutely implemented regulators' requirements on liquidity risk management. We have established and improved liquidity risk management policies, procedures and systems, continuously strengthened financing capacity. Relying on the Group's liquidity risk management information system, we coordinated the Group's liquidity risk management, and effectively protect the Group against liquidity risks.

The Group has continuously improved its liquidity risk management strategies, policies and procedures, and established standardized management requirements for liquidity risk identification and measurement, monitoring and control, stress test, emergency plans and liquidity support. Guided by the requirements system, we have continuously monitored the liquidity risk situation of the Company and its subsidiaries, adjusted the maturity structure of assets and liabilities reasonably, and predicted the future liquidity status, so as to effectively prevent the liquidity risk of the Group.

The Group has constantly strengthened the construction of financing capacity, optimized and improved the debt structure, actively expanded diversified financing channels, vigorously promoted standardized direct financing, optimized the debt maturity structure, and built a stable and diversified innovative financing system.

By continuously enhancing the construction of liquidity risk information system, the Group has achieved regular monitoring and risk warning of the liquidity situation of all institutions in the Group, provided multi-dimensional data support for the prediction of liquidity risk level, and effectively improved the forward-looking, comprehensive, accurate, scientific and efficient of the Group's liquidity risk management.

8.4.9 Management of Operational Risk

Operational risk refers to the risk of losses resulting from an inadequacy or deficiency of internal processes, working staff and information technology systems or from external events.

During the Reporting Period, the Company revised the Measures for Operational Risk Management, further improved the operational risk identification, assessment, monitoring and reporting processes, and developed a comprehensive management system including risk governance and appetite, risk management and process, risk assessment and evaluation. Based on the specific situation of the Company, we have gradually promoted the establishment and application of the three management tools: operational risk self-assessment, key risk indicators and loss data collection; carried out the assessment of outsourcing risk, strengthened the sense of responsibility, and improved the standard management of outsourcing business; conducted trouble shooting on internal check and balance mechanisms, formulated a list of incompatible responsibilities for positions in key risk areas, strengthened supervision and balances on positions, and eliminated hidden risks.

In 2020, according to the unified deployment of the CBIRC, the Company organized and carried out the "re-examination" on market chaos rectification, conducted a comprehensive review and inspection of the chaos rectification since 2017, and further consolidated the rectification and administration work. On this basis, with the "re-examination" serving as the booster for the promotion and improvement of the principal businesses, we, based on the onsite inspection comments of the CBIRC, made great efforts to deepen the rectification on the requirements, mechanism, process and system, further improved the compliance internal control and management system, and provided a more solid foundation for the high quality development of the Company.

8.4.10 Management of Reputation Risk

Reputation risk refers to the risks of negative comments on the Company from relevant stakeholders as a result of its operations, management and other activities or external events, which leads to losses of the brand and reputation of the Company.

In 2020, the Company continued to promote the construction of reputation risk management system and improve the reputation risk management. We carried out the investigation of reputation risk factors, expanded the coverage of public opinion monitoring, and strengthened the pre-control and slow release of risk factors; organized and carried out training on reputation risk management, improved the employees' awareness of reputation risk and enhanced their ability of reputation risk management; further improved the reputation risk assessment system of subsidiaries to enhance the Group's reputation risk control; took initiative to carry out publicity, actively responded to social concerns, and carefully studied and resolved potential reputation risks.

During the Reporting Period, the reputation risk management level has been steadily improved, and the good image and sound reputation of the Company have been effectively maintained.

8.4.11 Anti-Money Laundering

Attaching great importance to anti-money laundering, anti-terrorist financing and anti-proliferation financing, the Company has resolutely implemented relevant laws, regulations and regulatory requirements, and continuously enhanced the effectiveness of anti-money laundering in accordance with the "risk-oriented" guiding principle.

In 2020, the Company continued to identify and effectively prevent money laundering risks, and earnestly fulfilled the legal obligations and social responsibilities of anti-money laundering. We have made great efforts to promote the implementation of the new anti-money laundering system and further improved the money laundering risk management system; rationally allocated resources and adopted appropriate control measures based on the evaluation of the organization's money laundering risk; organized and carried out anti-money laundering data governance and on-site supervision and inspection to consolidate the foundation of money laundering risk management and promote the effective implementation of the new anti-money laundering information system, and provided technical support for staff to fulfill obligations; organized and carried out targeted anti-money laundering trainings covering Senior Management, new employees, anti-money laundering personnel and internal auditors to enhance the awareness of money laundering risk prevention of all staff and strengthen the performance ability of practitioners; maintained anti-money laundering propaganda, and enriched the form of publicity to achieve good publicity result.

For more details on the risk management of the Company, please see "Risk Management" in the section headed "Corporate Governance Report" and Note VI.71 "Financial risk management" to the Consolidated Financial Statements.

8.5 Capital Management

The Company has established a business and development model on the basis of capital constraints with reference to the requirements and rules on capital supervision issued by the CBIRC. In the process of business expansion, the Company intensified its awareness on capital cost, put emphasis on the risk-adjusted assets return level, and promoted more efficient and high-quality allocation of resources to create constant and stable returns for its shareholders by a more intensive operation model with less capital consumption.

In accordance with the Measures for the Capital Management of Financial Asset Management Companies (Trial) (Yin Jian Fa [2017] No. 56) and the overall development strategy of the Group, the Company, adhering to the principle of making forward-looking planning while focusing on asset allocation, continued to promote the capital restraint oriented business development mechanism, actively explored the capital-saving business model, improved the efficiency of capital utilization, monitored the capital changes of every business sector and product line in real time, and ensured that the stable capital situation was maintained, so as to support the high quality business development.

The table below sets out the capital adequacy ratio, net capital and risk-weighted assets of the Company on the indicated dates.

	As at December 31, 2020	As at December 31, 2019
	(RMB million)	
Core tier-1 capital adequacy ratio (%)	10.66	11.20
Tier-1 capital adequacy ratio (%)	13.70	14.37
Capital adequacy ratio (%)	17.47	16.76
Net core tier-1 capital	74,490.4	75,335.0
Net tier-1 capital	95,771.6	96,616.3
Net capital	122,125.3	112,695.5
Risk-weighted assets	699,077.1	672,502.1

As at December 31, 2019 and December 31, 2020, the leverage ratio[1] of the Company was 6.3:1 and 6.4:1, respectively.

[1] Represents the ratio of interest-bearing liabilities to equity.

8.6 Prospects

In 2021, the political and economic situation of the world will remain complex and grim, the recovery will be unstable and unbalanced, and there will be many uncertainties in the Pandemic situation and the external environment. The foundation for a full recovery of the Chinese economy needs further consolidation. The Chinese government will, by sticking to the general principle of pursuing progress while ensuring stability, and adhering to the systematic concept and the strategy of expanding domestic demand, continue to consolidate and expand the achievements of Pandemic containment and economic and social development, implement macro policies in a scientific and precise manner, strengthen the strategic foundation of science and technology, and keep the economy operating within a reasonable range, in order to make a good start for the 14th Five-Year Plan with high-quality development. While firmly adhering to the supply-side structural reform, the Chinese government will pay attention to demand-side management, deepen reform and opening up to enhance the internal driving force of development, and accelerate the construction of a new development paradigm.

In response to various risks and challenges such as the impact of the Pandemic, macro policies will maintain continuity, stability and sustainability. However, considering the impact of the cross-cycle policy, the in-depth adjustment of the economic structure and the accelerated market clearing, the overall level of risk will remain high. It is expected that the asset quality of commercial banks will continue to be under pressure, the distressed assets of trust, leasing and other non-banking financial institutions will also increase, and some high-risk financial institutions need to be disposed of. Risk exposure in the financial market, such as bond market defaults, stock delisting, and rectification of asset management products, will accelerate. The real economy will compete intensified with rising leverage and fragile liquidity, and the release of “grey rhino” risks such as real estate and local government debt will accelerate. The supply of distressed entities and distressed assets may increase and the difficulty in risk disposal will further increased, which requires AMCs to give full play to their professional capabilities and grasp potential business opportunities.

The Company will continue to fully enforce the principles of 19th National Congress of CPC, the second, third, fourth and fifth plenary sessions of the 19th CPC Central Committee, deepen its differentiated positioning in the financial system and give full play to the functional advantages of cross-cycle adjustment, financial rescue and structural adjustment. Under the principles of "relative concentration, focusing on core business", and by adhering to the high-quality development ideas of "professional operation, efficiency first and value creation", the Company will focus on its principal business, constantly improve its capacity in the supply of systemic financial solutions, and earnestly fulfill professional duties in forestalling and defusing financial risks, serving the real economy and supporting the supply-side structural reform to help build a new development paradigm. First, we will further focus on principal business and accelerate the exploration of transformation into an alternative investment bank. We will focus on the principal business of distressed assets, promote the transformation and upgrading of the principal business model, strengthen market development, take differentiated measures, and innovate disposal methods; we will continue to improve the "extensive distressed assets" business system and rationally deploy the alternative investment banking business for listed companies and industry leading enterprises; actively explore business opportunities such as bankruptcy restructuring, crisis relief, merger and reorganization, bailout of listed companies and divestiture of auxiliary businesses; we will provide financial assistance to enterprises with liquidity difficulties, participate in the reorganization, restructuring, trusteeship and disposal of enterprise groups in crisis and high-risk financial institutions, and we will expand government debt relief and other services in key areas. Second, we will accelerate structural optimization and promote the implementation of the customer-centric strategy. We will enhance the investment and research integration capacity, optimize assets and business structure, consolidate existing business, strengthen steady income business, expand innovative business; consolidate the strategic customer base, build the core ecosystem, and promote the upgrading synergy of the Group; and create a distinctive brand of systematic financial services with the "investment + investment banking" idea and "financial toolbox". Third, we will insist on sound and compliant management and ensure the sustainable growth of the Company. We will continue to strengthen Party building, improve corporate governance, optimize organizational structure, and enhance management efficiency; review the Company's development strategy and promote the market-based reform of the system and mechanism; stick to the bottom line thinking, strengthen the effectiveness and initiative of risk management, enhance asset quality, and consolidate the capital adequacy; expand financing means, strengthen asset and liability management, ensure liquidity security; accelerate the informationization construction of the Group and actively promote the Company's digital transformation.

9. Changes in Share Capital and Information on Substantial Shareholders

9.1 Ordinary Share Capital

As at December 31, 2020, there was no change in the ordinary share capital of the Company compared to December 31, 2019, details of which were as follows:

Class of Shares	Number of Shares	Percentage (%)
Domestic Shares	24,596,932,316	64.45
H Shares	13,567,602,831	35.55
Total	**38,164,535,147**	**100.00**

9.2 Substantial Shareholders of Ordinary Shares and De Facto Controller

9.2.1 Interests and Short Positions Held by Substantial Shareholders and Other Persons

To the knowledge of the Directors, as at December 31, 2020, the following persons had, or were deemed to have, an interest or short position in the shares and underlying shares which have been recorded in the register kept by the Company pursuant to Rule 336 of the Hong Kong SFO:

Name of substantial shareholders	Capacity	Number of shares held directly and indirectly	Class of shares	Nature of interest	Approximate percentage to the total issued share capital of ordinary shares (%)	Approximate percentage to the relevant class of shares (%)
MOF	Beneficial owner	22,137,239,084	Domestic Shares	Long position	58.00	90.00
NCSSF	Beneficial owner	2,459,693,232	Domestic Shares	Long position	6.44	10.00
NCSSF	Beneficial owner	2,901,006,093	H Shares	Long position	7.60	21.38
China COSCO Shipping Corporation Limited (1)	Interest of controlled corporation	1,907,845,112	H Shares	Long position	5.00	14.06
DBS Group Holdings Ltd (2)	Interest of controlled corporation	703,522,500	H Shares	Long position	1.84	5.19
	Interest of controlled corporation	704,031,405	H Shares	Short position	1.84	5.19

Note:

(1) As per the Corporate Substantial Shareholder Notice filed by China COSCO Shipping Corporation Limited with the Hong Kong Stock Exchange on December 30, 2016, Oversea Lucky Investment Limited directly held 1,907,845,112 H Shares in the Company. As Oversea Lucky Investment Limited, COSCO SHIPPING Financial Holdings Co., Limited and China Shipping (Group) Company are all controlled corporations directly or indirectly held by China COSCO Shipping Corporation Limited, for the purpose of the Hong Kong SFO, each of COSCO SHIPPING Financial Holdings Co., Limited, China Shipping (Group) Company and China COSCO Shipping Corporation Limited is therefore deemed to be interested in the long position of 1,907,845,112 H Shares in the Company held by Oversea Lucky Investment Limited.

(2) As per the Corporate Substantial Shareholder Notice filed by DBS Group Holdings Ltd with the Hong Kong Stock Exchange on October 3, 2019, DBS Bank Ltd directly held 703,522,500 H Shares (Long position) and 704,031,405 H Shares (Short position) in the Company. As DBS Bank Ltd. is a controlled corporation of DBS Group Holdings Ltd, DBS Group Holdings Ltd is therefore deemed to be interested in 703,522,500 H Shares (Long position) and 704,031,405 H Shares (Short position) in the Company held by DBS Bank Ltd.

9.2.2 De Facto Controller

During the Reporting Period, the de facto controller of the Company remained unchanged, details of which are as follows:

MOF

MOF, as a department under the State Council, is the macro-control department in charge of China's fiscal revenue and expenditures, taxation policies and other issues.

9.3 Preference Shares

9.3.1 Issuance and Listing of Preference Shares

During the Reporting Period, the Company did not carry out any issuance and listing of preference shares.

9.3.2 Number of Preference Shareholders and Particulars of Preference Shareholding

As at December 31, 2020, the Company had a total of one preference shareholder (or proxy). Particulars of shareholding of the preference shareholder (or proxy) of the Company are as follows:

Name of shareholder	Nature of shareholder	Type of shares	Increase/decrease during the Reporting Period	Number of shares held as at the end of the Reporting Period	Shareholding percentage (%)
The Bank of New York Depository (Nominees) Limited	Foreign legal person	Offshore Preference Shares	–	160,000,000	100

Note:

Particulars of shareholding of preference shareholders were based on the information set out in the register of preference shareholders maintained by the Company. Based on information available to the Company, the register of preference shareholders presented the information on proxy of placees.

9.3.3 Dividend Distribution of Preference Shares

Subject to the terms and conditions of the issuance of Offshore Preference Shares, each Offshore Preference Share shall entitle the holder thereof to receive non-cumulative payable dividends which have not been otherwise cancelled each year in manner of payment made afterwards. The Offshore Preference Shares will accrue dividends on their liquidation preference during the period from and including the issue date to but excluding the first reset date, at the rate of 4.45% per annum, and thereafter at the relevant reset dividend rate.

Pursuant to the resolution on the dividend distribution plan of Offshore Preference Shares considered and approved at the fifth meeting and the third regular meeting of the Board for 2020 convened on August 27, 2020, the Company distributed dividends of Offshore Preference Shares on September 30, 2020, at the rate of 4.45% per annum (after tax). The total amount of dividend was USD142.4 million (after tax). For details of the dividend distribution of Offshore Preference Shares, please refer to the announcement dated August 27 and September 3, 2020 of the Company.

9.3.4 Redemption or Conversion of Preference Shares

The Company has set a trigger event term for the Offshore Preference Shares, upon the occurrence of which the Offshore Preference Shares would be irrevocably and mandatorily converted into certain number of H Shares. A trigger event refers to the earlier of (a) the CBIRC having concluded that without a decision on the conversion into ordinary shares, the Company would become non-viable; and (b) the relevant authorities such as MOF and PBOC having concluded that without a decision on a public sector injection of capital or equivalent support, the Company would become non-viable. Assuming the trigger event occurs and all Offshore Preference Shares shall be mandatorily converted to H Shares at the initial conversion price, the number will be 7,412,441,791 H Shares.

During the Reporting Period, the Company did not redeem or convert any Offshore Preference Shares.

9.3.5 Restoration of Voting Rights of Preference Shares

During the Reporting Period, the Company did not restore any voting right of the Offshore Preference Shares.

9.3.6 Accounting Policy Adopted for Preference Shares and Grounds

According to the relevant requirements of the PRC GAAP and IFRS and the terms of the issuance of Offshore Preference Shares, the Company classifies Offshore Preference Shares as equity instruments. Fee, commission and other transaction costs arising from the issuance of Offshore Preference Shares are deducted from equity. The dividends on Offshore Preference Shares are recognised as profit distribution at the time of declaration.

10. Directors, Supervisors and Senior Management

10.1 Directors

No.	Name	Gender	Year of birth	Position	Term of office
Current Directors					
1	Zhang Zi'ai	Male	1961	Chairman, Executive Director	From June 2019 until expiration of the term of the current session of the Board
2	Zhang Weidong	Male	1967	Executive Director, President	From January 2020 until expiration of the term of the current session of the Board
3	He Jieping	Male	1963	Non-executive Director	From June 2019 until expiration of the term of the current session of the Board
4	Xu Long	Male	1966	Non-executive Director	From June 2019 until expiration of the term of the current session of the Board
5	Wang Shaoshuang	Male	1964	Non-executive Director	From November 2020 until expiration of the term of the current session of the Board
6	Zhang Yuxiang	Female	1963	Non-executive Director	From August 2020 until expiration of the term of the current session of the Board
7	Zhang Guoqing	Male	1966	Non-executive Director	From June 2019 until expiration of the term of the current session of the Board
8	Liu Chong	Male	1970	Non-executive Director	From June 2019 until expiration of the term of the current session of the Board
9	Zhu Wuxiang	Male	1965	Independent Non-executive Director	From June 2019 until expiration of the term of the current session of the Board
10	Sun Baowen	Male	1964	Independent Non-executive Director	From June 2019 until expiration of the term of the current session of the Board
11	Lu Zhengfei	Male	1963	Independent Non-executive Director	From September 2019 until expiration of the term of the current session of the Board
12	Lam Chi Kuen	Male	1953	Independent Non-executive Director	From November 2019 until expiration of the term of the current session of the Board
Resigned Directors					
1	Yuan Hong	Female	1964	Non-executive Director	From June 2019 to February 2020

Mr. Zhang Zi'ai

Zhang Zi'ai, Chairman and Executive Director

Mr. Zhang has been the executive Director and Chairman of the Company since August 2018. Mr. Zhang successively held various positions in Bank of China from January 1980 to May 2000, including the deputy head and head of the foreign trading credit section of the Guangzhou branch, deputy head of the Renminbi credit division of the Guangdong branch, senior manager of the operation department of the Hong Kong and Macau office, deputy general manager of the Zhongshan branch, head of the credit division, director of the office, and deputy general manager of the Guangdong branch. From June 2000 to October 2016, Mr. Zhang successively served as secretary to the Party committee and general manager of the Guangzhou office of China Orient Asset Management Corporation, member of the Party committee, vice president, deputy secretary to the Party committee and the president of China Orient Asset Management Corporation. From May 2008 to May 2010, he also served as secretary to the Party committee and chairman of Dongxing Securities Co., Ltd. Mr. Zhang served as the deputy secretary to the Party committee, the vice chairman, executive director and president of China Orient Asset Management Co., Ltd. from October 2016 to May 2018. Mr. Zhang has become secretary of the Party Committee of the Company since May 2018. Mr. Zhang graduated from South China Normal University in 1985 with an undergraduate degree and Asia International Open University (Macao) in 2002 with a master's degree in Business Administration. He holds the professional title of Senior Economist.

Mr. Zhang Weidong

Zhang Weidong, Executive Director and President

Mr. Zhang has been the executive Director and President of the Company since January 2020. He worked in China Construction Bank from July 1992 to April 1999 and previously served as the cadre and deputy director of the real estate credit department. He joined the Company in April 1999 and successively held various positions since September 2002 as the deputy director of the asset appraisal department, the general manager of the asset appraisal department, the general manager of the market development department, the head of the reorganization leading panel office, the head of the strategic investors introduction and listing panel office, the head of the listing preparation leading panel office, the general manager of the investment and financing management department, the Board Secretary (concurrently serving as the general manager of strategic development department, the director of the financial risk research center and the director of the postdoctoral management office) and the Assistant to the President of the Company. From November 2015 to October 2019, he successively held various positions in China Trust Protection Fund Co., Ltd., including the executive director, vice president and president. Mr. Zhang has been serving as the deputy secretary of the Party Committee of the Company since October 2019, and serving as the non-executive director and chairman of NCB Hong Kong since November 2020. Mr. Zhang graduated from Tongji University in 1989 with a bachelor's degree in Engineering and graduated from Renmin University of China in 1992 with a master's degree in Economics. He holds the professional title of Senior Economist.

Mr. He Jieping

He Jieping, Non-executive Director

Mr. He has been a non-executive Director of the Company since July 2018. He served successively as the editorial cadre, assistant editor, deputy director and director of the finance editorial department of China State Finance Magazine from August 1985 to May 2001. From February 1995 to February 1996, he practiced as the deputy county chief of Kazuo County, Chaoyang City, Liaoning Province. He held various positions successively with China State Finance Magazine from May 2001 to July 2018, including deputy chief editor (deputy-department level), chief editor (department level) and deputy secretary of the Party committee. Mr. He graduated from the department of finance of Hubei College of Finance and Economics (currently known as Zhongnan University of Economics and Law) in 1985 with a bachelor's degree in Economics. He holds the professional title of Deputy Editor.

Mr. Xu Long

Xu Long, Non-executive Director

Mr. Xu has been a non-executive Director of the Company since July 2018. He served successively as the cadre and assistant researcher of regional finance department under the Finance Science Institute of MOF from August 1991 to October 1994. From October 1994 to June 2000, he served successively as the cadre and principal staff of the infrastructure department of MOF. He held various positions with MOF from June 2000 to August 2013, including deputy director of the project investment division, department secretary (deputy director level) and department secretary (director level) of the economic development department, director of environment and resources division, director of general division and deputy department-level cadre. From August 2013 to July 2018, he served as deputy head of the tariff department of MOF. From October 1991 to October 1992, he practiced in the Finance Bureau of Mouzhong County, Henan Province and during the period from July 2010 to August 2013, he served as a member of Party group and deputy head of Department of Finance of Qinghai Province. Mr. Xu graduated from the Economics Department of Anhui University, majoring in Economic Management, with a bachelor's degree in Economics in 1988. He obtained a master's degree and a doctorate in Economics, majoring in Finance, from the Graduate School of the Finance Science Institute of MOF in 1991 and 2004, respectively. He holds the professional title of Deputy Researcher.

Mr. Wang Shaoshuang

Wang Shaoshuang, Non-executive Director

Mr. Wang has been a non-executive Director of the Company since November 2020. From August 1989 to June 2010, he successively served as a cadre of human resources department of MOF, a staff of technology department of Chinese Abacus Arithmetic Association, as well as several positions of MOF, such as the staff and senior staff of research division and the principal staff of government procurement division of budget department, the principal staff, research assistant and deputy director of government procurement division and the deputy director and researcher of government procurement management division of treasury department, and the researcher and director of government procurement management division II of treasury department (treasury payment center). From June 2010 to September 2015, he consecutively served as the chief accountant (deputy-department level) and deputy director of the treasury payment center under MOF. He has been serving as the deputy director and first-class inspector of treasury department of MOF since September 2015. Mr. Wang graduated from Zhongnan University of Finance and Economics (currently known as Zhongnan University of Economics and Law) with a bachelor's degree in Economics in 1989.

Ms. Zhang Yuxiang

Zhang Yuxiang, Non-executive Director

Ms. Zhang has been a non-executive Director of the Company since August 2020. From August 1984 to October 1997, she successively served as a cadre and staff under offshore oil tax administration of Administration of Taxation of MOF, as well as the senior staff and principal staff of the offshore oil tax administration of the State Taxation Administration. From October 1997 to November 2015, she had successively held various positions with the State Taxation Administration, including the assistant investigator of the foreign tax administration department, the assistant investigator of the anti-tax-avoidance division of the international taxation department, and several positions of financial department, such as the assistant investigator of the equipment division, the deputy director and the director of the general affairs division, the director of the capital construction management division, and the director of the asset management division. From November 2015 to August 2020, she has been serving as the deputy director (deputy-department level) of the bureaucratic service center under the State Taxation Administration. Ms. Zhang graduated from Liaoning Finance and Economics College (currently known as Dongbei University of Finance & Economics) with a bachelor's degree in Economics in 1984. Ms. Zhang holds the professional title of Economist.

Mr. Zhang Guoqing

Zhang Guoqing, Non-executive Director

Mr. Zhang has been a non-executive Director of the Company since April 2017. Mr. Zhang had served as the teaching assistant, lecturer and associate professor of the social science department of Jiangxi University of Traditional Chinese Medicine from July 1990 to September 2000, and as the cadre of the regulation and supervision department, the assistant consultant of the division of regulation and the director of the domestic compliance division of the NCSSF from November 2003 to April 2017. Since April 2017, he has been acting as the deputy director under the department of regulation and supervision of the NCSSF. He graduated from the Jiangxi University (currently known as Nanchang University) and the Zhengzhou University with a bachelor's degree and a master's degree in History in 1987 and 1990, respectively. In 2003, he graduated from the China University of Political Science and Law with a doctorate in Law.

Mr. Liu Chong

Liu Chong, Non-executive Director

Mr. Liu has been a non-executive Director of the Company since August 2017. Mr. Liu has worked in various companies including Guangzhou Maritime Transport (Group) Co., Ltd., Bao'an Branch of China Merchants Bank, Guangzhou Maritime Transport Group Real Estate Company, China Shipping (Group) Company, China Shipping Investment Co., Ltd., China Shipping Logistics Co., Ltd., China Shipping (Hainan) Haisheng Shipping Co., Ltd. and China Shipping Finance Co., Ltd. Mr. Liu currently serves as a member of the Party committee, general manager and executive director of the COSCO Shipping Development Co., Ltd., and non-executive director of China Everbright Bank Co., Ltd. Mr. Liu was a deputy chairman of the China International Marine Containers (Group) Co., Ltd. Mr. Liu graduated from the Sun Yat-Sen University in 1990 with a bachelor's degree in Economics. He holds the professional title of Senior Accountant.

Mr. Zhu Wuxiang

Zhu Wuxiang, Independent Non-executive Director

Mr. Zhu has been an independent non-executive Director of the Company since October 2016. He is a Professor of the department of finance of Tsinghua University School of Economics and Management, a PhD tutor and the director of business model innovation research center of School of Economics and Management of Tsinghua University. Mr. Zhu has successively served as a teaching assistant, lecturer, associate professor and professor of Tsinghua University School of Economics and Management since January 1990. He has also been a standing director of China Society for Finance and Banking and a committee member of the second session of expert advisory committee for merger, acquisition and restructuring under the China Securities Regulatory Commission. Mr. Zhu currently serves as an independent director of Pylon Technologies, Co. Ltd., an independent non-executive director of Beijing Properties (Holdings) Limited, an independent director of Visual China Group Co., Ltd., a supervisor of the Unisplendour Co., Ltd., and an external supervisor of the Everbright Securities Company Limited. Mr. Zhu was an independent director of the China Fortune Land Development Co., Ltd. and an independent non-executive Director of the ZTE Corporation. Mr. Zhu graduated from the Tsinghua University in 1987, 1989 and 2002 with a bachelor's degree in Engineering, a master's degree in Engineering and a doctorate in Economics, respectively.

Mr. Sun Baowen

Sun Baowen, Independent Non-executive Director

Mr. Sun has been an independent non-executive Director of the Company since October 2016. He is a professor and PhD tutor of the Central University of Finance and Economics. He is also entitled to the special government allowances of the State Council. Mr. Sun was a lecturer of the Central University of Finance and Economics from January 1989 to October 1997 and an associate professor of Central University of Finance and Economics from October 1997 to October 2003, and as a professor and PhD tutor of the Central University of Finance and Economics since October 2003. Mr. Sun is currently a professor of china internet economy research center of Central University of Finance and Economics, chief expert of capital research base for internet and economic development in Key Research Base for Philosophy and Social Science in Beijing, deputy director of steering committee of professional e-commerce education under the Ministry of Education, member of National Expert Committee for Accessible Construction and executive director of the China Disability Research Society. He is currently serving as an independent director of AVIC Fund Management Co., Ltd., independent director of Bank of Jining Co., Ltd., and independent director of Shenyang Rural Commercial Bank Co., Ltd. Mr. Sun was an independent director of Tianshui Zhongxing Bio-Technology Co., Ltd., and an independent director of the Dareway Software Co., Ltd. Mr. Sun received a bachelor's degree and a master's degree in Engineering from the Northeastern University in 1986 and 1989, respectively, and a doctorate in Economics from the Central University of Finance and Economics in 2004.

Mr. Lu Zhengfei

Lu Zhengfei, Independent Non-executive Director

Mr. Lu has been an independent non-executive Director of the Company since September 2019. He is currently a professor of accounting and PhD tutor of Guanghua School of Management of Peking University, the director of the research center for financial analysis and financial investment of Peking University, and concurrently an executive director of Chinese Accounting Association and the deputy director of the professional committee for financial management, a member of the Editorial Committees of Accounting Research and Auditing Research. He was elected into the "Accountant Specialist Training Project" (first batch) of MOF in 2013, and as a Cheung Kong Scholars Chair Professor of the Ministry of Education in 2014. From 1994 to 1999, Mr. Lu served as the head of the accounting department of the Business School of Nanjing University. From 2001 to 2015, he successively served as the head of the accounting department and vice president of Guanghua School of Management of Peking University. Mr. Lu is currently an independent non-executive director of Sino Biopharmaceutical Limited, and independent supervisor of PICC Property and Casualty Company Limited. Mr. Lu previously served as the independent non-executive director of Bank of China, China Nuclear Engineering Corporation Limited and Sinotrans Limited. Mr. Lu graduated from the accounting department of Renmin University of China in 1988 with a master's degree in Economics and graduated from the Business School of Nanjing University in 1996 with a doctorate in Economics.

Mr. Lam Chi Kuen

Lam Chi Kuen, Independent Non-executive Director

Mr. Lam has been an independent non-executive Director of the Company since November 2019. He is now an independent non-executive director of Luks Group (Vietnam Holdings) Co., Ltd. Mr. Lam once served as a senior consultant and partner of Ernst & Young, an independent non-executive director of China Pacific Insurance (Group) Co., Ltd., and an independent non-executive director of Leo Paper Group (Hong Kong) Limited. Mr. Lam received a higher diploma in Accounting from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in 1977. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

10.2 Supervisors

No.	Name	Gender	Year of birth	Position	Term of office
Current Supervisors					
1	Gong Jiande	Male	1963	Chairman of the Board of Supervisors, Shareholder Representative Supervisor	From June 2019 until expiration of the term of the current session of the Board of Supervisors
2	Liu Yanfen	Female	1953	External Supervisor	From June 2019 until expiration of the term of the current session of the Board of Supervisors
3	Zhang Zheng	Male	1972	External Supervisor	From June 2019 until expiration of the term of the current session of the Board of Supervisors
4	Li Chun	Male	1957	External Supervisor	From June 2019 until expiration of the term of the current session of the Board of Supervisors
5	Gong Hongbing	Female	1966	Employee Supervisor	From August 2019 until expiration of the term of the current session of the Board of Supervisors
6	Lu Baoxing	Male	1966	Employee Supervisor	From August 2019 until expiration of the term of the current session of the Board of Supervisors
7	Yuan Liangming	Male	1965	Employee Supervisor	From August 2019 until expiration of the term of the current session of the Board of Supervisors

Mr. Gong Jiande

Gong Jiande, Chairman of the Board of Supervisors and Shareholder Representative Supervisor

Mr. Gong has been the Chairman of the Board of Supervisors and the shareholder representative Supervisor of the Company since February 2015. Mr. Gong served as the secretary to general office, deputy secretary and secretary of department level to the State Ethnic Affairs Commission of the PRC from August 1995 to October 2000. He also served as the department cadre, research consultant, deputy director and director of the organization department of the CPC Financial Work Committee from October 2000 to July 2003. He was the secretary to the discipline supervisory committee of the headquarters (deputy director level), the chairman of the labor union of the headquarters (in the grade of deputy director), the member of discipline supervisory committee (during which he worked for the CPC Financial Inspection Group), general deputy secretary to the Party committee of the headquarters (director level) for the CBRC, member of the informatization panel and head of the government procurement office of the CBRC, vice chairman of the Research Institute of Party Construction of the Central Government Authorities and deputy director of the Chamber of Financial Street from July 2003 to September 2014. He has served as the deputy secretary of the Party Committee of the Company since September 2014. Mr. Gong graduated from the Party School of the Central Committee of CPC, majoring in Economic Management in 1996, and graduated from the postgraduate program of the Party School of the Central Committee of CPC in 2007.

Ms. Liu Yanfen

Liu Yanfen, External Supervisor

Ms. Liu has been an external Supervisor of the Company since February 2015. Ms. Liu joined Bank of China in 1982. She served as the general manager of China Dongfang Trust and Investment Company, the deputy general manager and the general manager of the finance and accounting department of the head office, and the General Manager of the Singapore Branch. She also served as chief audit officer of Bank of China from December 2011 to November 2014. Ms. Liu graduated from the Liaoning Finance and Economics College (currently known as Dongbei University of Finance & Economics) with a bachelor's degree in 1982 and obtained a master's degree in Finance from the Wuhan University in 1999. She holds the professional title of Senior Accountant and is qualified as a Certified Public Accountant of the PRC. She is also entitled to the special government allowances of the State Council.

Mr. Zhang Zheng

Zhang Zheng, External Supervisor

Mr. Zhang has been an external Supervisor of the Company since June 2016. He is a professor and PhD tutor, vice-president of finance of the Guanghua School of Management of Peking University. Mr. Zhang currently serves as an independent director of Harbin Bank Co., Ltd. and CCB Trust Co., Ltd. He received the 2014 "Sun Yefang Financial Innovation Award" – Paper Award (with the co-author), the 2014 Taishin Holdings Excellent Paper Award, the Peking University Excellent Teaching Award (2013-2014 academic year), the Chinese Finance Annual Meeting Distinguished Service Award (2013), the Fourth Li Yining Teaching Excellence Award (2010), the Tenth Beijing Philosophy and the Social Science Excellent Achievements Award and Doctor's Dissertation Award of Peking University. Mr. Zhang graduated from the department of mathematics of Nankai University with a bachelor's degree in Science in 1995 and a master's degree in Science in 1998, and graduated from Peking University with a doctorate in Economics in 2005.

Mr. Li Chun

Li Chun, External Supervisor

Mr. Li has been an external Supervisor of the Company since February 2015. He is the founding partner and executive partner of Grandall Law Firm, the president of the Grandall Development Research Institute, the president of the CIRD-Grandall FTP Law Institute. Mr. Li served as deputy director of the institute of law of Jilin Social Sciences Academy, general manager of the Jilin Economic and Legal Consultation Centre, chief legal counsel of the China Merchants Shekou Industrial Zone Ltd., deputy general manager and chief legal counsel of the Shenzhen Property Rights Exchange, president of the Shenzhen Lawyers Association, vice president of the Guangdong Lawyers Association, member of the listing committee of the Shenzhen Stock Exchange, deputy director of development strategy committee of the All China Lawyers Association, chief executive and chief researcher of the China Private Funds and Risk Investment Legal Consultation Centre, concurrently professor and researcher of Peking University, Renmin University of China, East China University of Political Science and Law and Shenzhen University. He has participated in the drafting and consultation process for the Company Law of the PRC and the Securities Law of the PRC. He currently serves as the independent director of Impulse (Qingdao) Health Tech Co., Ltd. and Edan Instruments, Inc. Mr. Li graduated from Jilin University in 1996 with a master's degree in Law.

Ms. Gong Hongbing

Gong Hongbing, Employee Supervisor

Ms. Gong has been an employee Supervisor of the Company since July 2014. From August 1988 to August 1999, Ms. Gong consecutively served at the personnel department of Yantai branch and the personnel division of Shandong branch of China Construction Bank. Ms. Gong joined the Company in August 1999 and served as the assistant to general manager of the general affairs office and assistant to the director of the board of directors' office of the Company, deputy general manager (in charge of work) and general manager of the general affairs office (mass work department). Since October 2015, she has served as the deputy director of the labor union. Since November 2019, she has served as the director-general of the organization department of the Party Committee of the Company and the general manager of human resources of the Company. Ms. Gong graduated from the Harbin Senior Finance College (currently known as Harbin Finance University) majoring in Bank Management in 1988 and graduated from the Shandong Branch of the Party School of the Central Committee of CPC majoring in Economics and Management in 2002. She obtained a master's degree in Business Administration from the Beijing Jiaotong University in 2008. She holds the professional title of Senior Political Engineer.

Mr. Lu Baoxing

Lu Baoxing, Employee Supervisor

Mr. Lu Baoxing has been an employee Supervisor of the Company since August 2019. From July 1985 to October 2003, Mr. Lu consecutively served as a teacher of the Shandong Banking School, the office clerk, officer, associate chief officer, chief officer, deputy director of division of Shandong branch (Jinan branch) of PBOC. From October 2003 to November 2011, Mr. Lu consecutively served as the deputy director and director at the CBRC Shandong Bureau. Mr. Lu joined the Company in November 2011 and served as the deputy general manager of Shandong branch, the deputy general manager in charge of Anhui branch, the general manager of Anhui branch and the general manager of Shandong branch. Since April 2019, he has been serving as the director of the board of supervisors' office. Mr. Lu graduated from Shandong Banking School (currently known as Qilu University of Technology) majoring in City Banking in 1985 and graduated from the Shandong Economics University (currently known as Shandong University of Finance and Economics) majoring in Accounting in 1990. He graduated from the East China Normal University majoring in International Finance in 1996 with a bachelor's degree in Economics and graduated from the School of Management of Guizhou University in 2008 with a master's degree in Business Administration. He holds the professional title of Senior Accountant.

Mr. Yuan Liangming

Yuan Liangming, Employee Supervisor

Mr. Yuan has been an employee Supervisor of the Company since August 2019. From July 1988 to May 1999, Mr. Yuan consecutively served as the associate chief officer and chief officer of Hubei branch of China Construction Bank. Mr. Yuan joined the Company in May 1999 and held various positions including the dedicated approver of the business review department and the assistant to the general manager and deputy general manager of the risk management department. Since June 2019, he has been serving as the general manager of the risk management department. Mr. Yuan graduated from the Zhongnan University of Finance and Economics (currently known as Zhongnan University of Economics and Law) majoring in Investment and Economic Management in 1988 with a bachelor's degree in Economics. He graduated from the Department of Finance of Renmin University of China in 1995 with a master's degree in Economics and graduated from the Wuhan University in 2008 with a doctorate in Economics. Mr. Yuan holds the professional title of Senior Economist.

10.3 Senior Management

No.	Name	Gender	Year of birth	Position	Term of office
Current Senior Management					
1	Zhang Weidong	Male	1967	President	From January 2020
2	Liu Ligeng	Male	1965	Vice President	From June 2015
3	Hu Jiliang	Male	1964	Vice President	From March 2020
4	Zhao Limin	Male	1969	Assistant to President (1)	From August 2019
5	Li Hongjiang	Male	1969	Assistant to President (1)	From August 2019
6	Luo Zhenhong	Male	1965	Chief Risk Officer	From October 2013
7	Ai Jiuchao	Male	1967	Board Secretary	From April 2016
8	Yang Yingxun	Male	1973	Chief Financial Officer	From August 2020
Resigned Senior Management					
1	Zhuang Enyue	Male	1960	Vice President	From March 2007 to January 2020
2	Liang Qiang	Male	1971	Vice President	From April 2019 to January 2020
3	Xiang Dang	Male	1971	Assistant to the President	From August 2019 to June 2020

Note:

(1) Mr. Zhao Limin and Mr. Li Hongjiang have been appointed by the Board as Vice Presidents of the Company. As at the Latest Practicable Date, the qualifications of Mr. Zhao Limin and Mr. Li Hongjiang are subject to the approval of the CBIRC and their appointments will take effect upon approval.

Mr. Zhang Weidong

Zhang Weidong, President

Please see "Directors".

Mr. Liu Ligeng

Liu Ligeng, Vice President

Mr. Liu has been serving as the Vice President of the Company since June 2015. From July 1988 to September 2003, Mr. Liu had served as an officer and deputy head of the education division, human resources division, and human resources and staff training division of PBOC. He served as a researcher, the head and the deputy director (deputy head) of the human resources department of the CBRC from September 2003 to January 2014. Mr. Liu joined the Company in January 2014 and served as the chairman of the labor union of the Company. He has been serving as a member of the Party Committee of the Company since January 2014. He graduated from Beijing Normal University in 1988 with a bachelor's degree in Education and obtained a Diploma (equivalent to graduate degree) from Hunan College of Finance and Economics (currently known as Hunan University) in 1998. He holds the professional title of Economist.

Mr. Hu Jiliang

Hu Jiliang, Vice President

Mr. Hu has been serving as the Vice President of the Company since March 2020. He was employed by PBOC from December 1981 to February 1985. He held various positions in Industrial and Commercial Bank of China from February 1985 to April 2000, including the general manager of Zhejiang Industrial and Commercial Real Estate Company, the deputy general manager (in charge) of the asset management department and the deputy director (in charge) of the asset risk management division of Zhejiang branch, etc.. From April 2000 to December 2019, he held various positions in China Huarong Asset Management Co., Ltd., including the senior manager, the assistant to general manager and the deputy general manager of the Hangzhou office, as well as the deputy director of the first reorganization office of the company, the marketing director, the assistant to president and the vice president. During the period from March 2006 to January 2014, he served as the general manager, the vice chairman and the chairman of the board of directors of China Huarong Financial Leasing Co., Ltd. He has served as the member of the Party Committee of the Company since December 2019. Mr. Hu graduated from Hangzhou Cadre's Institute of Finance and Management majoring in Banking Management in 1997, and graduated from The University of Hong Kong with an MBA degree in August 2003. He holds the professional title of Senior Economist.

Mr. Zhao Limin

Zhao Limin, Assistant to the President

Mr. Zhao has been serving as the Assistant to the President of the Company since August 2019[1]. He worked in China Construction Bank from July 1993 to September 1999, and joined the Company in September 1999. He had held various positions successively, including the deputy director of the Hohhot office, the general manager of the Jilin branch and the general manager of Cinda Investment. He has been serving as a member of the Party Committee of the Company since December 2020, and serving as the director and chairman of Cinda Real Estate since December 2020. Mr. Zhao obtained a bachelor's degree in Economics from Liaoning University in 1993. He holds the professional title of Senior Economist.

Mr. Li Hongjiang

Li Hongjiang, Assistant to the President

Mr. Li has been serving as the Assistant to the President of the Company since August 2019[1]. He worked in China Construction Bank from August 1992 to September 1998, and joined the Company in July 2001. He had held various positions successively, including the deputy general manager of the Guangdong branch, the general manager of the Jilin branch and the general manager of the asset operation department of the Company. He has been serving as a member of the Party Committee of the Company since December 2020, and serving as the director and chairman of Jingu Trust since January 2021. He obtained a bachelor's degree in Economics, a master's degree in Economics and a doctorate in Economics from Dongbei University of Finance and Economics in 1992, 1999 and 2001 respectively. He holds the professional title of Senior Economist.

Mr. Luo Zhenhong

Luo Zhenhong, Chief Risk Officer

Mr. Luo has been serving as the Chief Risk Officer of the Company since October 2013. From July 1988 to April 1999, Mr. Luo held various positions in China Construction Bank. Mr. Luo joined the Company in April 1999 and served as the deputy general manager and the general manager of legal department, the general manager of the legal and compliance department of the Company. From October 2008 to November 2012, Mr. Luo served as the vice president of the banking law division of China Law Society and has served as the vice president of China Banking Law Society since November 2012. Mr. Luo graduated from Peking University with a bachelor's degree in Law in 1988, a master's degree in Law in 2002, and an EMBA degree in 2012.

1. Mr. Zhao Limin and Mr. Li Hongjiang have been appointed by the Board as Vice Presidents of the Company. As at the Latest Practicable Date, the qualifications of Mr. Zhao Limin and Mr. Li Hongjiang are subject to the approval of the CBIRC and their appointments will take effect upon approval.

Mr. Ai Jiuchao

Ai Jiuchao, Board Secretary

Mr. Ai has been serving as the Board Secretary of the Company since April 2016. He held various positions in China National Coal Allocation Corporation, the Ministry of Coal Industry and the National Coal Industry Bureau from June 1989 to September 2000. Mr. Ai joined the Company in September 2000. He served as the deputy head and deputy head (at the grade of director) of the chief executive office, the general manager of the compliance management department and the head of the board office. In addition, he has also served as the general manager of strategic development department and the director of the financial risk research center. He has been serving as the director and chairman of Cinda Securities since November 2020. Mr. Ai graduated from the China University of Mining and Technology and obtained a bachelor's degree in Engineering in 1989. He had also obtained a bachelor's degree in Economics from Renmin University of China in 1996 and an EMBA degree from China University of Mining and Technology in 2002. He holds the professional title of Senior Economist.

Mr. Yang Yingxun

Yang Yingxun, Chief Financial Officer

Mr. Yang has been serving as the Chief Financial Officer since August 2020. He worked in China Construction Bank Trust and Investment Corporation from July 1996 to May 1999. Mr. Yang joined the Company in May 1999. He had held various positions, including the financial director of Cinda Property and Casualty Insurance Co., Ltd., the financial director and vice president of Happy Life, and general manager of planning and finance department. He has been serving as a non-executive director of NCB Hong Kong since September 2020. Mr. Yang obtained a bachelor's degree in Economics from the University of International Business and Economics in 1996 and an MBA degree from Tsinghua University in 2006. Mr. Yang holds the professional title of Economist.

10.4 Change in Directors, Supervisors and Senior Management

10.4.1 Change in Directors

As elected at the annual general meeting for 2019 and approved by the CBIRC, Ms. Zhang Yuxiang was appointed as the Company's non-executive Director on August 18, 2020, please refer to the announcement published by the Company on August 21, 2020 for further details.

As elected at the first extraordinary general meeting for 2020 and approved by the CBIRC, Mr. Wang Shaoshuang was appointed as the Company's non-executive Director on November 17, 2020, please refer to the announcement published by the Company on November 20, 2020 for further details.

Since February 26, 2020, Ms. Yuan Hong had ceased to be the non-executive Director of the Company due to other work arrangement.

During the Reporting Period, Mr. Zhu Wuxiang had ceased to be the independent director of the China Fortune Land Development Co., Ltd.

Since July 2020, Mr. Sun Baowen has been serving as the independent director of AVIC Fund Management Co., Ltd.

Since March 2021, Mr. Liu Chong had ceased to be the deputy chairman of the China International Marine Containers (Group) Co., Ltd.

10.4.2 Change in Supervisors

There has been no change in the information on the Supervisors of the Company that is required to be disclosed under Rule 13.51B(1) of the Hong Kong Listing Rules.

10.4.3 Change in Senior Management

As appointed at the ninth Board meeting of the Company in 2019 and approved by the CBIRC, Mr. Zhang Weidong has been serving as the President of the Company since January 21, 2020.

As appointed at the first meeting and the first regular meeting of the Board in 2020, Mr. Hu Jiliang has been serving as the Vice President of the Company since March 31, 2020.

As appointed at the third Board meeting of the Company in 2020 and approved by the CBIRC, Mr. Yang Yingxun has been serving as the Chief Financial Officer of the Company since August 17, 2020.

On February 5, 2021, the first meeting and the first regular meeting of the Board in 2021 has appointed Mr. Zhao Limin and Mr. Li Hongjiang as the Vice Presidents of the Company. As at the date of this report, the qualifications of Mr. Zhao Limin and Mr. Li Hongjiang are subject to the approval of the CBIRC and their appointments will take effect upon approval.

Since January 7, 2020, Mr. Zhuang Enyue had ceased to be the Vice President of the Company due to other work arrangement.

Since January 7, 2020, Mr. Liang Qiang had ceased to be the Vice President of the Company due to other work arrangement.

Since June 10, 2020, Mr. Xiang Dang had ceased to be the Assistant to the President of the Company due to other work arrangement.

10.5 Annual Remuneration

10.5.1 Remuneration of Directors, Supervisors and Senior Management

For details of the remuneration of Directors, Supervisors and Senior Management, please see Note VI.18 “Emoluments of directors and supervisors” and Note VI.19 “Key management personnel and five highest paid individuals” to the Consolidated Financial Statements.

10.5.2 Highest Paid Individuals

For details of the emoluments of the five highest paid individuals of the Company during the Reporting Period, please see Note VI.19 “Key management personnel and five highest paid individuals” to the Consolidated Financial Statements.

11. Corporate Governance Report

11.1 Summary

During the Reporting Period, based on the sound corporate governance principles of listed companies, the Company actively explored the practice of integrating the leadership of the Party into all aspects of corporate governance, actively benchmarked external regulatory requirements and good practices, and constantly improved the corporate governance model in line with the actual situation of the Company, in order to strengthen the construction of corporate governance mechanism. The Company adhered to the risk management concept of "protecting the bottom-line by managing risks proactively". On the one hand, it set reasonable business and development goals according to the objective operating environment and created value for shareholders. On the other hand, it adhered to the bottom-line thinking, and properly determined the risk appetite and risk limit, paying constant attention to the effectiveness of risk management and internal monitoring system, so as to ensure the steady progress of the Company in the complex and changeable external environment.

The Company timely responded to market concerns and constantly enhanced the transparency of corporate governance, focusing on information disclosure and investor relations management. With regard to information disclosure, the Company constantly improved the information disclosure mechanism, strictly standardized the disclosure process, carried out compliant disclosure, in order to improve the effectiveness and pertinence of information disclosure. With regard to investor relations management, the Company has established multi-level, multi-channel and extensive investor interactions to carefully listen to the market voices, correctly publicize the Company value, and actively maintain the market image of the industry and the Company, with an aim to create a good market environment for the Company's business development.

During the Reporting Period, the Company was awarded "Stars of China Awards – Best Corporate Governance Bank" by the *Global Finance* Magazine, which demonstrated the recognition of the Company's corporate governance in the industry and further boosted its global visibility in the international capital market.

11.1.1 Corporate Governance Code

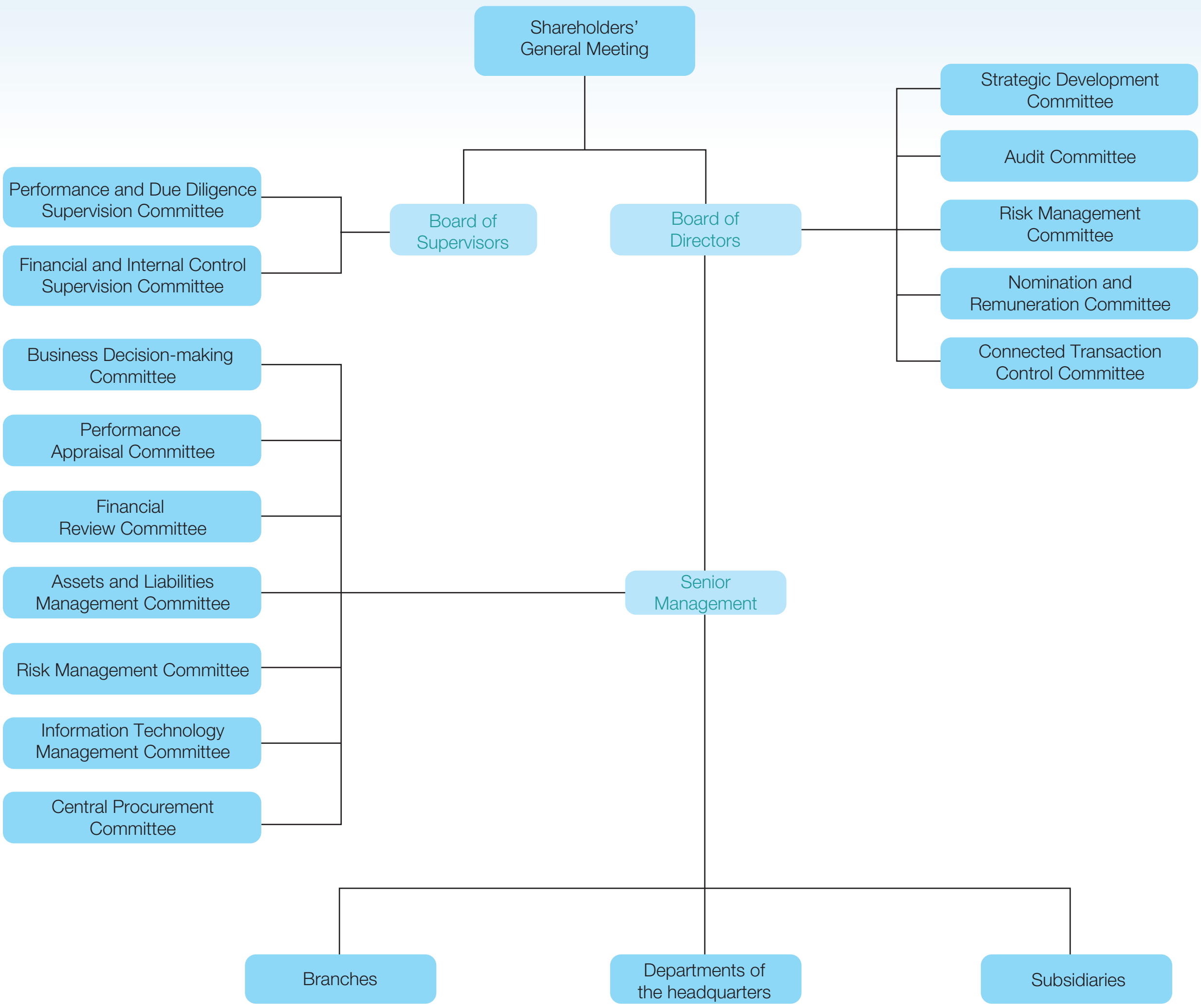
During the Reporting Period, the Company has fully complied with the code provisions and adopted most of the recommended best practices set out in the Corporate Governance Code (the "**CG Code**") under Appendix 14 to the Hong Kong Listing Rules.

Corporate Governance Functions

During the Reporting Period, the Board and its special committees performed the following corporate governance duties: (1) to review the Company's policies and practices on corporate governance so as to ensure their effectiveness; (2) to review and monitor the training and continuous professional development of Directors and Senior Management; (3) to review and monitor the Company's policies and practices regarding legal and regulatory compliance; (4) to develop, review and monitor the code of conduct and compliance manual applicable to Directors and employees; and (5) to review the Company's compliance with the CG Code and the disclosure in the Corporate Governance Report.

11.1.2 Corporate Governance Structure

During the Reporting Period, the corporate governance structure of the Company was as follows:



11.1.3 Amendments to the Articles

For the purposes of further consolidating the foundation of corporate governance and improving corporate governance mechanism, the Company amended the Articles in accordance with the requirement of laws and regulations including the Company Law of the People's Republic of China, Hong Kong Listing Rules and relevant regulations of Guidelines on the Corporate Governance of Commercial Banks, taking into account the Company's corporate governance practice. In June 30, 2020, the proposal in relation to the amendments to the Articles was approved at the 2019 annual general meeting of the Company. The amended Articles have been approved by the CBIRC on October 27, 2020. For the details about the proposal to amend the Articles, please refer to the announcements and circulars of the Company dated December 26, 2019, May 15, 2020, June 30, 2020, and November 4, 2020.

11.2 Shareholders' General Meeting

11.2.1 Responsibilities of shareholders' general meeting

The shareholders' general meeting is the body of authority of the Company and its main functions and powers include: (1) to decide the Company's operating policies and investment plans; (2) to elect and replace Directors and the non-employee representative Supervisors, and to decide on matters related to the emoluments of Directors and Supervisors; (3) to consider and approve the report of the Board and the report of the Board of Supervisors; (4) to consider and approve the annual financial budgets, final account plans, profit distribution plans and loss recovery plans of the Company; (5) to resolve on any increase or reduction in the Company's registered capital; (6) to resolve on the issuance of corporate bonds, any class of shares, warrants or other marketable securities of the Company and their listings; (7) to resolve on matters related to merger, separation, dissolution, liquidation of the Company or alternation on the form of the Company; (8) to amend the Articles, the procedural rules of the shareholders' general meetings, the meetings of the Board and the Board of Supervisors; and (9) to consider and approve major investment and disposal of equity interests, investment and disposal of debentures, financing, pledges and guarantee of assets, purchases and disposal of fixed assets, disposal of debt-to-equity swap assets, write off of assets, external donations of the Company and other major decisions of the legal entity, etc.

11.2.2 Details of shareholders' general meetings

During the Reporting Period, the Company held five shareholders' general meetings in Beijing, including one annual general meeting, two extraordinary general meetings, one class meeting for Domestic Shareholders, and one class meeting for H Shareholders, at which a total of 21 resolutions were considered and approved. The Company strictly complied with the legal procedures applicable to shareholders' general meetings to ensure that shareholders are able to attend the meetings and exercise their rights. Shareholders voted at the shareholders' general meetings by poll according to the Hong Kong Listing Rules, and they were fully informed of the voting procedures by poll. The Company engaged legal counsels to attend and attest shareholders' general meetings and to issue legal opinions. Major resolutions considered and approved at the general meetings include:

- the amendments to the Articles;
- the granting of general mandate to issue additional H Shares to the Board;
- the external donation plan for 2020;
- the issuance of domestic capital bonds with no fixed maturity;
- the amendments to the rules of procedures of the shareholders' general meetings;

- the amendments to the rules of procedures of the Board meetings;
- the amendments to the rules of procedures of the Board of Supervisors meetings;
- the remuneration settlement scheme for the Directors for 2018;
- the remuneration settlement scheme for the Supervisors for 2018;
- the final financial account plan for 2019;
- the profit distribution plan for 2019;
- the budget of investment in capital expenditure for 2020;
- the appointment of accounting firms for 2020;
- the work report of the Board for 2019;
- the report of the Board of Supervisors for 2019;
- the election of Ms. ZHANG Yuxiang as a non-executive Director of the Company;
- the election of Mr. WANG Shaoshuang as a non-executive Director of the Company;

11.2.3 Shareholders' rights

Right to propose to convene extraordinary general meetings

Shareholders who individually or jointly hold 10% or more of the shares with voting rights (the "**Requesting Shareholders**") shall have the right to request to convene an extraordinary general meeting or a class meeting by written proposal.

The Board shall make a response in writing as to whether or not it agrees to convene such meeting within 10 days upon receipt of such proposal. If the Board agrees to convene an extraordinary general meeting or a class meeting, a notice for convening such meeting shall be issued within five days after the resolution of the Board is passed. If the Board does not agree to convene an extraordinary general meeting or a class meeting, or fails to give its response, the Requesting Shareholders shall have the right to propose to the Board of Supervisors and such proposal shall be in writing. If the Board of Supervisors agrees to convene an extraordinary general meeting or a class meeting, a notice for convening such meeting shall be issued within five days upon receipt of such proposal. If the Board of Supervisors does not provide notice regarding this meeting, shareholders who individually or jointly hold 10% or more of the shares with voting rights for not less than 90 consecutive days shall be entitled to convene the meeting.

Right to propose resolutions to shareholders' general meetings

Shareholders, individually or jointly holding 3% or more of the shares with voting rights, shall have the right to submit proposals to the Company in writing. The Company should incorporate all proposed matters that fall within the power of the Shareholders' general meeting on the agenda of such meeting.

Shareholders, individually or jointly holding 3% or more of the shares with voting rights, shall have the right to submit interim proposals in writing 10 days before the shareholders' general meeting to the convener of such meeting. The convener shall, within two days upon receiving such proposals, give supplemental notice to other shareholders and incorporate all proposed matters that fall within the power of the shareholders' general meeting on the agenda of such meeting.

Right to propose to convene extraordinary Board meetings

The Chairman shall convene an extraordinary meeting of the Board within 10 days from the date of receipt of the request of the shareholders who individually or jointly hold 10% or more of the shares with voting rights.

Right to propose resolutions to Board meetings

Shareholders who individually or jointly hold 10% or more of the shares with voting rights can submit proposals of the Board meetings to the Board.

Right to raise proposals and enquiries

Shareholders shall have the right to oversee, to present proposals or to raise enquiries regarding the Company's business operations. Shareholders are entitled to inspect the Articles, the register of shareholders, the state of Company's share capital and minutes of shareholders' general meetings of the Company. Shareholders may raise their enquiry or suggestion to the Board by mail to the registered address of the Company or by emailing to the Company. In addition, shareholders' enquiry on shares or dividends (if any) can be sent to Computershare Hong Kong Investor Services Limited, the share registrar of the H Shares of the Company, whose contact information is available in "Corporate Information" in this report.

Other rights

Shareholders shall be entitled to dividends and other types of interest distributed in proportion to the number of shares held and other rights as conferred by applicable laws, regulations and the Articles.

11.2.4 Attendance of Directors at shareholders' general meetings

Attendance of Directors at shareholders' general meetings

Members of the Board	Number of meetings attended/ required to attend	Attendance rate
Executive Directors		
Zhang Zi'ai	5/5	100%
Zhang Weidong	5/5	100%
Non-executive Directors		
He Jieping	5/5	100%
Xu Long	5/5	100%
Wang Shaoshuang	1/1	100%
Zhang Yuxiang	2/2	100%
Zhang Guoqing	5/5	100%
Liu Chong	4/5	80%
Independent Non-executive Directors		
Zhu Wuxiang	5/5	100%
Sun Baowen	5/5	100%
Lu Zhengfei	5/5	100%
Lam Chi Kuen	5/5	100%
Directors Resigned during the Reporting Period		
Yuan Hong	–	–

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.
2. Attendance rate is the number of meetings attended by Directors in person as a percentage of the total number of meetings required to attend.

11.2.5 Independence from controlling shareholder

The Company is independent from its controlling shareholder in operation, personnel, assets, organization and finance. The Company, as an independent legal person, operates independently and is financially independent. The Company has its own independent and complete business and can operate independently.

11.3 Board

11.3.1 Composition and responsibilities of the Board

As at the date of this report, the Board has 12 members, including two executive Directors, namely Mr. Zhang Zi'ai (Chairman) and Mr. Zhang Weidong, six non-executive Directors, namely Mr. He Jieping, Mr. Xu Long, Mr. Wang Shaoshuang, Ms. Zhang Yuxiang, Mr. Zhang Guoqing, and Mr. Liu Chong and four independent non-executive Directors, namely Mr. Zhu Wuxiang, Mr. Sun Baowen, Mr. Lu Zhengfei and Mr. Lam Chi Kuen. Their terms of office shall end on the expiry of the current session of the Board.

During the Reporting Period and as at the date of this report, the Company has complied with Rules 3.10(1) and 3.10(2) of the Hong Kong Listing Rules to have at least three independent non-executive directors and at least one of the independent non-executive directors has appropriate professional qualification or accounting or related financial management expertise. Besides, the Company has complied with Rule 3.10A of the Hong Kong Listing Rules which stipulates that the number of independent non-executive directors appointed by a listed company shall not be less than one third of the board.

The Board is responsible for the shareholders' general meeting in accordance with the Articles. The main duties of the Board include: (1) to convene and report its work to the shareholders' general meetings; (2) to implement the resolutions of the shareholders' general meetings; (3) to determine the development strategies, operation plans and investment plans of the Company; (4) to formulate annual financial budgets and final financial account plans, profit distribution plans and loss recovery plans of the Company; (5) to appoint or dismiss the President and the Board Secretary; to appoint or dismiss the Vice Presidents, Assistants to the President and other Senior Management members (excluding the Board Secretary) according to the President's nominations; (6) to formulate plans for increasing or reducing registered capital, merger, division, dissolution and repurchase of shares of the Company; (7) to formulate the appraisal methods and remuneration scheme of Directors for approval at the shareholders' general meeting; (8) to determine the remuneration, performance appraisal, and award and punishment mechanism for Senior Management members of the Company; (9) to determine the risk management, compliance and internal control policies of the Company and to formulate appropriate systems with regards to the internal control and compliance management of the Company; (10) to consider and approve the major investment and disposal of equity interests, investment and disposal of debentures, financing, pledges and guarantee of assets, purchases and disposal of fixed assets, disposal of debt-to-equity swap assets, writing-off assets, external donations of the Company and other major decisions of the legal entity, within the extent of authorization by the shareholders' general meeting.

11.3.2 Board Meetings

During the Reporting Period, the Board held seven meetings, including four regular meetings and three extraordinary meetings, at which 45 resolutions were passed and 21 work reports were reviewed. Before the meetings, Directors had been appropriately provided with notice and information necessary for making an informed decision in time. Among the resolutions passed, there were seven resolutions on operational and management matters, four resolutions on major transactions, five resolutions on work reports, eight resolutions on nomination of candidates, one resolution on remuneration and insurance matter and twenty resolutions on other matters. The major matters were as follows:

- the final financial account plan and the profit distribution plan for 2019 and the budget of investment in capital expenditure for 2020;
- The 2019 annual report (the annual results announcement) and the 2020 interim report (interim results announcement);
- the work report of the Board, risk management report, internal control evaluation report and social responsibility report for 2019;
- the internal audit work plan for 2020;
- the distribution of dividends for Offshore Preference Shares;
- the plan of spin-off of Cinda Securities and listing of A Shares;
- the plan of non-public issuance of offshore preference shares and the plan of issuance of onshore undated capital bonds;
- the nomination of candidates for Directors and the election of members of special committees of the Board;
- the appointment of the Vice President and Chief Financial Officer;
- reviewing the reports on implementation of proposals passed at previous Board meetings and identification of connected persons of the Company.

In addition, the Board conducted internal evaluation on the effectiveness of risk management and internal control of the Group during the Reporting Period. For details, please see “Corporate Governance Report” – “Risk Management” and “Internal Control” in this report.

11.3.3 Directors' Attendance at Board Meetings

Directors' Attendance at Board Meetings

Members of the Board	Number of meetings attended/ required to attend	Attendance rate
Executive Directors		
Zhang Zi'ai	7/7	100%
Zhang Weidong	6/7	86%
Non-executive Directors		
He Jieping	7/7	100%
Xu Long	7/7	100%
Wang Shaoshuang	1/1	100%
Zhang Yuxiang	3/3	100%
Zhang Guoqing	7/7	100%
Liu Chong	7/7	100%
Independent Non-executive Directors		
Zhu Wuxiang	7/7	100%
Sun Baowen	7/7	100%
Lu Zhengfei	7/7	100%
Lam Chi Kuen	7/7	100%
Directors Resigned during the Reporting Period		
Yuan Hong	–	–

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.
2. Attendance rate is the number of meetings attended by Directors in person as a percentage of the total number of meetings required to attend.
3. Director who was unable to attend in person has appointed other Director as the proxy to vote at the meetings on his behalf.

11.4 Special Committees of the Board

The Board has five special committees, namely the Strategic Development Committee, Audit Committee, Risk Management Committee, Nomination and Remuneration Committee and Connected Transaction Control Committee.

11.4.1 Strategic Development Committee

As at the date of this report, the Strategic Development Committee has nine Directors. Mr. Zhang Zi'ai (Chairman) serves as the chairman. The members include six non-executive Directors, namely Mr. He Jieping, Mr. Xu Long, Mr. Wang Shaoshuang, Ms. Zhang Yuxiang, Mr. Zhang Guoqing and Mr. Liu Chong and two independent non-executive Directors, namely Mr. Sun Baowen and Mr. Lam Chi Kuen.

The Strategic Development Committee shall perform, among others, the following duties: to review the general strategic development plan, annual operation plan and fixed asset investment budget, major organizational restructuring and adjustment proposals, major investments and financing proposals, major merger and acquisition proposals of the Company and make relevant recommendations to the Board; to review and assess the comprehensiveness of governance structure of the Company and to review corporate governance report to ensure that the disclosure therein complies with the relevant requirements of the CG Code and Corporate Governance Report.

During the Reporting Period, the Strategic Development Committee held five meetings to consider 12 resolutions, mainly including the final financial account plan for 2019, the annual consolidated operation plan of the Group for 2020, the budget of investment in capital expenditure for 2020, the plan of spin-off of Cinda Securities and listing of A Shares, the plan of non-public issuance of offshore preference shares and the plan of issuance of onshore undated capital bonds, and debriefed the reports including the 2019 corporate governance report and the evaluation report of the Company on the implementation of the strategic development plan (2019).

Members' attendance at Strategic Development Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Zhang Zi'ai	5/5	100%
He Jieping	5/5	100%
Xu Long	5/5	100%
Wang Shaoshuang	1/1	100%
Zhang Yuxiang	3/3	100%
Zhang Guoqing	5/5	100%
Liu Chong	5/5	100%
Sun Baowen	5/5	100%
Lam Chi Kuen	5/5	100%
Member Resigned during the Reporting Period		
Yuan Hong	–	–

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.
2. Attendance rate is the number of meetings attended by Directors in person as a percentage of the total number of meetings required to attend.

11.4.2 Audit Committee

As at the date of this report, the Audit Committee consists of four Directors. Mr. Lu Zhengfei (independent non-executive Director) serves as the chairman. The members include one non-executive Director, Mr. He Jieping and two independent non-executive Directors, namely Mr. Sun Baowen and Mr. Lam Chi Kuen.

During the Reporting Period and as at the date of this report, the Company has complied with Rule 3.21 of the Hong Kong Listing Rules that at least one member of the Audit Committee has appropriate professional qualifications or accounting or relevant financial management expertise.

The Audit Committee shall perform, among others, the following duties: to review significant financial policies of the Company and their implementation, and supervise financial activities of the Company; to review the financial information and relevant disclosure of the Company; to consider and approve the internal control evaluation proposal of the Company, and supervise and evaluate the internal control and risk management of the Company; to supervise and evaluate the internal audit work of the Company; to propose the appointment or dismissal of the external auditor; to monitor the non-compliance of the Company in respect of financial reporting and internal control; and to evaluate whether the resources devoted to functions such as accounting, internal auditing and financial reporting (including qualification and experience of relevant personnel as well as the training provided to such personnel and the relevant budget) are sufficient.

During the Reporting Period, the Audit Committee held eight meetings to review ten resolutions including the 2019 annual report (annual results announcement), the internal control evaluation report for 2019, the risk management report for 2019, the internal audit work plan for 2020, the appointment of accounting firms for 2020, the 2020 interim report (interim results announcement), and debriefed 11 reports including the report on internal audit work for 2019, auditor's report on the Company's 2019 management recommendations, 2020 interim financial statements review plan, and 2020 financial statements audit plan.

On March 25, 2021, the Audit Committee held a meeting to resolve the submission of the 2020 annual financial report to the Board for review. The Audit Committee together with the Board and the external auditing firms jointly reviewed the accounting standards and practice adopted by the Group and the audited Consolidated Financial Statements for the year ended December 31, 2020.

During the Reporting Period, the Audit Committee duly performed its duties to review the financial information of the Company and its disclosure, regularly review financial reports of the Company and supervise operating activities of the Company; to supervise and guide the implementation of the internal control evaluation of the Company; to coordinate the communication between the internal audit department and the external auditors, consider auditors' recommendations on management and work together to determine external audit plans and work arrangements; to assess the effectiveness of risk management and internal control of the Company, draft internal audit work plans, and to monitor the non-compliance of the Company in respect of financial reporting and internal control.

Members' attendance at Audit Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Lu Zhengfei	8/8	100%
He Jieping	8/8	100%
Sun Baowen	8/8	100%
Lam Chi Kuen	8/8	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.
2. Attendance rate is the number of meetings attended by Directors in person as a percentage of the total number of meetings required to attend.

11.4.3 Risk Management Committee

As at the date of this report, the Risk Management Committee consists of five Directors. Mr. He Jieping (non-executive Director) serves as the chairman. The members include Mr. Zhang Weidong, an executive Director, Mr. Wang Shaoshuang and Mr. Zhang Guoqing, non-executive Directors, and Mr. Lu Zhengfei, an independent non-executive Director.

The Risk Management Committee shall perform, among others, the following duties: to examine risk management strategies and policies of the Company and supervise their implementation and effectiveness; to continuously supervise the effectiveness of the risk management and internal control systems of the Company to ensure compliance with the provisions regarding the risk management and internal control under the CG Code and Corporate Governance Report; to review the effectiveness of risk management and internal control systems at least once a year; to review risk management reports of the Company; to evaluate the risk exposure of the Company; to supervise the performance of Senior Management in respect of credit, market and operation risk control; and to formulate and amend the compliance policies of the Company, and to evaluate and supervise the compliance of the Company.

During the Reporting Period, the Risk Management Committee held six meetings to review nine resolutions, mainly including the 2019 risk management report and the internal control evaluation report for 2019, the report on anti-money laundering efforts for 2019, the risk appetite statement of the Group (2020), the revision of Corporate Compliance Work Management Procedures, and debriefed eight reports including the quarterly risk management reports and the compliance management report for 2019.

By identifying the risk appetite of the Company in accordance with its strategic management target, reviewing the briefings on risk management reports and internal control evaluation reports, participating in risk management working meetings, and carefully carrying out investigation and research on site, the Risk Management Committee understood and evaluated the effectiveness of the operation of the Company's risk management and internal control system through the above measures.

Members' attendance at Risk Management Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
He Jieping	6/6	100%
Zhang Weidong	5/6	83%
Wang Shaoshuang	–	–
Zhang Guoqing	6/6	100%
Lu Zhengfei	6/6	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.
2. Attendance rate is the number of meetings attended by Directors in person as a percentage of the total number of meetings required to attend.
3. Director who was unable to attend the meetings in person has appointed another Director as the proxy to vote on his behalf.

11.5 Nomination and Remuneration Committee

As at the date of this report, the Nomination and Remuneration Committee consists of three Directors. Mr. Sun Baowen (independent non-executive Director) serves as the chairman. The members include Mr. Xu Long, a non-executive Director, and Mr. Zhu Wuxiang, an independent non-executive Director.

The Nomination and Remuneration Committee shall perform, among others, the following duties: to formulate procedures and standards for the election of Directors and Senior Management members; to preliminarily examine the eligibility of the candidates for Directors and Senior Management members; to make recommendations to the Board on the candidates for Directors, President, Board Secretary, chairmen (other than the chairman of the Strategic Development Committee) and members of the special committees of the Board; to review the structure and composition of the Board; and to propose the remuneration distribution plan according to the performance appraisal of Directors and Senior Management members for the approval of the Board.

During the Reporting Period, the Nomination and Remuneration Committee held five meetings to consider ten resolutions, mainly including the nomination of candidates for the Directors, the nomination of members for special committees of the Board, preliminary review on the eligibility of Vice President and Chief Financial Officer, and renewal of liability insurance for directors, supervisors and senior management of the Group, discussed the structure and composition of the Board as well as the performance of Directors and the independence of independent non-executive Directors, and listened to the debriefing on the 2020 work plan of the Nomination and Remuneration Committee.

Members' attendance at Nomination and Remuneration Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Sun Baowen	5/5	100%
Xu Long	5/5	100%
Zhu Wuxiang	5/5	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.
2. Attendance rate is the number of meetings attended by Directors in person as a percentage of the total number of meetings required to attend.

The procedures of nominating Director candidates and the selection criteria are as follows:

1. Candidates of Directors or independent non-executive Directors shall be nominated through proposal with their detailed information including factors such as:

    - personal particulars such as education background, working experience and any concurrently holding positions;

    - whether there is any connected relationship with the Company or the controlling shareholder and de facto controller of the Company;

    - their shareholdings in the Company; and

    - any penalties or punishments imposed by the securities regulatory authorities of the State Council, and other relevant authorities and/or the stock exchanges.

2. A candidate for Director shall, prior to the convening of the shareholders' general meeting, give a written undertaking letter stating that he/she has agreed to accept the nomination and that the personal information as publicly disclosed is true and complete, and warrant that he/she will duly perform his/her duties as a Director after he/she is elected. A written notice of the intention to nominate a candidate of Director and willingness of the candidate to be elected as well as the written documents of the basic information of the candidate shall be given to the Company not less than 10 days prior to the date of the shareholders' general meeting;

3. The Company shall disclose the detailed information on the candidates of Directors to shareholders at least seven days before convening the shareholders' general meeting to ensure that shareholders will have adequate understanding of the candidates when they cast their votes;

4. The length of the period (starting from the next day after publishing the notice for convening a shareholders' general meeting), during which the nominators and the candidates of Directors are allowed to submit the aforesaid notice and documents, shall be at least seven days;

5. The shareholders' general meeting shall consider and vote on the election of each candidate by way of a separate resolution; and

6. A candidate of Director shall act as a Director upon approval at the shareholders' general meeting and his/her qualification approved by the regulatory authorities.

The Company attaches great importance to the diversity of the Board and has formulated relevant policies. To improve the effectiveness of the Board and the corporate governance, the Nomination and Remuneration Committee strives to ensure diversity in the composition of the Board when selecting candidates of Directors. It also considers various factors including but not limited to the age, knowledge, cultural and education background, professional and industry experience and gender, in order to ensure that the Board members are equipped with appropriate skills, experience, diversified perspectives and opinions. The Nomination and Remuneration Committee evaluates the structure, size and composition of the Board as well as the performance of Directors and the independence of independent non-executive Directors and the improvement on the diversity of the Board annually.

11.5.1 Connected Transaction Control Committee

As at the date of this Report, the Connected Transaction Control Committee consists of three Directors. Mr. Zhu Wuxiang (independent non-executive Director) serves as the chairman. The members include Ms. Zhang Yuxiang, a non-executive Director and Mr. Lu Zhengfei, an independent non-executive Director.

The Connected Transaction Control Committee shall perform, among others, the following duties: to identify connected persons of the Company; to review basic management rules for connected transaction; to conduct preliminary review on connected transactions to be approved by the Board or shareholders' general meetings; and to maintain records of connected transactions.

During the Reporting Period, the Connected Transaction Control Committee held eight meetings to consider six resolutions that included matters relating to identification of connected persons of the Company and the connected transactions management report for 2019, and to debrief nine reports including the quarterly reports on connected transactions, the intra-group transactions management report for 2019 and the connected transactions management report for the first half of 2020.

Members' attendance at Connected Transaction Control Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Zhu Wuxiang	8/8	100%
Zhang Yuxiang	3/3	100%
Lu Zhengfei	8/8	100%
Member Resigned during the Reporting Period		
Yuan Hong	–	–

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.
2. Attendance rate is the number of meetings attended by Directors in person as a percentage of the total number of meetings required to attend.

11.6 Board of Supervisors

11.6.1 Duties of the Board of Supervisors

The Board of Supervisors is the supervisory body of the Company and shall be responsible to and report its work to the shareholders' general meeting pursuant to the Articles. The Board of Supervisors shall perform the following duties: (1) to supervise the adoption by the Board of prudent business philosophy and value standards and formulate development strategies in line with the actual situations of the Company; (2) to assess the scientificity, rationality and effectiveness of the development strategies formulated by the Board on a regular basis and form assessment reports; (3) to examine and supervise the financial condition of the Company, and review the financial information including the financial reports and the profit distribution plan; (4) to conduct overall assessment on the performance of duties by Directors, Supervisors and Senior Management; (5) to monitor, review and supervise the ratification of the operational decision-making, risk management and internal control of the Company, and supervise and direct the internal audit department of the Company; (6) to nominate shareholder representative Supervisors, external Supervisors and independent Directors, and supervise the election and appointment procedures of Directors; (7) to appraise the scientificity and rationality of the remuneration system and policy of the Company as well as the remuneration scheme of Senior Management; and formulate assessment methods and remuneration scheme of supervisors and submit to the shareholders' general meeting for approval; and (8) to formulate amendments to the rule of procedures of the Board of Supervisors.

11.6.2 Composition of Board of Supervisors

As at the date of this report, the Board of Supervisors consists of seven Supervisors, including one shareholder representative Supervisor, Mr. Gong Jiande, and three external Supervisors, namely Ms. Liu Yanfen, Mr. Zhang Zheng and Mr. Li Chun, and three employee Supervisors, namely Ms. Gong Hongbing, Mr. Lu Baoxing and Mr. Yuan Liangming.

The shareholder representative Supervisors and external Supervisors are elected at the shareholders' general meeting and the employee Supervisors are elected at the employees' representatives meeting.

11.6.3 Chairman of the Board of Supervisors

Mr. Gong Jiande acts as the Chairman of the Board of Supervisors and is responsible for the operation of the Board of Supervisors in accordance with the Articles.

11.6.4 Meetings of the Board of Supervisors

In 2020, the Board of Supervisors held four meetings and approved 13 resolutions, including the work focus of the Board of Supervisors for 2020, the legal compliance for 2019, the final financial account plan for 2019, the profit distribution plan for 2019, the internal control evaluation report for 2019, the report on the performance of Directors, Supervisors and Senior Management for 2019, the report of the Board of Supervisors for 2019, the 2019 annual report (annual results announcement), the 2020 interim report (interim results announcement), and amendments to the Measures on the Performance Supervision of the Board of Supervisors.

Supervisors' attendance at meetings of the Board of Supervisors

Supervisors	Number of meetings attended/ required to attend	Attendance rate
Gong Jiande	4/4	100%
Liu Yanfen	4/4	100%
Zhang Zheng	4/4	100%
Li Chun	4/4	100%
Gong Hongbing	4/4	100%
Lu Baoxing	4/4	100%
Yuan Liangming	4/4	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.
2. Attendance rate is the number of meetings attended by Supervisors in person as a percentage of the total number of meetings required to attend.

11.6.5 Special committees of the Board of Supervisors

The Board of Supervisors has two special committees, namely the Performance and Due Diligence Supervision Committee and the Financial and Internal Control Supervision Committee, which assist the Board of Supervisors to perform its obligations under the authorization of the Board of Supervisors, and be responsible for and report their work to the Board of Supervisors.

Performance and Due Diligence Supervision Committee

As at the date of this report, the Performance and Due Diligence Supervision Committee consists of three Supervisors, including Mr. Zhang Zheng (external Supervisor) as chairman. The members include two employee Supervisors, namely Ms. Gong Hongbing and Mr. Yuan Liangming.

The duties of the Performance and Due Diligence Supervision Committee primarily include: (1) to provide supervision advices on the performance of duties of the Board, Senior Management and their members, and report to the Board of Supervisors; (2) to make recommendations to the Board of Supervisors on candidates of Supervisors and independent Directors; (3) to review the remuneration settlement scheme for Supervisors; (4) to perform other duties as authorized by the Board of Supervisors.

During the Reporting Period, the Performance and Due Diligence Supervision Committee held three meetings and reviewed the following matters, including the resolution on the submission of the remuneration settlement scheme for Supervisors for 2018 to the shareholders' general meeting for approval, report on the performance of Directors, Supervisors and Senior Management for 2019, and resolution on amendments to the Measures on the Performance Supervision of the Board of Supervisors.

Financial and Internal Control Supervision Committee

As at the date of this report, the Financial and Internal Control Supervision Committee consists of three Supervisors, including Ms. Liu Yanfen (external Supervisor) as chairman. The members include Mr. Li Chun, an external Supervisor and Mr. Lu Baoxing, an employee Supervisor.

The duties of the Financial and Internal Control Supervision Committee primarily include: (1) to provide review suggestions on the financial condition of the Company and report to the Board of Supervisors; (2) to provide evaluation suggestions on the internal control reports of the Company and report to the Board of Supervisors; (3) to supervise the risk management of the Company; (4) to perform other duties as authorized by the Board of Supervisors.

During the Reporting Period, the Financial and Internal Control Supervision Committee held five meetings to review the following matters, including the final financial account plan for 2019, the internal control evaluation report for 2019, the 2019 annual report (annual results announcement) and the 2020 interim report (interim results announcement).

11.7 Chairman and President

In accordance with A.2.1 of the CG Code and the Articles, the Chairman and the President shall be assumed by different individuals, and the Chairman shall not be concurrently assumed by the legal representative or key management of the controlling shareholder.

Mr. Zhang Zi'ai acts as the Chairman and the legal representative of the Company, and is responsible for presiding over the shareholders' general meeting, reporting to the general meeting on behalf of the Board, convening and presiding over the Board meetings, supervising and inspecting the implementation of the resolutions of the Board, leading the Board to formulate the annual budget and final accounts and other major matters.

Mr. Zhang Weidong acts as the President and is responsible for the business operation and daily management of the Company. The President shall be appointed by the Board and is accountable to the Board. He shall perform his duties in accordance with the Articles and the authorization granted by the Board.

11.8 Senior Management

11.8.1 Composition and duties of Senior Management

The Senior Management is the executive body of the Company and is accountable to the Board. As at the date of this report, the Senior Management comprises eight members. For details of its composition, please see "Directors, Supervisors and Senior Management" – "Senior Management" in this report. There is a strict separation of power between the Senior Management and the Board. The Senior Management determines the operation management and decision-making matters within its duties and responsibilities as authorized by the Board. The Senior Management includes President, Vice Presidents, Assistants to the President, Chief Risk Officer, Board Secretary, and Chief Financial Officer. Other members of Senior Management perform their duties and take responsibilities according to the authorization of the President. The Board conducts performance appraisal on the Senior Management and its members in accordance with the evaluation requirements of MOF and the CBIRC, the results of which form the basis of the remuneration and other performance-based arrangements regarding the Senior Management.

11.8.2 Supervision and evaluation of the performance of Directors and Senior Management

In accordance with the regulations such as Measures on the Performance Supervision of the Board of Supervisors and the Focus of the Performance Supervision of the Directors and Senior Management for 2020, the Board of Supervisors conducted supervision over the performance of the Board, Senior Management and its members through attending the shareholders' general meetings, presenting at the Board meetings, meetings of the special committees of the Board and the meetings of Senior Management, examining the minutes and records of the meetings, and performance reports of Director and Senior Management, and also through daily supervision arrangements.

11.8.3 Remuneration of Directors and Senior Management

For the remuneration policy of the Directors and Senior Management, please refer to the "Report of the Board of Directors" – "Remuneration Policy of Directors, Supervisors and Senior Management" in this report.

For the remuneration of Senior Management by band, please refer to Note VI. 19 "Key management personnel and five highest paid individuals" to the Consolidated Financial Statements.

11.9 Risk Management

The Company endeavours to develop a comprehensive risk management system which is in line with the scale and complexity of its business development, and has developed a comprehensive risk management framework consisting of four levels, namely the Board and the Board of Supervisors, the Senior Management, the risk management department and relevant functional departments at the headquarters, and its branches and subsidiaries, and three lines of defense comprising the business operation departments, the functional departments of risk management and the internal audit departments. During the Reporting Period, the Company's risk management and internal control system is effective and the relevant risk is within the acceptable range of the Company.

Details of the Company's establishment of risk management system, risk management framework and control measures during the Reporting Period are set out in the "Management Discussion and Analysis" – "Risk Management" in this report.

11.10 Internal Control

The Board is responsible for the establishment and implementation of a sound and effective internal control system and the evaluation of its effectiveness, and truthfully disclosing the internal control evaluation report. The Board of Supervisors is responsible for supervising the establishment and implementation of internal control system by the Board. The Senior Management is responsible for organizing the daily operation of internal control system of the Company. The Board, the Board of Supervisors and Directors, Supervisors and members of the Senior Management of the Company undertake that information in this report does not contain any false representations, misleading statements or material omissions, and jointly and severally take responsibility for the truthfulness, accuracy and completeness of this report.

The objectives of the internal control of the Company are to reasonably ensure its operation and management are in compliance with laws and regulations, assets safety, the truthfulness and completeness of financial reports and relevant information, to improve operation efficiency and effects, and to facilitate the Company to achieve its development strategic targets. Due to its inherent limitations, internal control can only provide reasonable assurance regarding the achievement of the above objectives. Moreover, changes in circumstances may render the internal control mechanisms inappropriate, or reduce the degree of compliance with policies and procedures, so that predicting the effectiveness of internal control in the future according to the evaluation results of internal control may involve certain risks.

The Company has established a management structure of internal control consisting of three precautionary mechanisms under the leadership of the Board, the Board of Supervisors and the management.

In respect of the corporate governance, the Board is responsible for the thorough examination and evaluation of the establishment, improvement and effective implementation of the internal control system as well as the effectiveness of the internal control, while the Board of Supervisors is responsible for supervising the Board and the management on the establishment, improvement, effective implementation and regular evaluation of the Company's internal control system. The management organizes and guides the daily operation of the internal control of the Company, establishes and improves the relevant systems of the operation segment's internal control system, and comprehensively promotes the implementation of the internal control system.

In respect of the Company's operation, the headquarters, branches, and subsidiaries, as the first line of defense, establishes an internal control mechanism of consciously implementing the internal control, self-assessing the risk exposure, self-correcting and reporting timely. Compliance department, as the second line of defense, acts as the functional department for internal control and compliance management, leads the establishment and maintenance of the internal control system, and supervises and examines the internal control by means of routine supervision and special inspection. The audit department, as the third line of defense, audits and evaluates the adequacy and effectiveness of internal control, reports the audit problems to the Board, and supervises and follows up the rectification.

The risk compliance management position in each department of the Company's headquarters, the compliance and internal control management position and the specified audit position in each branch has been set up and charged with the implementation and evaluation of the internal control management within the organization. The compliance and internal control department of each subsidiary is responsible for the establishment and maintenance of the internal control system. Each subsidiary has its own internal control contact person to be in charge of promoting the establishment and implementation of the internal control system within the subsidiary, the routine maintenance and inspection, and the communication with the headquarters about the significant events reports and periodic reports.

Pursuant to the Measures on the Internal Control of Financial Asset Management Companies, the Basic Internal Control Norms for Enterprises and the Guidelines for Internal Control of Commercial Banks, as well as the regulatory requirements of CG Code, the Company has established and continuously improved the internal control management system in line with the internal control objectives of the Company.

During the Reporting Period, the Company further strengthened the management of key areas of internal control and consolidated the foundation of internal control, to boost the prudent development of its business operations.

Improving the internal control system. The Company implemented the system re-inspections benchmarking supervision regulations, carried out the on-site inspection opinions from the regulatory authorities, and improved the compliance and operability of the internal control system. Meanwhile, the Company revised the Internal Control Manual in an all-round way, and updated 24 internal control processes and 262 control points. These efforts helped to effectively consolidate the foundation of internal control management.

Establishing a system of employee behavior management. The Company formulated and improved three systems of employee behavior management, points management for minor violations, and accountability for violations of business operation management. The Company promulgated employee behavior codes and put in place a trinity system that integrates prevention, warning, and discipline.

Strengthening compliance training and publicity. The Company organized compliance training, interpreted new regulatory regulations, analyzed violation cases, conducted warning education, and reinforced policy advocacy. In addition, the Company prepared and issued compliance information disclosure, reported regulatory dynamics in a timely manner, and analyzed the key areas of internal and external inspections, to achieve good warning effects.

According to the Guidelines for the Evaluation of Internal Control of Enterprises, the CG Code and the Guidelines for Internal Control of Commercial Banks and the internal control system of the Company, the Company worked out the Implementation Plan for Internal Control Evaluation for 2020. The scope of evaluation incorporated the departments of the headquarters, branches, subsidiaries, main business lines, products, and high-risk areas. The Company identified defects in internal control, actively implemented the rectification, and optimized the establishment and implementation of internal control, by organizing and conducting the comprehensive self-assessment, on-site and off-site tests and inspection of key aspects.

The Board and the Audit Committee conduct the evaluation of the effectiveness of the internal control every year and review the internal control evaluation report. The Board believes that the Company has maintained effective internal control of financial reporting in all material aspects in accordance with the requirements of the corporate internal control regulation system and relevant provisions. No material or significant defects in the internal control of the financial reporting and non-financial reporting were identified while some matters to be addressed did not have a substantial impact on the operation and management of the Company.

The Company had appointed Ernst & Young Hua Ming LLP to conduct audit on the internal control of the Company. The audit opinions of the internal control were consistent with the evaluation results of the effectiveness of the internal control of the Company.

11.11 Internal Audit

The Company has implemented an internal audit system. An audit department is established at the headquarters of the Company with dedicated professional auditors with a mission to independently and objectively supervise, inspect and evaluate the income and expenditure, operating activities, risk exposure and internal control of the Company and report material deficiencies in the course of auditing to the Audit Committee or the Board.

In 2020, the Company grappled with the impact of the Pandemic, actively explored the way of remote audit, and fully completed the annual internal audit as scheduled. In accordance with the regulatory requirements and the corporate risk profile, with serving the development of the Company as core, the Company made sustained efforts to innovate audit methods to promote the establishment of a sound and effective risk management mechanism, an internal control system and corporate governance procedures, and fully leverage the supervisory and advisory functions of internal audit.

Carrying out regular and economic responsibility audits. Centering on the strategic development goal of the Company and focusing on key businesses, major projects, important links, corporate finance and internal control, the Company carried out regular audits on branches and subsidiaries; the Company also conducted audits on the economic responsibilities of certain senior and middle-level managers during their term of offices.

Organizing evaluation on internal control. Self-evaluation together with other means including on-site tests and spot checks of key areas have been conducted within all departments of the headquarters, branches and subsidiaries. In addition, the Company evaluated the effectiveness and sufficiency of internal control and made recommendations for improvement.

Organizing and carrying out special audit work. In accordance with the regulatory requirements and focusing on the key and difficult points of operation and management, the Company organized and implemented special audits on matters such as group organization integration and delayering, bad debt write-offs, internal transaction and connected transaction, and information technology risk management, and carried out special inspections on the rectification of problems found in external and internal audits in the past three years.

Further improving the construction of the internal audit system. In keeping with changes in regulatory requirements and its actual situation, the Company completed the addition and revision of the internal audit system in a timely manner; and carried forward the construction of internal audit teams, conducted training in multiple dimensions, diversified forms and various measures, and made a special effort to enhance the ability of internal auditors to perform their duties.

11.12 Establishment and Implementation of Accountability System for Material Errors in Annual Reports

The Company has formulated and implemented the Administrative Measures on the Preparation of Regular Information Disclosure Reports, and indicated accountability of material errors in the disclosure of the annual reports. During the Reporting Period, the Company has strictly complied with the policies and regulations relating to the preparation and disclosure of annual reports to strengthen the awareness of this accountability, so as to enhance the quality and transparency of information disclosure in annual reports. During the Reporting Period, there were no material errors discovered in the information disclosed in the annual reports.

11.13 Procedures and Internal Controls for the Handling and Dissemination of Inside Information

During the Reporting Period, the Company improved the compliance awareness of employees and better managed inside information in accordance with the Insider Information Management System and Information Disclosure System. The Company had also enhanced confidentiality of inside information and strictly implemented the insider registration to limit the number of insiders as well as proactively prevent inside dealing. To the knowledge of the Company, during the Reporting Period, there was no incident of inside trading of the shares of the Company by taking advantage of the inside information.

11.14 Communication with Shareholders

11.14.1 Information disclosure and investor relations

The Company has carried out information disclosure and investor relations management, in strict compliance with regulatory provisions and the internal requirements set out under the rules of the Company, including the Information Disclosure Policy, the Administrative Measures on the Preparation of Regular Reports for Information Disclosure, the Administrative Measures on the Internal Reporting of Material Information and the Provisional Measures of Investor Relations Work. The Company also communicated and interacted with shareholders and potential investors through various channels to assist them in making rational investment decisions and to protect investors' rights and interests.

The Company dedicated to the work of information disclosure in strict compliance with the principles of truth, accuracy, completeness, timeliness and fairness. The Company also worked continuously to improve the procedure and mechanism of information disclosure, and enhance the quality and efficiency of information disclosure; continued to improve the disclosure form and content of the regular reports, reflect the trend of industry development and corporate operation in a timely manner, and effectively improve the richness, effectiveness and transparency of disclosures contained in regular reports; the Company also dedicated to accurately disclose temporary announcements in a timely manner, and to actively carry out voluntary disclosure to protect investors' right to know; the Company strictly implemented the registration of insiders as a part of its efforts to strengthen confidentiality of its inside information.

The Company attached great importance to communication with investors, actively listened to their opinions and suggestions, and conducted two-way communication with investors to help them correctly understand its value. The Company has set up an all-around channel for interactive communication with investors. By means of results announcement, non-deal roadshow, participation in large investment forums and investment bank summits, daily investor visits, and answering investor hotline, it introduced the development of the industry, and strategy, business philosophy, competitive advantages and business expansion of the Company to investors, and responded to their concerns in a timely manner, thus enhancing their confidence and fully demonstrating its expertise and commitments to social responsibilities, and further improving recognition and brand influence of the Company in the capital market.

During the Reporting Period, the Company grappled with the impact of the Pandemic and completed the preparation and disclosure of regular reports as scheduled. Furthermore, the Company expanded the online investor communication activities by holding result announcement teleconference and participating in online summits, thus further enhancing the initiative of communication with the market. In 2020, the Company won the title of "Best Company of Investor Relations in Listed Companies" of the China Securities Golden Bauhinia Awards.

11.14.2 Contacts of Board of Directors' Office

The board of directors' office is responsible for assisting in the daily operation of the Board. Should investors have any enquiries or shareholders have any suggestions, enquiries or proposals, please contact:

The Board of Directors' Office of China Cinda Asset Management Co., Ltd.
Address: No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing, PRC
Tel: (86)10-63080528
Email address: ir@cinda.com.cn

11.15 Auditor's Remuneration

As approved by the annual general meeting for 2019, the Company had appointed Ernst & Young Hua Ming LLP and Ernst & Young (collectively "**Ernst & Young**") as its domestic and international auditors for 2020, respectively, to provide audit service of the annual financial statements, review of the interim financial statements, and audit of internal control as well as other professional services for the Company for the year of 2020. During the Reporting Period, the audit fee incurred in respect to the audit of financial statements and audit of internal control provided by Ernst & Young and its member firms amounted to a total of RMB43.72 million. No related fees incurred in respect of other verification services provided by Ernst & Young and its member firms. In 2020, the fees incurred in respect to consulting service provided by Ernst & Young and its member firms amounted to a total of RMB7.56 million. There are no non-audit services provided by Ernst & Young and its member firms to the Group other than those mentioned above.

11.16 Responsibilities of Directors in respect of Financial Statements

The Directors are responsible for adopting applicable accounting policies in accordance with PRC GAAP and IFRS. They are also responsible for implementing relevant accounting requirements of the MOF subject to PRC GAAP and IFRS and supervising the preparation of the annual and interim financial statements of the Company so that the financial statements can truly and fairly reflect the Company's operating condition.

11.17 Securities Transactions by Directors, Supervisors and Senior Management

The Company has formulated the Code for Securities Transactions by Directors, Supervisors and Senior Management which regulates securities transactions by Directors, Supervisors and Senior Management and is no less lenient than the Model Code for Securities Transactions by Directors of Listed Companies specified in Appendix 10 to the Hong Kong Listing Rules. The Company has made enquiries to all Directors and Supervisors who confirmed that they had complied with such code and the requirements set out there during the Reporting Period.

11.18 The Independence of Independent Non-executive Directors

All independent non-executive Directors are independent persons. The Company has received annual confirmation letters from each of the independent non-executive Directors to confirm their independence. As at the Latest Practicable Date, the Company considered that all independent non-executive Directors are independent. The independence of independent non-executive Directors complies with the relevant guidelines set out in Rule 3.13 of the Hong Kong Listing Rules.

11.19 Trainings for Directors

The Board focused on the professional development of the Directors by encouraging and organizing them to take part in trainings. In accordance with Rule A.6.5 of the CG Code, the Directors participated in relevant trainings organized by industry organizations, professional organizations and the Company. In addition, the Directors further improved their professionalism through multiple approaches such as attending seminars as well as conducting on-site research on peers and our branches and subsidiaries. During the Reporting Period, the major topics of trainings the Directors participated in are as follows:

External Trainings

- MOF Thematic trainings on current financial situation and policies, international environment and relations, financial technology innovation and supervision, corporate governance, management of property rights of state-owned financial capital, etc.;

- China Investment Corporation Thematic trainings on comprehensive management and financial technology strategies of financial institutions, interchange on digital strategic transformation of financial institutions, discussions on intelligent risk control from the perspective of the financial industry, development and prospects of green finance, etc.;

- The Hong Kong Institute of Chartered Secretaries Thematic trainings on H-share articles amendments, interpretation and practical guidelines of information disclosure policies, latest revisions and practical guidelines of the Environmental, Social and Governance Report, corporate value management, directors' performance of duties, etc.

Internal Trainings

- Macro economy and policy;

- Distressed asset business cases;

- Honesty in performance;

- Anti-money laundering.

11.20 Company Secretary

Mr. Ai Jiuchao is the Company Secretary. He has served the Company for many years and is familiar with the Company's daily operations. In respect of corporate governance, the Hong Kong Listing Rules and other applicable laws and regulations related to the Company and other matters, Mr. Ai shall report to the Directors and/or the President. During the Reporting Period, Mr. Ai had participated in the relevant professional training courses for 15 hours, which is in compliance with the requirements of Rule 3.29 of the Hong Kong Listing Rules.

12. Report of the Board of Directors

12.1 Principal Business

The Group primarily engages in distressed asset management and financial services. Details of the analysis of business review and operating performance, major risks, risk management and future development of the Group are set out in “Management Discussion and Analysis” in this report. During the Reporting Period, there were no significant changes to the principal business scope of the Group.

12.2 Profit and Dividend Distribution

The profit and financial condition of the Group for the year ended December 31, 2020 are set out in the section headed “Management Discussion and Analysis” – “Analysis of Financial Statements” in this report.

Having considered the long-term development requirement and the interests of investors of the Company, the Board proposed to distribute cash dividends for 2020 in the amount of RMB1.041 per 10 shares (tax inclusive) to holders of Domestic Shares and H Shares whose names appear on the register of members on the record date, representing total cash dividends of approximately RMB3,973 million on the basis of 38,164,535,147 Domestic Shares and H Shares in issue on December 31, 2020.

The profit distribution plan for 2020 of the Company shall be subject to approval by the annual general meeting for 2020. Subject to the approval, the cash dividend for 2020 is expected to be distributed on or around August 20, 2021 to the holders of Domestic Shares and H Shares whose names appear on the register of members of the Company on the record date for dividend distribution. The cash dividend will be denominated and declared in Renminbi and will be paid in Renminbi to holders of Domestic Shares and in Hong Kong dollars to holders of H Shares. The amount of Hong Kong dollar will be calculated on the basis of the average basic exchange rate between Renminbi and Hong Kong dollar quoted by PBOC one week prior to the date of the annual general meeting for 2020 (including the date of the meeting).

The Company will announce the date of the annual general meeting for 2020 and the period of closure of register of members of the Company for the determination of the entitlement of shareholders to attend the annual general meeting for 2020 and to vote thereon and the period of closure of registered of members of the Company to determine the entitlement of shareholders for 2020 cash dividends in due course.

The Company attaches great importance to shareholders’ return and has set up sound decision-making procedures and mechanisms for profit distribution. It is clearly provided in the Articles that the Company shall maintain a consistent and stable profit distribution policy, taking into account the Company’s long-term interest and sustainable development as well as the interests of its shareholders as a whole. Profit shall be distributed in cash dividend in priority. Any adjustment to the profit distribution policy of the Company shall be subject to approval of shareholders by a special resolution passed at the general meeting upon review of the Board.

For individual holders of H Shares, pursuant to the Individual Income Tax Law of the People's Republic of China, the Implementation Regulations of the Individual Income Tax Law of the People's Republic of China, other laws and regulations and relevant regulatory documents promulgated by the State Administration of Taxation of the PRC, the Company shall, as a withholding agent, withhold and pay individual income tax at the rate of 10% for the individual holders of H Shares in respect of the dividend for 2020 to be distributed to them. The individual holders of H Shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled and the tax arrangements between mainland China, Hong Kong or Macao.

For non-resident enterprise holders of H Shares in China, the Company will withhold and pay enterprise income tax at the tax rate of 10% for such holders of H Shares pursuant to relevant regulatory documents of the State Administration of Taxation of the PRC. A non-PRC resident enterprise shareholder which is entitled to a preferential tax rate under a tax agreement or an arrangement may, directly or through its entrusted agent or withholding agent, apply to the competent tax authorities for a refund of the excess amount of tax withheld.

For investors of the Shanghai Stock Exchange or Shenzhen Stock Exchange investing in the H Shares of the Company, the Company will distribute the cash dividend for 2020 to China Securities Depository and Clearing Corporation Limited which, as the nominee of the investors of H Shares of Southbound Trading, will then re-distribute the cash dividends to the relevant investors of H Shares of Southbound Trading through its depository and clearing system. Pursuant to the relevant requirements of the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81) and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No. 127), the Company shall withhold and pay individual income tax at the rate of 20% on behalf of domestic individual investors. For domestic securities investment funds, the tax payable shall be the same as that for individual investors. The Company will not withhold and pay the income tax of dividends for domestic enterprise investors which shall report and pay the relevant tax themselves. The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H Shares of the Company.

Should the holders of H Shares of the Company have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for the relevant tax impact in mainland China, Hong Kong and other countries (regions) on the holding and disposal of the H Shares of the Company.

Details of the Company's dividend on Offshore Preference Shares for 2020 are set out in the section headed "Changes in Share Capital and Information on Substantial Shareholders" – "Preference Shares" in this report.

12.3 Distributable Reserves

Details of distributable reserves of the Group for the year ended December 31, 2020 are set out in the Consolidated Statement of Financial Position in the Consolidated Financial Statements.

12.4 Financial Summary

The operating results and summary of assets and liabilities of the Group for the year ended December 31, 2020 are set out in the "Financial Summary" in this report.

12.5 Donations

Donations made by the Group for the year ended December 31, 2020 amounted to RMB25.477 million.

12.6 Property and Equipment

None of the percentage ratios (as defined under Rule 14.04(9) of the Hong Kong Listing Rules) of the properties held by the Group exceeds 5%. Details in relation to the changes in property and equipment of the Group for the year ended December 31, 2020 are set out in Note VI. 39 "Property and equipment" to the Consolidated Financial Statements.

12.7 Pension Plan

According to the relevant regulations of the PRC, the employees of the Group participate in the social basic pension insurance schemes implemented by the local labour and social security departments. The Group shall pay pension insurance fee to the local social basic pension insurance agency according to the base and proportion prescribed by the local regulations. Such insurance fees payable were charged to the profit or loss for the period on an accrual basis. Local labour and social security departments will pay basic social pension to the staff upon their retirement. Qualified employees of the institutions of the Group in Hong Kong have participated in a locally-defined pension plan or defined benefit plan.

Besides basic social pension insurance, employees of the Company also participate in the annuity scheme established by the Company in accordance with relevant policies of the annuity system of the PRC. The Company makes contributions to the annuity scheme at a certain proportion of the total salaries of the employees, and the contributions are recorded as costs when incurred.

For details of the payment of pension by the Company for its employees, please see Note VI. 11 "Employee remuneration" to the Consolidated Financial Statements.

12.8 Major Clients

During the Reporting Period, the combined revenue from the top five clients of the Company did not exceed 30% of its total revenue for 2020. There are no clients, suppliers, employees or others who have a significant impact on the Group and on which the Group's success depends.

12.9 Share Capital and Public Float

As at December 31, 2020, the Company had a total of 38,164,535,147 shares in issue. Please see "Changes in Share Capital and Information on Substantial Shareholders" in this report for details. As of the Latest Practicable Date, based on the information available to the Company and to the knowledge of the Directors, the public float of the Company was not lower than 25% and in compliance with the relevant laws and regulations and the requirement of the Hong Kong Listing Rules.

12.10 Pre-emptive Right

During the Reporting Period, none of the shareholders was entitled to any pre-emptive right to subscribe for any shares in accordance with applicable PRC laws and the Articles, and the Company did not have any share option arrangement.

12.11 Purchase, Sale, disposal and Redemption of Listed Securities

During the Reporting Period, neither the Company nor its subsidiaries has purchased, sold or redeemed any listed securities of the Company or its subsidiaries.

12.12 Equity-linked Agreement

As approved by the CBRC and China Securities Regulatory Commission respectively, the Company issued USD3.2 billion 4.45% noncumulative perpetual Offshore Preference Shares in a non-public manner on September 30, 2016. Pursuant to the requirements of the Administrative Measures on Financial Asset Management Companies and the Administrative Measures on the Pilot Scheme of Preference Shares, the Company has set a trigger event term for the Offshore Preference Shares, upon the occurrence of which the Offshore Preference Shares would be irrevocably and compulsorily converted into H Shares. The trigger event refers to the earlier of: (a) the CBIRC having concluded that without a decision on the conversion into ordinary shares, the Company would become non-viable; and (b) the relevant regulatory authorities such as MOF and PBOC having concluded that without a decision on a public-sector injection of capital or equivalent support, the Company would become non-viable. Assuming such trigger event for conversion happens and all the Offshore Preference Shares are converted at the initial conversion price into H Shares, the number of H Shares issued upon conversion would be 7,412,441,791 shares. As at the date of this report, there is no trigger event requiring the mandatory conversion of the Offshore Preference Shares into H Shares.

During the Reporting Period, the Company did not enter into any equity-linked agreement.

12.13 Issuance of Securities

Issuance of Securities of the Company

During the Reporting Period, the issuance of bonds of the Company is set out in Note VI. 54 "Bonds payable" to the Consolidated Financial Statements.

Issuance of Securities of Subsidiaries

During the Reporting Period, the issuance of bonds of the subsidiaries of the Company are set out in Note VI. 54 "Bonds payable" to the Consolidated Financial Statements.

Save as disclosed, during the Reporting Period, the Company and its subsidiaries did not issue or grant any shares, convertible bonds, options or other securities.

12.14 Material Interests and Short Positions

For details of material interests and short positions of shareholders, please see "Changes in Share Capital and Information on Substantial Shareholders" – "Interests and Short Positions Held by the Substantial Shareholders and Other Persons" in this report.

12.15 Use of Proceeds

All of the proceeds received by the Company in the past issues have been used in accordance with the purposes disclosed in the relevant documents such as their respective prospectuses, which was to replenish the capital of the Company for supporting its business development.

12.16 Borrowings

The borrowings of the Group as at December 31, 2020 amounted to approximately RMB556.91 billion. Details of the borrowings are set out in Note VI. 49 "Borrowings" to the Consolidated Financial Statements.

12.17 Directors, Supervisors and Senior Management

Lists, biographical information and changes of the Directors, Supervisors and Senior Management are set out in "Directors, Supervisors and Senior Management" in this report. The daily operations of the Board are set out in "Corporate Governance Report" in this report.

12.18 Directors', Supervisors' and Chief Executive Officer's Interests and Short Positions in Shares and Underlying Shares

As at December 31, 2020, none of the Directors, Supervisors or chief executive officer had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Hong Kong SFO), which was required to be recorded in the register kept by the Company pursuant to Section 352 of the Hong Kong SFO or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Appendix 10 Model Code for Securities Transactions by Directors of Listed Companies to the Hong Kong Listing Rules.

12.19 Interests in Major Transactions, Arrangements or Contracts and Service Contracts of Directors and Supervisors

In 2020, none of the Directors and Supervisors (or their connected entities) had any material interests, directly or indirectly, in any major transactions, arrangements or contracts (except service contracts) regarding the business of the Group entered into by the Company or any of its controlling companies, subsidiaries or fellow subsidiaries.

None of the Directors and Supervisors had entered into any service contract with the Company which was not terminable by the Company within one year without payment of compensation (other than statutory compensation).

12.20 Interests of Directors in Business Competing with the Company

During the Reporting Period, none of the Directors held any interest in business which directly or indirectly competed, or was likely to compete with the business of the Company.

12.21 Material Contracts with Controlling Shareholders

During the Reporting Period, the Company and its subsidiaries did not enter into any contract (including material contracts for the provision of services) with the controlling shareholder or any of its subsidiaries.

12.22 Management Contracts

During the Reporting Period, the Company did not enter into any management contracts with respect to the entire or substantial business of the Company.

12.23 Remuneration Policy of Directors, Supervisors and Senior Management

The Company's remuneration policy of Directors, Supervisors and Senior Management is in compliance with the Interim Measures on Management of Remuneration of Representatives of State-owned Financial Enterprises promulgated by MOF. The remuneration policy of Directors, Supervisors and Senior Management consists of incentive and restriction based on their performance and the risks and responsibilities of their positions and is subject to government supervision and adjustment along with market condition. The remuneration system comprises basic salary, bonus and other benefits, as well as corporate pension scheme in accordance with relevant national requirements. During the Reporting Period, the Company had no arrangement for any stock incentive plan for Directors, Supervisors and Senior Management.

12.24 Relationship between Directors, Supervisors and Senior Management

There was no financial, business or family relationship, or other relationships which is required to be disclosed between any of the Directors, Supervisors and Senior Management.

12.25 Indemnity for Directors, Supervisors and Senior Management

According to the Articles, the Company may establish a liability insurance system for Directors, Supervisors and Senior Management as necessary in order to lower the risk exposure arising from their normal discharge of obligations. During the Reporting Period, the Company maintained liability insurance for directors, supervisors and senior management of the Group to protect them against any potential liability arising from the Group's activities to which they may be held liable.

During the Reporting Period, there was no permitted indemnity provision for the benefit of Directors.

12.26 Connected Transactions

On June 30, 2020, Huaihe Energy (Group) Co., Ltd. ("Huaihe Energy"), Huainan Mining Industry (Group) Co., Ltd. ("Huainan Mining Group") and the existing shareholders of Huainan Mining Group (including the Company) (collectively referred to as the "Parties") entered into the Termination Agreement of the Absorption and Merger Agreement between Huaihe Energy (Group) Co., Ltd. and Huainan Mining Industry (Group) Co., Ltd. (the "Termination Agreement"). Pursuant to the Termination Agreement, as the Absorption and Merger Agreement between Huaihe Energy (Group) Co., Ltd. and Huainan Mining Industry (Group) Co., Ltd. (the "Absorption and Merger Agreement") has not yet been effective, the Parties unanimously agree to terminate the Absorption and Merger Agreement and shall not be mutually subject to any default liability for the agreement termination. The entering into and performance of the Termination Agreement does not constitute a basis for one party to claim any fees or payments against other parties. The Termination Agreement shall be established and effective on the date of signing by each of the legal representatives or authorized representatives of the Parties with their respective official seals affixed. For details of the absorption and merger and termination, please refer to the announcements of the Company dated November 28, 2019, June 1, 2020 and June 30, 2020.

Save as disclosed above, during the Reporting Period, the Company did not conduct any connected transaction or continuing connected transaction required to be reported, announced or approved by independent shareholders under Chapter 14A "Connected Transactions" of the Hong Kong Listing Rules. Details of related party transactions as defined under the IFRS are set out in Note VI. 70 "Related party transactions" to the Consolidated Financial Statements, which do not constitute connected transaction or continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules.

12.27 Social Responsibility

During the Reporting Period, adhering to the mission of "providing excellent service for customers, creating best return for shareholders, building a development platform for employees, resolving financial risks for the country, and assuming greater responsibility for the society", the Company took initiative to shoulder social responsibilities in preventing and defusing risks, serving the real economy, fighting against the COVID-19, caring for the growth of employees, practicing green development, and promoting poverty alleviation. Great results have been achieved.

For detailed information on the Company's performance in implementing social responsibility and the environmental, social and governance requirements of the Hong Kong Stock Exchange, Please refer to the 2020 CSR Report of China Cinda to be published separately.

12.28 Compliance with Relevant Laws and Regulations

During the Reporting Period, the Company has complied with the relevant laws and regulations which are material to its business and operation in all material respects, and obtained all material qualifications and permits necessary for its business operations in accordance with relevant laws and regulations.

12.29 Auditors

The financial reports of the Company for 2020 prepared under the IFRS and PRC GAAP have been audited by Ernst & Young and Ernst & Young Hua Ming LLP, respectively.

12.30 Statement for Changes of Auditors in the Past Three Years

As approved at the annual general meeting for 2019 on June 30, 2020, the Company re-appointed Ernst & Young Hua Ming LLP and Ernst & Young (collectively, "Ernst & Young") as its domestic and international auditors for 2020, respectively, to provide the audit of the annual financial statements, review of the interim financial statements, audit of internal control and other relevant services to the Company for 2020. By 2020, Ernst & Young has provided audit services to the Company for six consecutive years. The Company has not changed its auditors in the past three years.

By Order of the Board
ZHANG Zi'ai
Chairman

March 26, 2021

13. Report of the Board of Supervisors

During the Reporting Period, the Board of Supervisors faithfully performed its supervisory duties in accordance with laws, administrative regulations and the Articles, adhered to the problem-oriented supervision, constantly enriched the supervision methods, improved the supervision mechanism, enhanced the effectiveness of supervision, and effectively gave play to its functions.

13.1 Major Work Completed

Convene the Board of Supervisors meetings in accordance with the law. The Board of Supervisors held four meetings in 2020, and considered 13 resolutions, including the Company's regular reports, internal control evaluation report, performance evaluation reports and the work focus of the Board of Supervisors. The Board of Supervisors also debriefed a number of thematic reports, including the Company's operation, risk management, assets management and disposal, and the implementation and rectification of regulatory opinions. The Performance and Due Diligence Supervision Committee held three meetings and the Finance and Internal Control Supervision Committee held five meetings. In 2020, the Board of Supervisors provided independent opinions on legal operation, financial report, duty performance, and internal control of the Company in accordance with the relevant laws and regulations. The Board of Supervisors and its special committees put forward a number of supervisory opinions and suggestions on strategic implementation, business development, risk management, internal control and other important matters, which have been valued and implemented by the Board and Senior Management.

Earnestly perform the due diligence supervision. By participating in important meetings such as the meetings of the Board and its special committees, working meetings of the Company, and regulatory briefings, carrying out discussions and interviews, reviewing documents and making thematic researches, the Board of Supervisors continued to strengthen the due diligence supervision over the Board, Senior Management and their members, focusing on the Board and Senior Management's performance of their duties in corporate governance, development strategy, operation management and risk control by carefully reviewed the meeting materials, paid attention to the procedures, decision-making process and results, and duly expressed opinions. The Board of Supervisors revised the Measures on the Performance Supervision of the Board of Supervisors to improve the supervision, carried out annual performance evaluation, and reported the annual performance of the Board, the Board of Supervisors, Senior Management and their members to the shareholders' general meetings and the regulatory authorities as required.

Practically carry out financial supervision. The Board of Supervisors carefully reviewed the regular reports, final financial account plans and profit distribution plans, regularly listened to the debriefing on business performance and audit results, paying attention to the changes in major financial data, major adjustments on financial reports and changes in financial systems and their effects as well as the authenticity of financial information, and expressed independent opinions objectively and impartially. The Board of Supervisors strengthened the communication with external auditors, supervised the independence and effectiveness of external audit work, and provided hints on audit focus; closely monitored the impact of the Pandemic and the economic situation on the financial results of the Company for 2020, and suggested the audit arrangement and response for key areas of concern of the Group and its subsidiaries; paid attention to the adjustment of the business strategies of the Company, got a thorough understanding of the total assets and liabilities, business performance, provision and capital adequacy ratio of the Company through communication, and put forward supervision opinions and suggestions.

Constantly enhance internal control and compliance supervision. The Board of Supervisors supervised the construction of internal control and compliance management system, and issued relevant review opinions on internal control evaluation report. The Board of Supervisors strengthened the supervision over key areas such as anti-money laundering and case prevention, followed up the implementation of the audit opinions and the regulatory opinions of the CBIRC, and supervised the rectification; systematically sorted out the problems found in the Company's regulatory inspection over the years, analyzed and summarized the causes of the problems, and suggested strengthening the responsibility at all levels, focused on the improvements of systems and mechanisms, promoting systematic and radical rectification, and promoting the establishment of a long-term mechanism for internal control and compliance; attached importance to the application of internal and external audit results, and followed up the rectification of suggestions made by auditors over the years.

Continue to strengthen risk management supervision. The Board of Supervisors carried out supervision on the key risk areas and risk mitigation work. The Board of Supervisors regularly listened to the debriefing of risk management reports, focusing on the impact of the Pandemic on the operation and assets quality of the Company, and carried out supervision of capital and liquidity; supervised and urged the implementation of regulatory requirements on strict control of liquidity risk in key overseas subsidiaries through investigations and inspections; analyzed the extension and repayment plan adjustment of Restructured Distressed Assets projects and advised the Company to strengthen the approval and post-investment management; paid attention to the management of connected transactions and urged the Company to strengthen the examination, approval and audit supervision in accordance with the regulatory requirements of connected transactions; supervised the integration of subsidiaries and the audit implementation to prevent the occurrence of moral hazard and integrity risk.

Constantly improve supervision efficiency. Adhering to the problem-oriented principle, the Board of Supervisors constantly improved the supervision mechanism and innovated working methods, with an aim to improve the supervision quality and efficiency. The Board of Supervisors promoted the implementation of the supervisory opinions and suggestions, and strengthened the application of the supervisory results; strengthened the communication with the regulatory authorities, the Board and the management, and carried out in-depth investigation and inspection, in order to enhance the understanding of the Company's operation situation; organized the annual joint meeting of supervision coordination for 2020 and the symposium on supervision work of subsidiaries to study key issues, exchange supervision work experience, and conduct training on risk management policies and the latest regulations and policies, so as to improve the overall performance ability. In 2020, the members of the Board of Supervisors performed their duties diligently and faithfully by attending five shareholders' general meetings, seven Board meetings, 32 meetings of the Board's special committees, and ten meetings of Senior Management.

13.2 Independent Opinions on Relevant Matters

Lawful operation

During the Reporting Period, the operation of the Company was in compliance with laws and regulations, and its decision-making procedures were in compliance with relevant laws, regulations and the requirements of the Articles. The Board of Supervisors had no objection to the matters submitted to the shareholders' general meetings for consideration. The Board duly implemented the resolutions approved at the shareholders' general meetings. Directors and Senior Management duly performed their duties. The Board of Supervisors was not aware of any breach of laws, regulations and the Articles or any act detrimental to the interests of the Company by any of the Directors or Senior Management in performing their duties.

Financial reports

The financial reports for the year reflected the financial position and operating results of the Company truthfully and fairly.

Opinions on the performance evaluation of Directors, Supervisors and Senior Management

The results of the performance evaluation of all Directors, Supervisors and Senior Management for 2020 were competent.

Internal control

During the Reporting Period, the Company continued to improve internal control and the Board of Supervisors had no disagreement with the evaluation opinions on internal control of the Company for 2020.

By Order of the Board of Supervisors
GONG Jiande
Chairman of the Board of Supervisors

March 26, 2021

14. Significant Events

14.1 Material Litigation and Arbitration

During the Reporting Period, the Company was not involved in any litigation and arbitration which may materially and adversely affect its business, financial condition and operating results.

14.2 Major Acquisition and Disposal of Assets and Merger

As approved at the annual general meeting for 2018 and by the CBIRC, the Company has transferred 50.995% of the equity interests in Happy Life. For details of the transfer, please refer to the announcements and notice dated June 11, 2019, June 25, 2019, November 19, 2019, December 13, 2019, and July 17, 2020 of the Company.

During the Reporting Period, save as disclosed above, the Company did not enter into any material acquisition, disposal of assets or merger of enterprises.

14.3 Appropriation of Funds by the Controlling Shareholder and other Related Parties

The controlling shareholder and other related parties have not appropriated the funds of the Company.

14.4 Implementation of Share Incentive Plan

During the Reporting Period, the Company did not implement any share incentive plan.

14.5 Major Custody, Contracting and Leasing

During the Reporting Period, the Company did not enter into any major contract relating to the custody, contracting and leasing of assets of other companies or custody, contracting and leasing of assets of the Company by other companies.

14.6 Sanctions Imposed on the Company and Directors, Supervisors and Senior Management

During the Reporting Period, none of the Company or any of the Directors, Supervisors and Senior Management was subject to any investigation or administrative sanctions by securities regulatory authorities, publicly censured by any stock exchange, any penalty with a material impact on the operation of the Company imposed by other regulatory authorities, or prosecuted for criminal liabilities by the judicial authority.

15. Organizational Chart

16. Audit Report and Financial Statements

Independent Auditor's Report

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

TO THE SHAREHOLDERS OF CHINA CINDA ASSET MANAGEMENT CO., LTD.
(Established in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of China Cinda Asset Management Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 152 to 411, which comprise the consolidated statement of financial position as at December 31, 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISAs") issued by the International Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the *Code of Ethics for Professional Accountants* (the "Code") issued by the Hong Kong Institute of Certified Public Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
(1) Classification and impairment assessment of financial assets	
The Group classifies financial assets into three categories: amortized cost (Note VI.29), fair value through other comprehensive income (Note VI.27) and fair value through profit or loss (Note VI.25) based on the business model for managing the financial assets and their contractual cash flow characteristics according to IFRS 9 – Financial Instruments (hereinafter referred to as "IFRS 9"). The significant judgements used in the classification of financial assets by the Group involve assessing the business model for managing a portfolio of financial assets and assessing whether contractual cash flows are solely payments of principal and interest on the principal amount. The Group's disclosures about accounting judgements and estimations are included in Note V.1 Classification of financial assets.	1. Classification of financial assets Our audit procedures included reviewing accounting policies related to the Group's classification of financial assets, assessing and testing the design and operating effectiveness of controls over the assessment of the business model for managing the financial assets and the assessment of contractual cash flow characteristics in the process of classification of financial assets. We reviewed management's business model assessment by obtaining supporting evidence on how the business performance is measured and assessing the frequency and relative amount in sales in the past. We obtained understanding and assessed the logic of the contractual cash flow assessment, and on a sampling basis, we reviewed management's contractual cash flow assessment by reading the relevant contractual terms and performing an independent assessment of the contractual cash flows.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">(1) Classification and impairment assessment of financial assets (Continued)</td></tr>
<tr><td>The Group adopts the expected credit loss model to assess the impairment of financial assets according to IFRS 9. Complex models and assumptions are used in the measurement of expected credit losses for loans and advances to customers and distressed debt assets at amortized cost, for example:

• Significant increases in credit risk – The selection of criteria for identifying significant increases in credit risk is highly dependent on judgement and may have a significant impact on the expected credit losses for financial assets with longer remaining periods to maturity;

• Models and parameters – Inherently complex models are used to measure expected credit losses. Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions.

• Forward-looking information – Expert judgement is used to create macroeconomic forecasts and to consider the impact on expected credit losses under multiple economic scenarios given different weights; and

• Individual impairment assessments – Identifying credit impaired financial assets requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows.</td><td>2. Impairment assessment of financial assets

Our audit procedures included assessing and testing the design and operating effectiveness of controls over the measurement of expected credit losses for loans and advances to customers and distressed debt assets at amortized cost.

With the support of our internal credit risk modelling experts, we evaluated and tested the reasonableness of the methodology, important parameters of the expected credit loss model, management's major judgements and related assumptions, including:

• Assessing the reasonableness of the expected credit loss model methodology;

• Assessing the reasonableness of related parameters, including the probability of default, loss given default, risk exposure, and the significant increases in credit risk, in response to the macroeconomic changes and the COVID-19 pandemic implications;

• Assessing the forward-looking information management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions and different weights of multiple macroeconomic scenarios; and

• Evaluating the models and the related assumptions used in individual impairment assessments and analyzing the amount, timing and likelihood of management's estimated future cash flows, especially cash flows from collateral.</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
The Group's disclosures about accounting judgements and estimations of impairment of financial assets and the details of these financial assets are included in Note V.1 Classification of financial assets, Note V.3 Impairment of financial assets, Note VI.28 Loans and advances to customers, Note VI.29 Financial assets at amortized cost and Note VI.71.1 Credit risk.	Based on the financial and non-financial information of the debtors and other external evidence, we selected samples and assessed the appropriateness of the identification of credit ratings, significant increases in credit risk and credit-impaired financial assets applied by management. In addition, we selected samples and checked key data used in the models, including historical data and measurement data, to evaluate the accuracy and completeness of the data used. Furthermore, we checked the appropriateness of related disclosures including the disclosures of credit risk and expected credit losses.
(2) Valuation of financial instruments	
Financial assets carried at fair value represented a significant portion of total assets. The fair values of level 2 and level 3 financial instruments are determined through the application of valuation techniques which often involve the exercise of judgement by management and the use of assumptions and estimates. The Group's disclosures about accounting judgements and estimation and the details of these financial assets are included in Note V.2 Fair value of financial instruments and Note VI.72 Fair values of financial instruments.	Our audit procedures included assessing and testing the design and operating effectiveness of controls over the identification, measurement and management of valuation risk. We compared observable inputs, such as quoted bid prices in an active market, against independent sources and externally available market data. For unobservable inputs, such as estimated future cash flows, we checked the appropriateness by comparing the cash flows against relevant contractual terms or performing assessments of cash flows from collaterals or profit forecasts. We re-performed valuations on a sample basis to evaluate the valuation techniques, assumptions and estimates adopted by the Group with the assistance of our internal valuation specialists. Furthermore, we checked the appropriateness of related disclosures of fair value including the disclosure of the fair value hierarchy.

Key audit matter	How our audit addressed the key audit matter
(3) Assessment of control, joint control and significant influence	
The Group makes significant judgements to assess whether the Group has control over structured entities, and joint control or significant influence over the structured entities and other investees. • The Group has interests in various structured entities including private equity funds, trusts, asset management plans, wealth management products and mutual funds. The consolidation of those entities is determined by the Group on the basis of control, which involves management's judgement upon power over the structured entities' relevant activities, exposure to variable returns from its involvement with the structured entities, and the ability to use the power to affect the amount of its returns; • The joint control over the structured entities and other investees is determined by the Group's assessment of the existence of sharing of control. The assessment involves judgement on whether decisions about the relevant activities require the unanimous consent of the parties sharing control; and	We evaluated and tested the design and operating effectiveness of the key controls related to the Group's assessment of whether it has control, joint control or significant influence over structured entities and other investees. We assessed the Group's analysis and conclusions on whether or not it controls structured entities based on the Group's analysis on its power over structured entities' relevant activities, and the magnitude and variability of variable returns from its involvement with structured entities. We also evaluated the appropriateness of the Group's assessment on its legal or constructive obligation to absorb loss of structured entities by reviewing relevant agreements or contracts, and whether the Group has provided liquidity support or credit enhancement to structured entities. Furthermore, we checked the appropriateness of related disclosures including interests in consolidated and unconsolidated structured entities.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">(3) Assessment of control, joint control and significant influence (Continued)</td></tr>
<tr><td>• The significant influence over the structured entities and other investees is determined by the Group's assessment of its power to participate in the structured entities and other investees' financial and operating policy decisions. The assessment involves significant judgement based on factors such as the structured entities and other investees' policy-making process, composition of the board of directors or other governing bodies, change in ownership and existence of contractual arrangements.

Due to the significance of these investments to the Group and the complexity of judgement exercised by management, this was considered as a key audit matter.

The Group's disclosures about accounting judgements and estimation and the details of these equity investments are included in Note V.6 Control on structured entities, Note V.7 Judgement on joint control, Note V.8 Judgement on significant influence and Note VI.34 Interests in subsidiaries, Note VI.36 Interests in consolidated structured entities and Note VI.37 Interests in associates and joint ventures.</td><td>We also assessed the Group's analysis and conclusions on the existence of joint control or significant influence over the structured entities and other investees. We made inquiries and inspections of the relevant contracts and agreements of investments to evaluate the Group's assessment of its power to joint control over the structured entities and other investees' relevant activities, or to participate in the structured entities and other investees' financial and operating policy decisions.

We also reviewed the minutes of the meetings of the investors or shareholders, the board of directors or other governing bodies of the structured entities and other investees. We evaluated the Group's reassessment of its influence over the structured entities and other investees on a continuous basis if facts and circumstances indicated that there were changes. Furthermore, we checked the appropriateness of related disclosures of interests in associates and joint ventures.</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
(4) Transfer of financial assets	
Distressed asset management is one of the Group's core businesses, and involves management's judgement upon whether the transfer should be applied to part of a financial asset or the financial asset in its entirety, as well as the evaluation of whether, and to what extent, transfer is appropriate. Considering the significant impact and the usage of judgement and subjective estimation by management in relation to the accounting treatment, we treated the transfer of financial assets as a key audit matter. The Group's disclosures about accounting judgements and estimation and the details of these transfers of financial assets are included in Note V.4 Transfer of financial assets and Note VI.68 Transfers of financial assets.	Our audit procedures included assessing and testing the design and operating effectiveness of controls over judgement and estimation involved in the transfer of financial assets. We obtained and reviewed related contracts and agreements and assessed whether the Group should derecognize financial assets based on the relevant facts and circumstances, mainly including the nature and purpose of the financial assets transferred, the Group's exposure, before and after the transfer, to the variability in the amounts and timing of the net cash flows of the transferred assets, as well as whether the Group had retained the control of the transferred assets. We checked related agreements for transfer of significant financial assets to assess whether the financial assets should be derecognized. Furthermore, we checked the appropriateness of related disclosures of the transfer of financial assets.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated financial statements

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Leung Shing Kit.

Ernst & Young
Certified Public Accountants

Hong Kong
March 26, 2021

Consolidated Statement of Profit or Loss

For the year ended December 31, 2020
(Amounts in thousands of RMB, unless otherwise stated)

		Year ended December 31	
	Notes VI	**2020**	2019
Continuing operations			
Income from distressed debt assets at amortized cost	1	**19,150,708**	16,403,571
Fair value changes on distressed debt assets	2	**12,546,970**	13,645,346
Fair value changes on other financial instruments	3	**12,566,515**	14,840,082
Investment income	4	**322,490**	464,489
Interest income	5	**23,899,176**	25,401,626
Revenue from sales of inventories	6	**24,316,307**	18,169,404
Commission and fee income	7	**4,444,900**	3,536,558
Net gains on disposal of subsidiaries, associates and joint ventures	8	**1,842,272**	881,604
Other income and other net gains or losses	9	**1,044,680**	2,804,212
Total		**100,134,018**	96,146,892
Interest expense	10	**(39,618,504)**	(44,366,553)
Employee benefits	11	**(6,158,895)**	(6,001,940)
Purchases and changes in inventories	6	**(17,360,392)**	(12,868,770)
Commission and fee expense	12	**(635,894)**	(719,580)
Taxes and surcharges		**(599,311)**	(577,027)
Depreciation and amortization expenses		**(2,057,749)**	(1,558,673)
Other expenses		**(3,532,097)**	(3,540,985)
Impairment losses on assets	13	**(14,096,819)**	(8,924,233)
Total		**(84,059,661)**	(78,557,761)
Change in net assets attributable to other holders of consolidated structured entities	36	**(17,815)**	(237,540)
Profit before share of results of associates and joint ventures and tax		**16,056,542**	17,351,591
Share of results of associates and joint ventures		**252,715**	1,920,849
Profit before tax from continuing operations	14	**16,309,257**	19,272,440
Income tax expense	15	**(5,324,010)**	(5,754,622)
Profit for the year from continuing operations		**10,985,247**	13,517,818

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended December 31	
	Notes VI	**2020**	2019
Discontinued operation			
Profit after tax for the year from a discontinued operation	75	**3,752,030**	1,500,399
Profit for the year		**14,737,277**	15,018,217
Profit attributable to:			
Equity holders of the Company		**13,247,880**	13,052,946
Non-controlling interests		**1,489,397**	1,965,271
		14,737,277	15,018,217
Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)	16		
– Basic		**0.32**	0.31
– Diluted		**0.32**	0.31
Earnings per share attributable to equity holders of the Company from continuing operations (Expressed in RMB Yuan per share)	16		
– Basic		**0.22**	0.28
– Diluted		**0.22**	0.28

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2020

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2020	2019
Profit for the year	**14,737,277**	15,018,217
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the year	**(180,875)**	463,240
Amounts reclassified to profit or loss upon disposal	**(88,227)**	(191,762)
Amounts of profit or loss upon impairment	**16,303**	8,383
	(252,799)	279,861
Exchange differences arising on translation of foreign operations	**(907,831)**	(7,527)
Share of other comprehensive income of associates and joint ventures	**206,835**	216,646
Subtotal	**(953,795)**	488,980
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	**(16,118)**	(11,581)
Fair value changes on equity instruments designated as at fair value through other comprehensive income	**(546,815)**	614,796
Subtotal	**(562,933)**	603,215
Other comprehensive income/(loss) for the year, net of income tax	**(1,516,728)**	1,092,195
Total comprehensive income for the year	**13,220,549**	16,110,412
Total comprehensive income attributable to:		
Equity holders of the Company	**12,046,154**	14,169,390
Non-controlling interests	**1,174,395**	1,941,022
	13,220,549	16,110,412

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at December 31, 2020

(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	As at December 31	
		2020	2019
Assets			
Cash and balances with central banks	21	**15,375,048**	19,002,051
Deposits with banks and financial institutions	22	**87,953,563**	70,837,593
Deposits with exchanges and others	23	**1,946,984**	1,323,359
Placements with banks and financial institutions	24	**19,909,505**	11,152,300
Financial assets at fair value through profit or loss	25	**446,916,674**	412,164,583
Financial assets held under resale agreements	26	**36,241,153**	13,212,454
Financial assets at fair value through other comprehensive income	27	**123,728,468**	136,802,965
Loans and advances to customers	28	**353,456,297**	337,859,064
Financial assets at amortized cost	29	**220,232,956**	227,645,067
Accounts receivable	30	**3,255,410**	2,402,725
Properties held for sale	32	**48,892,723**	59,587,157
Investment properties	33	**9,180,878**	5,861,059
Interests in associates and joint ventures	37	**70,502,660**	73,006,289
Property and equipment	39	**17,224,542**	17,611,309
Goodwill	40	**22,043,558**	23,548,562
Other intangible assets	41	**3,801,384**	4,201,855
Deferred tax assets	42	**8,989,874**	6,756,583
Assets held for sale	56	**–**	61,394,178
Other assets	43	**28,431,971**	28,860,854
Total assets		**1,518,083,648**	1,513,230,007

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at December 31, 2020

(Amounts in thousands of RMB, unless otherwise stated)

		As at December 31	
	Notes VI	**2020**	2019
Liabilities			
Borrowings from central bank	44	**986,058**	1,010,860
Accounts payable to brokerage clients	45	**16,583,847**	14,320,344
Financial liabilities at fair value through profit or loss	46	**7,276,909**	5,065,256
Financial assets sold under repurchase agreements	47	**15,990,678**	19,495,590
Placements from banks and financial institutions	48	**14,044,334**	14,084,819
Borrowings	49	**556,912,148**	536,591,304
Due to customers	50	**273,644,174**	275,205,766
Deposits from banks and financial institutions	51	**15,542,184**	14,157,128
Accounts payable	52	**4,886,693**	5,050,797
Tax payable	53	**4,751,823**	4,331,779
Bonds issued	54	**355,777,530**	304,849,566
Contract liabilities	55	**14,855,727**	24,087,036
Deferred tax liabilities	42	**2,412,778**	2,299,671
Liabilities held for sale	56	**–**	57,924,139
Other liabilities	57	**39,376,345**	46,345,491
Total liabilities		**1,323,041,228**	1,324,819,546

The accompanying notes form an integral part of these consolidated financial statements.

(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	As at December 31	
		2020	2019
Equity			
Share capital	58	**38,164,535**	38,164,535
Other equity instruments	59	**21,281,215**	21,281,215
Capital reserve	60	**20,409,660**	20,239,333
Other comprehensive income	61	**(1,237,414)**	(35,688)
Surplus reserve	62	**8,948,922**	8,510,147
General reserve	63	**15,665,320**	15,961,421
Retained earnings		**68,876,486**	60,777,160
Equity attributable to equity holders of the Company		**172,108,724**	164,898,123
Non-controlling interests		**22,933,696**	23,512,338
Total equity		**195,042,420**	188,410,461
Total equity and liabilities		**1,518,083,648**	1,513,230,007

The accompanying notes form an integral part of these consolidated financial statements.

The consolidated financial statements are authorized for issue by the Board of Directors and signed on its behalf by:

CHAIRMAN

PRESIDENT

Consolidated Statement of Changes in Equity

For the year ended December 31, 2020

(Amounts in thousands of RMB, unless otherwise stated)

	Equity attributable to equity holders of the Company								Non-controlling interests	Total
	Share capital (Note VI.58)	Other equity instruments (Note VI.59)	Capital reserve (Note VI.60)	Other comprehensive income (Note VI.61)	Surplus reserve (Note VI.62)	General reserve (Note VI.63)	Retained earnings	Subtotal		
As at January 1, 2020	38,164,535	21,281,215	20,239,333	(35,688)	8,510,147	15,961,421	60,777,160	164,898,123	23,512,338	188,410,461
Profit for the year	-	-	-	-	-	-	13,247,880	13,247,880	1,489,397	14,737,277
Other comprehensive income for the year	-	-	-	(1,201,726)	-	-	-	(1,201,726)	(315,002)	(1,516,728)
Total comprehensive income for the year	-	-	-	(1,201,726)	-	-	13,247,880	12,046,154	1,174,395	13,220,549
Capital contribution from non-controlling interests of subsidiaries	-	-	43,069	-	-	-	-	43,069	1,565,431	1,608,500
Disposal of subsidiaries	-	-	-	-	-	-	-	-	(2,419,597)	(2,419,597)
Appropriation to surplus reserve	-	-	-	-	438,775	-	(438,775)	-	-	-
Amounts reversed from the general reserve	-	-	-	-	-	(296,101)	296,101	-	-	-
Dividends recognized as distribution	-	-	-	-	-	-	(5,005,880)	(5,005,880)	-	(5,005,880)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(485,484)	(485,484)
Dividends paid to capital securities	-	-	-	-	-	-	-	-	(413,387)	(413,387)
Share of associates' equity changes other than comprehensive income and distribution	-	-	127,258	-	-	-	-	127,258	-	127,258
As at December 31, 2020	38,164,535	21,281,215	20,409,660	(1,237,414)	8,948,922	15,665,320	68,876,486	172,108,724	22,933,696	195,042,420

The accompanying notes form an integral part of these consolidated financial statements.

(Amounts in thousands of RMB, unless otherwise stated)

	Equity attributable to equity holders of the Company									
	Share capital (Note VI.58)	Other equity instruments (Note VI.59)	Capital reserve (Note VI.60)	Other comprehensive income (Note VI.61)	Surplus reserve (Note VI.62)	General reserve (Note VI.63)	Retained earnings	Subtotal	Non-controlling interests	Total
As at January 1, 2019	38,164,535	21,281,215	21,257,033	(1,152,132)	7,857,883	15,043,296	54,041,001	156,492,831	22,075,635	178,568,466
Profit for the year	–	–	–	–	–	–	13,052,946	13,052,946	1,965,271	15,018,217
Other comprehensive income for the year	–	–	–	1,116,444	–	–	–	1,116,444	(24,249)	1,092,195
Total comprehensive income for the year	–	–	–	1,116,444	–	–	13,052,946	14,169,390	1,941,022	16,110,412
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	465,423	465,423
Appropriation to surplus reserve	–	–	–	–	652,264	–	(652,264)	–	–	–
Appropriation to general reserve	–	–	–	–	–	918,125	(918,125)	–	–	–
Dividends recognized as distribution	–	–	–	–	–	–	(4,746,398)	(4,746,398)	–	(4,746,398)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(556,313)	(556,313)
Dividends paid to capital securities	–	–	–	–	–	–	–	–	(413,892)	(413,892)
Share of associates' equity changes other than comprehensive income and distribution	–	–	(1,017,237)	–	–	–	–	(1,017,237)	–	(1,017,237)
Others	–	–	(463)	–	–	–	–	(463)	463	–
As at December 31, 2019	38,164,535	21,281,215	20,239,333	(35,688)	8,510,147	15,961,421	60,777,160	164,898,123	23,512,338	188,410,461

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2020
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2020	2019
OPERATING ACTIVITIES		
Profit before tax from continuing operations	**16,309,257**	19,272,440
Profit before tax from a discontinued operation	**265,621**	273,224
Adjustments for:		
Impairment losses on assets	**14,098,259**	8,962,758
Depreciation of property and equipment, investment properties and right-of-use assets	**1,694,972**	1,276,349
Amortization of intangible assets and other long-term assets	**367,690**	375,844
Share of results of associates and joint ventures	**(265,662)**	(1,947,582)
Net gains on disposal of property and equipment, investment properties and other intangible assets	**(136,206)**	(96,132)
Net gains on disposal of subsidiaries, associates and joint ventures	**(1,842,272)**	(881,604)
Fair value changes on financial assets	**(8,731,389)**	(18,856,564)
Investment income	**(524,760)**	(259,559)
Interest income	**(6,292,439)**	(5,654,883)
Borrowing costs	**17,911,199**	18,660,175
Change in reserves for insurance contracts	**(3,286,516)**	4,269,686
Operating cash flows before movements in working capital	**29,567,754**	25,394,152
(Increase)/decrease in balances with central banks and deposits with banks and financial institutions	**(1,343,275)**	6,187,258
Decrease/(increase) in financial assets at fair value through profit or loss	**8,808,554**	(29,128,812)
Decrease in placements with banks and financial institutions	**1,286,768**	749,568
Decrease/(increase) in financial assets held under resale agreements	**970,687**	(3,087,731)
Decrease in financial assets at amortized cost	**1,536,602**	15,554,372
Increase in loans and advances to customers	**(14,533,899)**	(1,567,474)
(Increase)/decrease in accounts receivable	**(1,018,320)**	2,148,065
Decrease in properties held for sale	**9,196,732**	1,612,992
(Decrease)/increase in due to customers and deposits from banks and financial institutions	**(176,536)**	12,882,227
Increase in accounts payable to brokerage clients	**2,263,503**	4,004,502
(Decrease)/increase in financial assets sold under repurchase agreements	**(3,440,611)**	10,996,637
Increase/(decrease) in borrowings	**23,765,613**	(32,911,573)
Decrease in accounts payable	**(157,634)**	(222,996)
Decrease in contract liabilities	**(9,231,309)**	(953,948)
Decrease/(increase) in other operating assets	**2,075,848**	(10,697,336)
Decrease in other operating liabilities	**(6,937,943)**	(16,047,047)
Cash inflow/(outflow) from operations	**42,632,534**	(15,087,144)
Income taxes paid	**(5,838,877)**	(7,043,073)
NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES	**36,793,657**	(22,130,217)

The accompanying notes form an integral part of these consolidated financial statements.

For the year ended December 31, 2020
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2020	2019
INVESTING ACTIVITIES		
Cash receipts from disposals and recovery of investment securities	**87,915,031**	173,631,366
Dividends received from investment securities	**9,695,152**	9,512,655
Dividends received from associates and joint ventures	**1,150,148**	1,320,410
Interest received from investment securities	**3,568,731**	3,975,226
Cash receipts from disposals of property and equipment, investment properties and other intangible assets	**176,991**	376,852
Net cash flows from disposals of subsidiaries	**6,229,859**	83,078
Net cash flows from disposals of associates and joint ventures	**4,403,073**	4,742,210
Cash payments to acquire investment securities	**(131,945,753)**	(178,079,595)
Net cash (outflows)/inflows due to acquisition of subsidiaries	**(1,854)**	231,305
Net cash flows from consolidated structured entities	**(1,771,959)**	(5,312,277)
Cash payments for purchase of property and equipment, investment properties and other intangible assets	**(4,941,519)**	(6,961,317)
Cash payments for establishment and acquisition of interests in associates and joint ventures	**(593,933)**	(3,840,087)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(26,116,033)**	(320,174)
FINANCING ACTIVITIES		
Capital contribution from non-controlling interests of subsidiaries of the Company	**1,608,500**	–
Cash receipts from borrowings raised	**21,554,455**	60,038,429
Cash receipts from bonds issued	**134,141,307**	103,560,353
Cash repayments on financial assets sold under repurchase agreements	**–**	(4,227,068)
Cash repayments of borrowings	**(21,934,075)**	(60,530,839)
Cash repayments of bonds	**(79,511,021)**	(77,280,443)
Interest expenses on borrowings and bonds	**(16,346,762)**	(17,936,493)
Dividends paid	**(5,005,880)**	(4,746,398)
Dividends paid to non-controlling interests of subsidiaries	**(898,135)**	(970,205)
Cash payments for other financing activities	**(793,727)**	(622,522)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES	**32,814,662**	(2,715,186)

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2020
(Amounts in thousands of RMB, unless otherwise stated)

		Year ended December 31	
	Notes VI	**2020**	2019
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**43,492,286**	(25,165,577)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**82,749,337**	106,066,408
Effect of foreign exchange changes		**(5,508,276)**	1,848,506
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	65	**120,733,347**	82,749,337
Net cash flows from operating activities include:			
Interest received		**18,132,503**	20,659,833
Interest paid		**21,869,168**	26,265,734

The accompanying notes form an integral part of these consolidated financial statements.

I. CORPORATE AND GROUP INFORMATION

China Cinda Asset Management Co., Ltd. (the "Company") was transformed from China Cinda Asset Management Corporation (the "Former Cinda"), which was a wholly state-owned financial enterprise established in the People's Republic of China (the "PRC") by the Ministry of Finance (the "MOF") on April 19, 1999 as approved by the State Council of the PRC (the "State Council"). On June 29, 2010, China Cinda Asset Management Co., Ltd. was established after the completion of the financial restructuring of the Former Cinda as approved by the State Council. As at December 31, 2020, the MOF directly owned 58.00% of the share capital of the Company.

The Company has financial services certificate No. J0004H111000001 issued by the China Banking and Insurance Regulatory Commission (the "CBIRC"), and business license No. 91110000710924945A issued by the State Administration of Industry and Commerce of the PRC. The registered office of the Company is located at No.1 Building, 9 Naoshikou Street, Xicheng District, Beijing, the PRC.

The Company was listed on the Stock Exchange of Hong Kong Limited on December 12, 2013.

The Company and its subsidiaries are collectively referred to as the Group. The principal activities of the Group comprise acquiring and entrusting to manage, invest and dispose of both financial and non-financial institution distressed assets; receivership; foreign investment; securities and futures dealing; financial bond issuance; inter-bank borrowing and lending; commercial financing for other financial institutions; approved asset securitization business; financial institutions custody; closing and liquidation of business; consulting and advisory business on finance, investment, legal and risk management; asset and project evaluation; banking business; insurance; fund management; asset management; trust; financial leasing services; real estate and industrial investments and other businesses approved by the CBIRC or other regulatory bodies.

II. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards issued by IASB, and the disclosure requirements of the Hong Kong Companies Ordinance.

Financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) and financial assets at fair value through other comprehensive income are measured at their fair values in the consolidated financial statement. Assets that meet the criteria to be classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Other accounting items are measured at their historical costs. Impairment is recognized if there is objective evidence of impairment of assets.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note V. Critical accounting judgements and key sources of estimation.

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand, except when otherwise indicated.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards, amendments and interpretations effective in 2020

In current year, the Group has applied the following new standards, amendments and interpretations to IFRSs that are effective for the Group's annual period beginning on January 1, 2020.

IFRS 3 Amendments	*Definition of a Business*
IAS 1 and IAS 8 Amendments	*Definition of Material*
IFRS 9, IAS 39 and IFRS 7 Amendments	*Interest Rate Benchmark Reform*
IFRS 16 Amendment	*COVID-19-Related Rent Concessions*

IFRS 3 Amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to IAS 1 and IAS 8 provide a new definition of materiality. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions made by the primary users of general purpose financial statements based on those financial statements. The amendments clarify that materiality depends on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

(Amounts in thousands of RMB, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations effective in 2020 (continued)

The amendments to IFRS 9, IAS 39 and IFRS 7 modify some specific hedge accounting requirements. During the period of uncertainty arising from phasing-out of interest-rate benchmarks with an alternative nearly risk-free interest rate ("RFR"), the entities that apply these hedge accounting requirements can assume that the interest-rate benchmarks on which the hedged cash flows and cash flows of the hedging instrument are based are not altered as a result of interest-rate benchmark reform. The amendments must be applied retrospectively.

IFRS 16 Amendment provides for rent relief during COVID-19, which provides an exemption for lessees. For lease payments due before June 2021, lessees are not required to apply the guidance on accounting treatment of lease modification in IFRS 16 for rent relief granted due to the impact of COVID-19.

The adoption of the above amendments did not have a significant impact on the amounts reported and disclosures set out in these consolidated financial statements.

Standards, amendments and interpretations that are not yet effective in 2020

The Group has not early applied the following new and revised IFRSs that have been issued but are not yet effective.

		Effective for annual periods beginning on or after
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments	*Interest Rate Benchmark Reform Phase 2*	January 1, 2021
IFRS 3 Amendments	*Reference to the Conceptual Framework*	January 1, 2022
IAS 16 Amendments	*Property, Plant and Equipment: Proceeds before Intended Use*	January 1, 2022
IAS 37 Amendments	*Onerous Contracts – Costs of Fulfilling a Contract*	January 1, 2022
IFRS 17 and Amendments	Insurance Contracts	January 1, 2023
IAS 1 Amendments	Classification of Liabilities as Current or Non-current	January 1, 2023
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been deferred indefinitely
Annual Improvements to IFRSs 2018-2020 Cycle (issued in May 2020)		January 1, 2022

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations that are not yet effective in 2020 (continued)

The amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address the accounting issues that arise when financial instruments that reference Interbank Offered Rates ("IBOR") transition to nearly RFRs. The amendments include a practical expedient for modifications, which permits contractual changes, or changes to cash flows that are directly required by the IBOR reform, to be treated as changes to a floating interest rate. The amendments also permit changes required by IBOR reform to be made to hedge designations and hedge documentation under both IFRS 9 and IAS 39 without the hedging relationship being discontinued. In addition, while IFRS 9 and IAS 39 require that a risk component (or a designated portion) is "separately identifiable" to be eligible for hedge accounting, the amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component. Additional disclosures are required for adoption.

IFRS 3 Amendments add an exception to the recognition principle of IFRS 3 to avoid the issue of potential "day 2" gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

IAS 16 Amendments prohibit entities from deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to be capable of operating in the manner intended by management (including location and condition). Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

IAS 37 Amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

IFRS 17 Insurance Contracts and its amendments replaced IFRS 4 Insurance Contracts. The standard provides a general model for insurance contracts and two additional approaches: the variable fee approach and the premium allocation approach. IFRS 17 covers the recognition, measurement, presentation and disclosure of insurance contracts and applies to all types of insurance contracts.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations that are not yet effective in 2020 (continued)

IAS 1 Amendments specify the requirements for classifying liabilities as current or non-current. The amendments clarify what is meant by a right to defer settlement, that a right to defer must exist at the end of the reporting period, that classification is unaffected by the likelihood that an entity will exercise its deferral right, and that only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognized in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture.

Annual Improvements to IFRSs 2018-2020 Cycle were issued in May 2020, including an amendment to IFRS 9 Financial Instruments, which clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability by conducting the "10 per cent" test for derecognition of financial liabilities. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The improvements also include an amendment to lease incentives, which removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16 Leases, so as to remove potential confusion regarding the treatment of lease incentives when applying IFRS 16

The Group is considering the impact of these standards, amendments and interpretations on the consolidated financial statements.

IV. SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance.

2. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the entities (including structured entities) directly or indirectly controlled by the Company. Control is achieved if and only if the Company has all the following: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting and potential voting rights; and
- any additional facts and circumstances that indicate that the Company has, or does not have the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of consolidation (continued)

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests of consolidated subsidiaries are presented separately from the Group's equity therein.

The carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income and expenses of a subsidiary is attributed to the equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The carrying amount of the non-controlling interests is adjusted at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognizes the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognizes the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognized as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments: Classification, recognition and measurement of financial assets* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

4. Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill arising on a business combination is measured at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statements of financial position. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Goodwill (continued)

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

5. Cash and cash equivalents

Cash and cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6. Foreign currency transactions

The functional currency of the Company and its subsidiaries operating in the Mainland China is RMB. The Company's subsidiaries operating outside the Mainland China choose their functional currency on the basis of the primary economic environment in which they operate.

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Foreign currency transactions (continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognized in profit or loss in the period in which they arise, except for (I) exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognized in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation; (II) exchange differences arising from the changes of the fair value of monetary assets classified as financial assets at fair value through other comprehensive income (other than the changes relating to the amortized cost of the monetary assets) which are recognized in other comprehensive income and accumulated in equity.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for exchange differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group at the rate of exchange prevailing at the end of the reporting period, and their income and expenses are translated at a rate that approximates the exchange rates at the dates of the transactions. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity under the heading of foreign currency translation reserve (attributed to non-controlling interests as appropriate).

7. Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

7.1 Determination of fair value

Fair value is determined in the manner described in Note VI.72 Fair values of financial instruments.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.2 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or expense over the period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

7.3 Classification, recognition and measurement of financial assets

The Group classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Business model

An entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If financial assets are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the business model of the financial assets is "other". The entity's assessment of the business model is performed on a financial assets portfolio basis, and determined on a reasonable expected scenario, taking into account: how cash flows were generated in the past, how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and how managers of the business are compensated.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.3 Classification, recognition and measurement of financial assets (continued)

The contractual cash flow characteristics

The assessment of contractual cash flow characteristics is to identity whether the cash flows are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However the principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

Financial assets at amortized cost

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets that the Group holds are subsequently measured at amortized cost, which mainly include distressed debt assets, loans and advances to customers as well as other debt investments.

The amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

Financial assets at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.3 Classification, recognition and measurement of financial assets (continued)

Financial assets at fair value through other comprehensive income (continued)

Such financial assets that the Group hold mainly include debt securities, and are subsequently measured at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Expected credit losses of such financial assets shall be recognized in other comprehensive income. The impairment gain or loss shall not adjust the carrying amount of such financial assets item and be recognized in profit or loss.

Financial assets at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income, which mainly include distressed debt assets, equity investments as well as fund.

Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on a financial asset that is measured at fair value shall be recognized in profit or loss unless it is part of a hedging relationship. Qualified dividends generated by such equity instruments, which the Group is entitled to collect, shall be recognized in the statement of profit or loss.

Equity instruments

The Group may, at initial recognition, irrevocably designate an equity instrument, except a trading equity instrument as a financial asset measured at fair value through other comprehensive income when it meets the definition of equity instruments under IAS 32 Financial Instruments: Presentation. When the equity instrument is derecognized the cumulative gain or loss previously recognized in other comprehensive income shall be reclassified from other comprehensive income to retained earnings under equity. Qualified dividends generated by such equity instruments, which the Group is entitled to collect, shall be recognized in the statement of profit or loss. Such equity instruments do not recognize impairment losses.

Only if the Group changes the business model for financial assets, the Group shall reclassify the affected financial assets. The reclassification shall be effective from the first day of the first reporting period after the change of its business model under the perspective method.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets

On the financial reporting date, the Group evaluates and confirms the relevant impairment allowances to financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, and loan commitments and financial guarantee contracts on the basis of expected credit losses.

The expected credit loss (ECL) is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage I: The financial instruments without significant increases in credit risk after initial recognition are included in Stage I to calculate their impairment allowance at an amount equivalent to the ECL of the financial instruments for the next 12 months;

- Stage II: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage II, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;

- Stage III: Financial assets with objective evidence of impairment at the financial reporting date are included in Stage III, with their impairment allowance measured at the amount equivalent to the ECL over the lifetime of the financial instruments.

For the previous accounting period, the impairment provision has been measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the financial reporting date, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance of the financial instruments on the financial reporting date according to the ECL in the next 12 months.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

For purchased or originated credit-impaired financial assets, the Group only recognizes the lifetime cumulative change in expected credit losses after initial recognition on the financial reporting date as impairment allowance. On each financial reporting date, the Group recognizes the amount of the changes in expected credit losses as an impairment loss or gain in profit or loss.

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used complex models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by borrowers and the corresponding losses). The Group adopts judgement, assumption and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters of the ECL measurement
- Forward-looking information
- Modification of contractual cash flows

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

(i) Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each financial reporting date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on reporting date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments. The main criteria considered are as follows:

- Significant adverse change in the issuer or the debtor's operation or financial status;
- Significant downgrade in debtor's actual or expected internal and external credit ratings;
- The creditor offers the debtor a grace period or an extension period or debt restructuring;
- Significant increase in credit spread; and
- Overdue information.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

(ii) Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument. When the Group assesses whether the credit impairment of debtors occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses; and
- Overdue information.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event. For credit-impaired financial assets, the Group evaluate the future cash flow (including the recoverable value of the collateral held), mainly based on individual financial instruments, in different circumstances and accrue the differences between the present value and the book value determined at the original effective interest rate as impairment loss or gain in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

(iii) Parameters of the ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of the ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the requirement of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties) and forward-looking information in order to establish the models of PD, LGD and EAD.

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment in the next 12 months or throughout the entire remaining lifetime;

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure, and is the percentage of loss of risk exposure at the time of default. LGD is calculated over the next 12 months or over the entire remaining lifetime;

- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

(iv) Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types, such as GDP, CPI, etc. The forecast 2021 GDP growth rate used by the Group is between 6.0% and 8.0%.

The impact of these economic indicators on the ECL measurement varies according to different types of business. The Group applies experts' judgement in this process, and predicts these economic indicators on a regular basis and determines the impacts on these economic indicators on the ECL measurement by conducting regression analysis.

In addition to providing a baseline economic scenario, the Group combines statistical analysis with experts' judgement to determine the weight of other possible scenarios. The Group measures the weighted average ECL of 12 months (Stage I) or life time (Stage II and Stage III). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

(v) Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset and the book value of the financial asset is recalculated and the related gain or loss is included in current profit or loss. The recalculated book value of the financial asset is determined based on the present value of the contractual cash flows following the renegotiation or modification, as calculated using the original effective interest rate of the financial asset.

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage III or Stage II to Stage I, the impairment allowance is changed to measure at an amount equivalent to the ECL of the financial instruments for the next 12 months from the ECL over the lifetime of the financial instruments.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.5 Transfer of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes the financial liability for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between (i) the carrying amount allocated to the part derecognized; and (ii) the sum of the consideration received and receivable for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

7.6 Classification, recognition and measurement of financial liabilities

Financial liabilities and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

On initial recognition, the Group's financial liabilities are generally classified into financial liabilities at FVTPL or other financial liabilities.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.6 Classification, recognition and measurement of financial liabilities (continued)

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL have two subcategories, including financial liabilities held for trading and those designated as at FVTPL on initial recognition.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with gain or loss arising from derecognition or amortization recognized in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.7 Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

7.8 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment; or

- hedges of a net investment in a foreign operation.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.8 Derivative financial instruments and hedge accounting (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss.

The amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.8 Derivative financial instruments and hedge accounting (continued)

Fair value hedge

The change in the fair value of a hedging instrument is recognized in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognized in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognized, the unamortized fair value is recognized immediately in the statement of profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognized in the statement of profit or loss.

Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.9 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when both of the following conditions are satisfied: (i) the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable; and (ii) the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

8. Inventories

Properties under development and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realizable value on an individual basis. Cost comprises the acquisition cost and other costs directly attributable to such properties as well as borrowing costs capitalized in accordance with the Group's accounting policy.

Others

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

9. Contract assets and contract liabilities

The Group presents contract assets or contract liabilities in the statement of financial position based on the relationship between performance obligations and customer payments.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Contract assets and contract liabilities (continued)

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

Incremental costs of obtaining a contract

Other than the costs which are capitalized as inventories, property, plant and equipment and intangible assets, costs incurred to obtain a contract with a customer are capitalized as an asset, unless the amortization period of the assets is one year or less, if all of the following criteria are met:

- The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- The costs are expected to be recovered.

The capitalized contract costs are amortized and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognized.

10. Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parities parties that have joint control of the arrangement have the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant require unanimous consent of the parties sharing control.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Interests in associates and joint ventures (continued)

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates or joint ventures used for equity accounting purpose are prepared using uniform accounting policies as those of the group for like transactions and events in similar circumstances. Under the equity method, investments in associates or joint ventures are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the investee is recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Interests in associates and joint ventures (continued)

When the Group can no longer exercise joint control of or significant influence over an investee due to partial disposal of equity investment or other reasons, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition of a financial asset in accordance with IFRS 9. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of associates and joint ventures. In addition, the Group accounts for all amount previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it can no longer exercise joint control of or significant influence over an investee. When a group entity transacts with its associate or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

11. Investment properties

Investment properties are initially measured at cost, including any directly attributable expenditure.

Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalized as part of the carrying amount of the investment properties under construction.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognized.

Investment properties are depreciated or amortized in accordance with the same policies of buildings and land use rights.

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

	Depreciation period	Residual value rates	Annual depreciation rates
Buildings	20-50 years	3%-10%	1.80%-4.85%
Aircrafts	25 years	5%-15%	3.40%-3.80%
Machinery and equipment	2-15 years	0%-5%	6.33%-50.00%
Electronic equipment and furniture	2-15 years	0%-5%	6.33%-50.00%
Motor vehicles	2-15 years	0%-5%	6.33%-50.00%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, less any recognized impairment loss and borrowing cost capitalized in accordance with the Group's accounting policy. Such properties are reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally. Capitalization is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

14. Intangible assets

Intangible assets include trading seat fee, computer software systems and others, trade names, core deposits intangible and credit card customer relationships, etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the reporting period, and makes adjustments when necessary.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

15. Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

16. Resale and repurchase agreements

16.1 Financial assets held under resale agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognized in the consolidated statement of financial position. The cost (including interests) of purchasing such assets is presented under "financial assets held under resale agreements" in the consolidated statement of financial position. The difference between the purchasing price and reselling price is recognized as interest income during the term of the agreement using the effective interest method.

16.2 Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognized in the consolidated statement of financial position. The proceeds (including interests) from selling such assets are presented under "financial assets sold under repurchase agreements" in the consolidated statement of financial position. The difference between the selling price and repurchasing price is recognized as interest expense during the term of the agreement using the effective interest method.

17. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency such as action at law, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the provision.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

18. Insurance contracts and significant insurance risk testing

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts held by the Group are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as determined by the Group is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Some insurance contracts contain both an insurance component and a deposit component. The Group should unbundle the insurance component and the deposit component.

The unbundled insurance component is accounted for according to IFRS 4 and the unbundled deposit component is accounted for as investment contract liabilities according to relevant accounting policies. If the insurance component and the deposit component are not distinct and separately measurable, the whole contract is accounted for as an insurance contract.

For contracts issued by the Group which require testing the significance of insurance risk, it will be performed at the initial recognition of such contracts, and based on a group of contracts with similar nature. When performing the insurance risk significance test, the Group makes judgements in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

19. Insurance contract liabilities

Insurance contract liabilities of the Group include long-term life insurance contract liabilities, unearned premium reserves and claim reserves.

When measuring the long-term life insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of a similar nature as a measurement unit and mainly considers the characteristics of policies, including product type, gender, age, and durations of policies, when determining the measurement unit, etc.

The Group’s short-term insurance contracts, which include non-life and short-term accident and health insurance policies, are grouped into certain measurement units by business line.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contract liabilities (continued)

Insurance contract liabilities are measured based on reasonable estimates of the amount of payments when the Group fulfills relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts, i.e. the expected future net cash outflows.

- Expected future cash outflows represent cash outflows which are necessary for the Group to fulfill the obligations under the insurance contracts (including benefits attributable to the policyholders), and mainly include:

  (i) Guaranteed benefits under the insurance contracts, including mortality benefits, disability benefits, morbidity benefits, survival benefits, maturity benefits and other benefits guaranteed by the insurance contracts;

  (ii) Non-guaranteed benefits under the insurance contracts which are subject to certain level of discretion by the Group, including policyholder dividends; and

  (iii) Reasonable expenses necessary for policy administration and claims handling, including policy maintenance expenses and claim expenses.

- Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

A reasonable estimate of expected future net cash flows is determined based on information available at the end of each reporting period.

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the statement of profit or loss over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin.

- Risk margin represents provision for the uncertainty associated with the future net cash flows.

- At inception of an insurance contract, any “Day 1” gain is not recognized in the statement of profit or loss, but included in the insurance contract liabilities as a residual margin. However, any “Day 1” loss should be recognized in the statement of profit or loss at inception when it occurs. Any residual margin is amortized over the life of the contracts. The subsequent measurement of residual margin is independent from reasonable estimate of future discounted cash flows and risk margin, and will not be adjusted for future changes in assumptions.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contract liabilities (continued)

For long-term life insurance contracts, the Group amortizes the residual margin on the basis of the effective sum of insured amount or estimated dividends payout during the whole insurance coverage period. For short-term insurance contracts, the Group amortizes the residual margin on a time basis during the whole insurance coverage period and records it in profit or loss.

When measuring insurance contract liabilities, time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short-term insurance contracts which duration is within one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money are determined with reference to information available at the end of each reporting period.

The Group uses information available at the end of each reporting period to derive the following assumptions used for measuring the reserve of long-term life insurance contracts:

- For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on the market interest rate which is in line with the period and risk of liability of cash outflows. For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the portfolios backing the liabilities.

- The Group reasonably estimates the insurance incident occurrence rate, lapse and surrender rate, expenses assumption and policy dividend assumption based on actual experience and expected future development trends.

When measuring insurance contract liabilities, the expected period of future net cash outflows is the entire insurance period. For insurance policies with a guaranteed renewal option, the expected period is extended to the date when the option to renew policy ceases if the probability that the policyholders may execute the option is high and the Group does not have the right to re-price the premium.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contract liabilities (continued)

Unearned premium reserves

Unearned premium reserves for short-term insurance contracts represent the larger of a) portion of the premiums written net of certain acquisition costs relating to the unexpired terms of coverage and b) estimated future net cash outflows.

At inception of the insurance contracts, unearned premium reserves are measured based on premiums received less relevant acquisition costs. Subsequent to the initial recognition, unearned premium reserves are released on a 1/365 basis according to the insurance coverage period.

The risk margin of the unearned premium reserves is determined by reference to the industry ratio and the Group's experience.

Claim reserves

Claim reserves are provided for insurance claims of short-term insurance contracts and include incurred and reported reserves, Incurred but not reported reserves ("IBNR") and claim expense reserves.

Incurred and reported reserves are measured at amounts not higher than the sum insured of the insurance contracts, using methods such as the case-by-case estimate method or average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

IBNR are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using methods such as the chain ladder method, average claim per case method, expected loss ratio method, based on a reasonable estimate of ultimate claim amounts as well as margins.

Claim expense reserves are measured based on the best estimates of the future payments for claim expenses.

The risk margin of the claim reserves is determined by reference to the industry ratio and the Group's experience.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contract liabilities (continued)

Liability adequacy test

The Group assesses the adequacy of insurance contract liabilities using the current estimate of future cash flow with available information at the end of each reporting period. If the insurance contract liabilities re-calculated with the insurance actuarial methods exceed their carrying amounts on the date of the liability adequacy test, an additional provision is made for the respective insurance contract liabilities based on the difference. Otherwise, no adjustment is made for the respective insurance contract liabilities.

Investment contracts

Insurance policies that are not considered insurance contracts under IFRS 4 are classified as investment contracts. These policies do not contain significant insurance risk and are accounted for as follows:

- Premium receipts are recognized not as premium income, but rather as liabilities, presented as investment contract liabilities. For those non-life investment type policies without guaranteed benefits, the related contract liabilities are measured at fair value and the related transaction costs are recognized in the statement of profit or loss. For other investment contracts, the related liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

- Charges including policy administration fees are recognized as other income during the period of service provided.

Universal life contracts

The individual universal life contracts of the Group contain significant insurance risks and are classified as insurance contracts. These policies also contain both insurance components and deposit components. The deposit components are unbundled from these hybrid insurance contracts. The rest of the contracts are accounted for as insurance contracts. Certain group universal life contracts of the Group that do not contain significant insurance risks are classified as investment contracts.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contract liabilities (continued)

Universal life contracts (continued)

The group universal life contracts and the deposit component unbundled from the above individual universal life insurance contracts are accounted for as follows:

- Premium receipts are recognized not as premium income, but rather as liabilities, presented in investment contract liabilities. These liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

- Fees from surrenders and other service charges are recognized in other income.

Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance agreements that transfer significant insurance risk are treated as reinsurance contracts; reinsurance agreements that do not transfer significant insurance risk are treated as financial assets. Reinsurance assets primarily represent balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured risks and in accordance with the terms of the reinsurance contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of profit or loss.

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts payable to reinsurers are estimated in a manner consistent with that of the associated reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance unless a legal right and the intention of offset exist. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

20. Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once held for sale.

Assets and liabilities held for sale are presented separately in the statement of financial position.

A disposal group qualifies as discontinued operations if it is a component of an entity that either has been disposed of, or is held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

21. Preference shares

Preference shares issued by the Company contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; and preference shares issued are non-derivative instruments that will be settled in the Company's own equity instruments, but includes no contractual obligation for the Company to deliver a variable number of its own equity instruments. The Company classifies preference shares issued as an equity instrument. Fees, commissions and other transaction costs of preference shares issuance are deducted from equity. The dividends on preference shares are recognized as profit distribution at the time of declaration.

22. Revenue recognition

22.1 Income from distressed assets

Income from distressed assets is mainly generated from distressed debt assets included in financial assets at amortized cost and financial assets at fair value through profit or loss, equity instruments relating to distressed asset business included in financial assets at fair value through profit or loss and assets in satisfaction of debts.

Income from distressed debt assets includes interest income and gains or losses arising on distressed debt assets classified as financial assets at amortized cost, gains or losses from disposal of distressed debt assets at fair value through profit or loss and unrealized fair value changes on such assets, both of which are accounted for as fair value changes on distressed debt assets. Any interest income arising from distressed debt assets at fair value through profit or loss is also included in fair value changes of such assets. Income is also generated from the disposal of assets in satisfaction of debts. The accounting policy for interest income arising on distressed debt assets classified as financial assets at amortized cost is detailed in Note IV.22.5 Interest income and expense.

Income from equity instruments relating to distressed asset business classified as financial assets at fair value through profit or loss includes dividend income, Unrealized fair value changes and gains or losses from disposal of these instruments and are presented under fair value changes of other financial instruments. The accounting policy for dividend income is detailed in Note IV.22.7 Dividend income.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

22. Revenue recognition (continued)

22.2 Commission and fee income

The Group earns commission and fee income from securities and futures brokerage business, securities underwriting business, fund and asset management business, consultancy and financial advisory business, trustee services business, banking business, agency business services etc. which the Group provides to the customers. For those services that are provided over a period of time, commission and fee income are accrued in accordance with the actual progress. For other services, commission and fee income are recognized when the transactions are completed.

22.3 Premium income

Premium income and reinsurance premium income are recognized when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that related economic benefits will flow to the Group and related income can be reliably measured.

Premiums from long-term life insurance contracts are recognized as revenue when due from the policyholders. Premiums from direct short-term insurance contracts are recognized as revenue based on the amount of total premium stated in the contracts.

Reinsurance premiums are recognized as revenue in accordance with the terms stated in the reinsurance contracts.

22.4 Revenue from sale of goods

Revenue from sale of goods of the Group is recognized when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

When the contract contains a financing component which provides the customer or the Group a significant benefit of financing the transfer of goods to the customer, either explicitly or implicitly, the transaction price for such contracts is discounted to take into consideration the significant financing component.

Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

22. Revenue recognition (continued)

22.5 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for interest income from distressed debt assets, are recognized within "interest income" and "interest expense" in profit or loss using the effective interest method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

22.6 Investment income

Investment income includes dividend income from the equity instruments at fair value through other comprehensive income, and gain/loss from disposal of financial assets other than financial assets at fair value through profit or loss, equity investment at fair value through other comprehensive income and distressed debt assets at amortized cost.

22.7 Dividend income

Dividend income from investments is recognized when the shareholders' rights to receive the payment has been established and is recognized provided that the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group.

22.8 Other income

Property rental income

The property rental income is recognized when the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group.

Property management fee

The Group earns property management fee income from property management services which the Group provides to the customers. For those services that are provided over a period of time, property management fee income is accrued in accordance with the actual progress. For other property management services, property management fee income is recognized when the services are completed.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

23. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

23.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

23.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with interests in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on the tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

23. Taxation (continued)

23.2 Deferred tax (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

24. Leasing (effective on and after January 1, 2019)

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

24. Leasing (effective on and after January 1, 2019) (continued)

24.1 As Lessee

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. The Group considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. The Group includes the renewal period as part of the lease term for leases when the renewal options are reasonably certain to be exercised. The renewal periods for leases with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease for which the value of the individual underlying asset is relatively low when it is new as a lease of low-value asset. The Group chooses not to recognize the right-of-use assets and lease liabilities for short-term leases and leases of a low-value assets, and the rent is amortized on a straight-line basis in each period of the lease term and included in profit or loss.

The Group uses the incremental borrowing rate as the discount rate to calculate the present value of lease payments. When determining the incremental borrowing rate, each institution of the Group uses its economic environment and the observable interest rate as the foundation. On this basis, the applicable incremental borrowing rate is calculated through the adjustment of the reference interest rate, which is determined according to the situation of the institution and the underlying asset, the lease term, the amount of lease liability and other specific conditions of the lease.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

24. Leasing (effective on and after January 1, 2019) (continued)

24.1 As Lessee (continued)

Right-of-use assets

The right-of-use assets of the Group mainly include buildings, machinery and equipment, vehicles and other right-of-use assets.

At the commencement date of the lease, the Group recognizes a right-of-use asset. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred when the Group is a lessee; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the asset from the commencement date to the end of the useful life of the asset or the end of the lease term, whichever is shorter. The right-of-use assets are also subject to impairment assessment, which is detailed in Note IV.15 Impairment losses on tangible and intangible assets other than goodwill.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, when the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognizes the remaining amount of the remeasurement in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

24. Leasing (effective on and after January 1, 2019) (continued)

24.1 As Lessee (continued)

Lease liability

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets.

In calculating the present value of the lease payments, the Group uses the incremental borrowing rate of lessee as the discount rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognizes such interest expenses in profit or loss. Variable lease payments that are not included in the measurement of the lease liabilities are recognized in profit or loss as incurred.

After the commencement date, the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate if either: (i) there is a change in the amounts expected to be payable under a residual value guarantee; (ii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; or (iii) there is a change in the assessment of an option to purchase, extend or terminate the underlying asset, assessed in the context of a purchase option.

Lease modification

Lease modification is a change in the scope of a lease, the consideration for a lease or lease term, that was not part of the original terms and conditions of the lease. For example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both: (i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (ii) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

24. Leasing (effective on and after January 1, 2019) (continued)

24.2 As Lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

When the Group is a lessor under finance leases, the Group recognizes the receivable as the sum of the minimum lease payment receivable and initial direct costs at the commencement date, and records the unguaranteed residual value. The difference between the aggregation, which consists of the receivable and the unguaranteed residual value, and the sum of the present value is recognized as unearned finance income. The Group uses the effective interest method to recognize the current finance income. In the initial measurement of the finance lease receivable, the Group recognizes the net investment of the lease as the book value. The net investment in a lease is the sum of the unguaranteed residual value and the present value of the unreceived minimum lease payment receivable at the commencement date, which is discounted by the interest rate implicit in the lease. The Group calculates and recognizes the interest income in each period during the lease term using the constant periodic rate of interest, and recognizes such interest expenses in profit or loss. Variable lease payments that are not measured as part of the net investment in the lease are recognized in profit or loss as incurred.

When the Group is a lessor under operating leases, the Group still reflects the underlying assets as the Group's assets. The rent income is amortized on a straight-line basis in each period of the lease term and recognized in profit or loss. Variable lease payments that are not measured as part of the receivable in the lease are recognized in profit or loss as incurred.

25. Fiduciary activities

The Group's fiduciary activities mainly include trust and asset custody services.

The trust service of the Group refers to the business that the Group acts as trustee to undertake investment activity within the agreed period and scope on behalf of the third-party lenders who provide the fund.

The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

26. Employee benefits

In the reporting period in which an employee has rendered services, the Group recognizes the employee benefits payable for those services as a liability.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the PRC government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognized in profit or loss for the period in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Annuity scheme

The employees of the Group participate in Annuity scheme set up by the Company (the "Annuity scheme"). The Group made annuity contributions with reference to employees' salaries of last year, and the contributions are expensed in profit or loss when incurred. The Group has no further obligation even if the Annuity scheme does not have sufficient assets for payment of supplementary retirement benefits to employees.

Defined benefit plans

The Group's subsidiary Nanyang Commercial Bank, Limited (the "NCB") operates a defined benefit plan for all its retired employees.

Under the plan, the employees are entitled to retirement benefits which included fully redeemed medical care, housing allowance and other retirement benefits.

The liability related to the above post-retirement benefit obligations existing at the end of each reporting period is calculated by independent actuaries using the projected unit credit method and is recorded as a liability. The present value of the liability is determined through discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The actuarial gains or losses of post-retirement benefit obligations are recognized in "other comprehensive income" immediately when they occur. Except for the actuarial changes, other changes are recognized in profit or loss for the period immediately when they occur.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

27. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

The following are the critical judgements and key estimation uncertainties that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements.

1. Classification of financial assets

The Group's critical judgements on determining the classification of financial assets include business model and analysis of contractual cash flow characteristics. The Group's assessment of the business model is performed on a financial assets portfolio basis, taking into consideration of how to generate cash flows of the assets in the past, how the performance of the financial assets are evaluated and reported to the Group's key management personnel, how the risks are evaluated and managed, and how managers of are compensated. The Group's critical judgements on whether the cash flows are solely payments of principal and interest on the principal amount outstanding include whether principal amount may change over the life of the financial asset (for example, if there are repayments of principal) and whether interest only consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

2. Fair value of financial instruments

The Group uses valuation techniques for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, comparable listed company method, option pricing models or other valuation methods as appropriate. In practical applications, only observable data are used in the models. However, areas such as credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of the financial instruments.

3. Impairment of financial assets

The models and assumptions used by the Group in assessing the expected credit losses on financial assets are highly dependent on management's judgement. When determining whether the credit risk of an asset has increased significantly or not, the Group needs to consider internal and external historical information, current conditions and future economic forecasts. The criteria for a significant increase in credit risk will be used to determine whether an asset needs to accrue lifetime expected credit losses, rather than expected credit losses for the subsequent 12 months. The parameters used by the Group to measure the ECL model, including PD, LGD and EAD, where each of them involves numerous judgements and assumptions. The Group applies expert judgements to predict macroeconomic indicators, analyses the correlations with model parameters such as PD, and makes forward-looking adjustments. At the same time, the Group also needs to judge the probability of occurrence of multiple different macroeconomic scenarios and calculate probability-weighted expected credit losses. The estimation of future cash flows is critical for an impaired asset that uses a single assessment method to measure expected credit losses. Factors that may affect this estimate include, but are not limited to: the level of detail of the financial information of a particular debtor, the relationship between industry trends and the future performance of a particular debtor and cash flows which can be recovered from realizing collateral and so on.

4. Transfer of financial assets

Whether the derecognition should be applied to part of a financial asset or the financial asset in its entirety, as well as whether, and to what extent, derecognition is appropriate requires significant judgement. In making this judgement, the Group evaluates whether it has transferred the right to collect the contractual cash flows, retained substantially all the risks and rewards of the transferred assets, or retained control of the transferred assets.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

5. Measurement method of insurance contract reserve

At the end of each reporting period, the Group needs to make reasonable estimations on the future cash layout for carrying out insurance contract obligations, such estimations are based on current available information obtainable at the end of each reporting period, and determined by taking into account all different circumstances and relevant probability calculation. The Group makes estimations on the assumptions in the measurement of the insurance contract reserves, which are determined based on the current information available at the end of each reporting period.

6. Control on structured entities

The Group's management needs to assess whether the Group has the power over a structured entity and is exposed to significant variable return of the structured entities. If such power and exposure exist, the Group should consolidate such structured entities. The judgments the Group used in determining if it has control over the structured entities are detailed in Note VI.36 Interests in consolidated structured entities.

The Group reassess whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control as listed in Note IV.2 Basis of consolidation.

7. Judgment on joint control

The joint control over the investees is determined by the Group's assessment of the existence of sharing of control. The assessment involves judgment on whether decisions about the relevant activities require the unanimous consent of the parties sharing control.

8. Judgment on significant influence

The significant influence over the investees is determined by the Group's assessment of its power to participate in the investees' financial and operating policy decisions. The assessment involves significant judgment based on factors such as the investees' policy-making process, composition of board of directors or other governing body, change in ownership and existence of contractual arrangements.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

9. Recognition and allocation of properties under development

The construction cost is accumulated in properties under development during the construction period and recognized as purchases and changes in inventories in the statement of profit or loss when they are sold. The construction cost is estimated by the management of the Group in accordance with budget and the progress of development. The cost directly related to development in current period is accumulated in properties under development and the common cost among construction periods cost is allocated among each period on the basis of saleable area.

10. Taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

11. Impairment of goodwill

Goodwill is tested for impairment annually or more frequently. This requires an estimate of the present value of future cash flows for the asset group or portfolio of assets allocated to goodwill. When estimating the present value of future cash flows, the Group needs to anticipate future cash flows from the asset group or portfolio of assets, and select the appropriate discount rate to determine the present value of future cash flows.

12. Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. By considering all relevant factors that create an economic incentive,the Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

13. Leases – Estimating the incremental borrowing rate

The Group uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates to reflect the terms and conditions of the lease.

VI. EXPLANATORY NOTES

1. Income from distressed debt assets at amortized cost

The amounts mainly represent interest income and gains or losses from disposal of distressed debt assets at amortized cost, which were acquired from financial institutions and non-financial institutions (see Note VI.29 Financial assets at amortized cost).

For the year ended December 31, 2020, the net gain on the derecognition of distressed debt assets at amortized cost was RMB1,908 million (For the year ended December 31, 2019, the net loss was RMB1,991 million).

2. Fair value changes on distressed debt assets

The amounts represent fair value changes on distressed debt assets at fair value through profit or loss during the year (see Note VI.25 Financial assets at fair value through profit or loss).

The fair value changes comprise both realized gains or losses from disposal of distressed debt assets at fair value through profit or loss and unrealized fair value changes on such assets. Any interest income arising from such assets is included in fair value changes.

3. Fair value changes on other financial instruments

The amounts represent fair value changes on both financial assets at fair value through profit or loss (excluding distressed debt assets at fair value through profit or loss) and financial liabilities at fair value through profit or loss during the period (see Note VI.25 Financial assets at fair value through profit or loss and Note VI.46 Financial liabilities at fair value through profit or loss).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

3. Fair value changes on other financial instruments (continued)

The fair value changes comprise realized gains and losses on disposal and unrealized fair value changes, from financial assets at fair value through profit or loss (excluding distressed debt assets at fair value through profit or loss), loans and advances to customers at fair value through profit or loss and financial liabilities at fair value through profit or loss. Any interest or dividend income arising from such instruments is included in fair value changes.

For the year ended December 31, 2020 and 2019, the fair value changes on financial liabilities at fair value through profit or loss were insignificant.

	Year ended December 31	
	2020	2019
Financial instruments at fair value through profit or loss	**12,566,515**	14,840,082
Total	**12,566,515**	14,840,082

4. Investment income

	Year ended December 31	
	2020	2019
Net realized gain from disposal of		
– Financial assets at fair value through other comprehensive income	**305,290**	232,019
– Loans and advances to customers at amortized cost	**18,434**	149,338
– Other debt assets (1)	**3,544**	73,253
Dividend income from		
– Financial assets at fair value through other comprehensive income	**1,924**	9,916
Others	**(6,702)**	(37)
Total	**322,490**	464,489

(1) For the year ended December 31, 2020, all the net gains recognized from derecognition of other debt assets are resulting from disposing bonds. (For the year ended December 31, 2019, all the net gains recognized from derecognition of other debt assets are resulting from disposing agreed repurchase trading receivables.)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

5. Interest income

The table below sets out the components of the interest income of the Group for the years indicated.

	Year ended December 31	
	2020	2019
Loans and advances to customers		
– Corporate and personal loans and advances	**13,157,774**	13,968,075
– Finance lease receivables	**2,456,763**	2,668,779
– Loans to margin clients	**608,712**	477,482
Financial assets at fair value through other comprehensive income	**2,740,188**	3,219,886
Other debt investments at amortized cost	**2,312,390**	2,353,062
Deposits with banks and financial institutions	**1,321,700**	952,399
Financial assets held under resale agreements	**779,641**	670,706
Placements with banks and financial institutions	**314,089**	816,906
Others	**207,919**	274,331
Total	**23,899,176**	25,401,626

6. Revenue from sales of inventories and purchases and changes in inventories

	Year ended December 31	
	2020	2019
Revenue from sales of inventories	**24,316,307**	18,169,404
Purchases and changes in inventories	**(17,360,392)**	(12,868,770)
Including:		
Revenue from sales of properties held for sale	**24,078,700**	18,155,303
Purchases and changes in properties held for sale	**(17,131,566)**	(12,855,288)
Gross profit from sales of properties	**6,947,134**	5,300,015
Revenue from other trading operations	**237,607**	14,101
Purchases and changes in inventories of other trading operations	**(228,826)**	(13,482)
Gross profit from other trading operations	**8,781**	619

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

6. Revenue from sales of inventories and purchases and changes in inventories (continued)

Recognition time of revenue from sales of properties held for sale

	Year ended December 31	
	2020	2019
Recognized revenue at a point in time		
Sales of properties held for sale	**24,078,700**	18,155,303

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	Year ended December 31	
	2020	2019
Within one year	**14,809,670**	19,837,139
More than one year	**18,231**	3,253,016
Total	**14,827,901**	23,090,155

7. Commission and fee income

	Year ended December 31	
	2020	2019
Securities and futures brokerage	**1,210,809**	953,384
Banking business	**1,040,909**	1,053,541
Fund and asset management business	**869,161**	662,337
Agency business	**460,807**	303,234
Trustee services	**315,550**	223,313
Consultancy and financial advisory	**245,174**	190,187
Securities underwriting	**212,066**	107,928
Others	**90,424**	42,634
Total	**4,444,900**	3,536,558

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

8. Net gains on disposal of subsidiaries, associates and joint ventures

	Year ended December 31	
	2020	2019
Net gains on disposal of subsidiaries	**324,655**	97,122
Net gains on disposal of associates and joint ventures	**1,517,617**	784,482
Total	**1,842,272**	881,604

9. Other income and other net gains or losses

	Year ended December 31	
	2020	2019
Rental income	**889,096**	815,654
Revenue from property management business	**299,888**	286,499
Revenue from project supervision	**274,574**	122,705
Revenue from hotel operation	**234,083**	401,199
Government grants and compensation (1)	**147,737**	188,893
Net gains on disposal of other assets	**127,081**	97,771
Net (losses)/gains on exchange differences	**(1,529,321)**	839,648
Others	**601,542**	51,843
Total	**1,044,680**	2,804,212

(1) For the year ended December 31, 2020, the government grant and compensation from operating activities, as part of other income and other net gains or losses, amounted to RMB121.69 million.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

10. Interest expense

	Year ended December 31	
	2020	2019
Borrowings		
– Wholly repayable within five years	**(20,120,856)**	(24,227,058)
– Not wholly repayable within five years	**(1,468,957)**	(1,895,185)
Bonds issued	**(13,287,827)**	(12,046,251)
Due to customers	**(4,103,497)**	(4,955,494)
Financial assets sold under repurchase agreements	**(196,879)**	(191,900)
Placements from banks and financial institutions	**(143,288)**	(218,188)
Deposits from banks and financial institutions	**(135,455)**	(662,126)
Accounts payable to brokerage clients	**(55,362)**	(45,212)
Lease liabilities	**(36,722)**	(43,732)
Others	**(69,661)**	(81,407)
Total	**(39,618,504)**	(44,366,553)

11. Employee benefits

	Year ended December 31	
	2020	2019
Wages or salaries, bonuses, allowances and subsidies	**(4,909,830)**	(4,624,609)
Defined contribution plans	**(361,465)**	(477,259)
Social insurance	**(250,791)**	(273,801)
Housing funds	**(204,454)**	(185,529)
Labour union fees and staff education expenses	**(120,391)**	(131,238)
Defined benefit plans	**(4,364)**	(4,611)
Others	**(307,600)**	(304,893)
Total	**(6,158,895)**	(6,001,940)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

12. Commission and fee expense

	Year ended December 31	
	2020	2019
Securities and futures brokerage	**(373,029)**	(345,044)
Entrusted asset management	**(86,914)**	(300,119)
Securities underwriting business	**(58,532)**	(36,745)
Others	**(117,419)**	(37,672)
Total	**(635,894)**	(719,580)

13. Impairment losses on assets

	Year ended December 31	
	2020	2019
Allowances of impairment losses on assets		
Financial assets at amortized cost		
– Distressed debt assets	**(7,659,893)**	(3,544,081)
– Other debt investments	**(636,463)**	(328,261)
Loans and advances to customers	**(2,699,360)**	(2,084,043)
Properties held for sale	**(1,343,877)**	(433,819)
Assets in satisfaction of debts	**(636,974)**	(99,506)
Interests in associates and joint ventures	**(403,566)**	(1,858,375)
Financial assets held under resale agreements	**(150,753)**	(521,947)
Interest receivable	**(111,216)**	(547)
Goodwill	**(103,534)**	(4,282)
Property and equipment	**(3,137)**	(75,367)
Accounts receivable	**63,930**	115,494
Other assets	**(411,976)**	(89,499)
Total	**(14,096,819)**	(8,924,233)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

14. Profit before tax

	Year ended December 31	
	2020	2019
Profit before tax for the year has been arrived at after charging:		
Depreciation of property and equipment	**(899,657)**	(559,797)
Depreciation of right-of-use assets	**(439,931)**	(463,665)
Amortization	**(375,509)**	(344,540)
Depreciation of investment properties	**(342,652)**	(190,671)
Operating lease expenses	**(63,070)**	(93,109)

Principal auditors' remuneration for the year ended December 31, 2020 was RMB43.72 million (2019: RMB41.95 million).

15. Income tax expense

	Year ended December 31	
	2020	2019
Current income tax:		
– PRC Enterprise Income Tax	**(5,471,470)**	(5,021,262)
– PRC Land Appreciation Tax ("LAT")	**(1,165,330)**	(1,023,527)
– Hong Kong Profits Tax	**(550,892)**	(463,137)
– Overseas taxation	**(89)**	(151)
Overprovision in prior years	**33,461**	116,055
Subtotal	**(7,154,320)**	(6,392,022)
Deferred income tax (Note VI.42)	**1,830,310**	637,400
Total	**(5,324,010)**	(5,754,622)

The statutory income tax rate applicable to PRC enterprises is 25% for the year (2019: 25%). A subsidiary of the Company set up in the Western Region (as defined in Note VI.71.1 Credit Risk) of the PRC is taxed at 15% (2019: 15%) subject to an annual special approval by the tax bureau.

Hong Kong Profits Tax is calculated at 16.5% (2019: 16.5%) of the estimated assessable profit for the year.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

15. Income tax expense (continued)

Reconciliation of profit before tax to income tax expense is as follows:

	Year ended December 31	
	2020	2019
Profit before tax from continuing operations	**16,309,257**	19,272,440
Profit before tax from a discontinued operation	**265,621**	273,224
Profit before tax	**16,574,878**	19,545,664
Income tax calculated at the tax rate of 25%	**(4,143,719)**	(4,886,416)
Tax effect of a discontinued operation	**(1,200,107)**	1,200,107
Effect of tax losses and deductible temporary differences not recognized	**(1,368,094)**	(1,175,654)
LAT	**(1,165,330)**	(1,023,527)
Tax effect of LAT	**291,332**	255,882
Tax effect of income not taxable for tax purpose (1)	**499,015**	412,590
Effect of different tax rates of subsidiaries	**381,160**	398,718
Tax effect of share of results of associates and joint ventures	**64,790**	277,740
Tax effect of expenses not deductible for tax purpose (2)	**(258,402)**	(227,048)
Overprovision in prior years	**175,142**	116,055
Adjustment in respect of cost and distribution payment for additional equity instruments	**68,119**	68,293
Effect of utilization of tax losses not previously recognized	**111,586**	55,813
Income tax expense	**(6,544,508)**	(4,527,447)
Income tax expense attributable to continuing operations	**(5,324,010)**	(5,754,622)
Income tax credit attributable to a discontinued operation	**(1,220,498)**	1,227,175

(1) Income not taxable for tax purpose mainly includes interest income on treasury bonds and dividend income.

(2) Expenses not deductible for tax purpose mainly include commission and fee expense, employee benefits and entertainment expenses in excess of the tax deduction limits according to the PRC tax regulations.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

16. Earnings per share

The calculation of basic and diluted earnings per share is as follows:

	Year ended December 31	
	2020	2019
Earnings:		
Profit attributable to ordinary equity holders of the parent:	**13,247,880**	13,052,946
Continuing operations	**9,616,026**	11,821,754
Discontinued operation	**3,631,854**	1,231,192
Profit attributable to equity holders of the Company	**13,247,880**	13,052,946
Less: Dividends on preference shares declared and distributed	**1,090,199**	1,120,767
Profit attributable to ordinary shareholders of the Company	**12,157,681**	11,932,179
Profit attributable to ordinary shareholders of the Company from continuing operations	**8,525,827**	10,700,987
Number of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	**38,164,535**	38,164,535
Weighted average number of shares in issue for the purpose of diluted earnings per share (in thousand)	**38,164,535**	38,164,535
Basic earnings per share (RMB Yuan)	**0.32**	0.31
Diluted earnings per share (RMB Yuan)	**0.32**	0.31
Basic earnings per share from continuing operations (RMB Yuan)	**0.22**	0.28
Diluted earnings per share from continuing operations (RMB Yuan)	**0.22**	0.28

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

17. Dividends

	Year ended December 31	
	2020	2019
Final dividend of 2019	**3,915,681**	–
Final dividend of 2018	**–**	3,625,631
Dividends recognized as distribution during the year	**3,915,681**	3,625,631

The resolution on the profit distribution plan for 2019 was duly approved by the shareholders at the Annual General Meeting held on June 30, 2020. In accordance with the plan, the dividend of RMB3,915.68 million was distributed during the year.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

18. Emoluments of directors and supervisors

	Year ended December 31, 2020			
	Fees	Paid remuneration	All kinds of social insurance, housing funds and annuity schemes	Total (before tax)
Executive directors				
ZHANG Zi'ai	–	481	191	672
ZHANG Weidong (1)	–	481	178	659
Non-executive directors				
HE Jieping (2)	–	–	–	–
XU Long (2)	–	–	–	–
YUAN Hong (2)(3)	–	–	–	–
WANG Shaoshuang (2)(4)	–	–	–	–
ZHANG Yuxiang (2)(5)	–	–	–	–
ZHANG Guoqing (2)	–	–	–	–
LIU Chong (2)	–	–	–	–
Independent non-executive directors				
ZHU Wuxiang	250	–	–	250
SUN Baowen	250	–	–	250
LU Zhengfei	250	–	–	250
LAM Chi Kuen	250	–	–	250
Supervisors				
GONG Jiande	–	481	178	659
LIU Yanfen	200	–	–	200
LI Chun	200	–	–	200
ZHANG Zheng	200	–	–	200
GONG Hongbing (6)	20	–	–	20
LU Baoxing (6)	20	–	–	20
YUAN Liangming (6)	20	–	–	20
Total	1,660	1,443	547	3,650

VI. EXPLANATORY NOTES (continued)

18. Emoluments of directors and supervisors (continued)

(1) Zhang Weidong was appointed as the proposed president by the Board in October 2019, and his qualification was approved by the CBIRC in January 2020.

Zhang Weidong was nominated as the executive director by the Board in October 2019, which was approved by the second extraordinary general meeting in December 2019, and his qualification was approved by the CBIRC in January 2020.

(2) These non-executive directors did not receive any fees from the Company.

(3) Yuan Hong ceased to be the non-executive director in February 2020.

(4) Wang Shaoshuang was nominated as the non-executive director by the Board in July 2020, which was approved by the first extraordinary general meeting in September 2020, and his qualification was approved by the CBIRC in November 2020.

(5) Zhang Yuxiang was nominated as the non-executive director by the Board in June 2020, which was approved by the 2019 General meeting, and her qualification was approved by the CBIRC in August 2020.

(6) The amounts only included fees for their services as employee representative supervisors.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

18. Emoluments of directors and supervisors (continued)

	Year ended December 31, 2019			
	Fees	Paid remuneration	All kinds of social insurance, housing funds and annuity schemes	Total (before tax)
Executive directors				
ZHANG Zi'ai	–	731	187	918
CHEN Xiaozhou (1)	–	608	160	768
ZHANG Weidong (2)	–	122	33	155
Non-executive directors				
HE Jieping (3)	–	–	–	–
XU Long (3)	–	–	–	–
YUAN Hong (3)	–	–	–	–
ZHANG Guoqing (3)	–	–	–	–
LIU Chong (3)	–	–	–	–
Independent non-executive directors				
CHANG Tso Tung, Stephen (4)	220	–	–	220
XU Dingbo (5)	208	–	–	208
ZHU Wuxiang	250	–	–	250
SUN Baowen	250	–	–	250
LU Zhengfei (6)	63	–	–	63
LAM Chi Kuen (7)	32	–	–	32
Supervisors				
GONG Jiande	–	730	184	914
LIU Yanfen	200	–	–	200
LI Chun	200	–	–	200
ZHANG Zheng	200	–	–	200
GONG Hongbing (12)	20	–	–	20
LIN Dongyuan (8)(12)	13	–	–	13
JIA Xiuhua (9)(12)	13	–	–	13
LU Baoxing (10)(12)	7	–	–	7
YUAN Liangming (11)(12)	7	–	–	7
Total	1,683	2,191	564	4,438

VI. EXPLANATORY NOTES (continued)

18. Emoluments of directors and supervisors (continued)

(1) Chen Xiaozhou ceased to be the President and executive director in October 2019, and his emoluments disclosed above include those for services rendered by him as the President and executive director during the year.

(2) Zhang Weidong was appointed as the proposed president by the Board in October 2019, and his qualification was approved by the CBIRC in January 2020. Zhang Weidong was nominated as the executive director by the Board in October 2019, which was approved by the second extraordinary general meeting in December 2019, and his qualification was approved by the CBIRC in January 2020.

(3) These non-executive directors did not receive any fees from the Company.

(4) Chang Tso Tung, Stephen ceased to be the independent non-executive director in November 2019.

(5) Xu Dingbo ceased to be the independent non-executive director in September 2019.

(6) Lu Zhengfei was elected as the independent non-executive director in September 2019.

(7) Lam Chi Kuen was elected as the independent non-executive director in November 2019.

(8) Lin Dongyuan ceased to be the supervisor in August 2019.

(9) Jia Xiuhua ceased to be the supervisor in August 2019.

(10) Lu Baoxing was elected as the supervisor in August 2019.

(11) Yuan Liangming was elected as the supervisor in August 2019.

(12) The amounts only included fees for their services as employee representative supervisors.

The total compensation packages for the above executive directors and supervisors for the year ended December 31, 2020 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed in a separate announcement when determined. The total compensation packages for the above executive directors and supervisors for the year ended December 31, 2019 have not yet been approved by the Annual General Meeting. The final compensation will be disclosed in a separate announcement after approval.

During the year, no emolument was paid by the Group to any of the directors, supervisors, key management personnel or the five highest paid individuals as set out in Note VI.19 Key management personnel and five highest paid individuals below as an inducement to join or upon joining the Group or as a compensation for loss of office. None of them waived any emoluments during the year. Bonus was determined based on the performance of individuals by the Group on a discretionary basis.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

19. Key management personnel and five highest paid individuals

(1) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers. The aggregate compensation paid/payable to key management personnel for employment services, excluding the directors and supervisors whose emolument details have been reflected in Note VI.18 Emoluments of directors and supervisors, is as follows:

	Year ended December 31	
	2020	2019
Emoluments of key management personnel		
Paid emoluments	**10,950**	9,528
All kinds of social insurance, housing funds and annuity schemes	**1,785**	1,003
Total (before tax)	**12,735**	10,531

The number of key management personnel with emoluments within the following bands is as follows:

	Year ended December 31	
	2020	2019
RMB100,001 to RMB500,000	**4**	1
RMB500,001 to RMB1,000,000	**1**	5
RMB1,000,001 to RMB1,500,000	**1**	1
RMB1,500,001 to RMB2,000,000	**4**	–
RMB2,000,001 to RMB2,500,000	**–**	1
RMB2,500,001 to RMB3,000,000	**–**	–
RMB3,000,001 to RMB3,500,000	**–**	1
Total	**10**	9

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

19. Key management personnel and five highest paid individuals (continued)

(2) Five highest paid individuals

The emoluments of the five highest paid individuals whose emoluments were the highest in the Group for the year ended December 31, 2020 were as follows:

	Year ended December 31	
	2020	2019
Remuneration	**16,801**	17,302
All kinds of social insurance, housing funds and annuity schemes	**1,623**	1,082
Total (before tax)	**18,424**	18,384

Among the five highest paid individuals in the Group, none of them was a director. The number of these five individuals with emoluments within the following bands is as follows:

	Year ended December 31	
	2020	2019
RMB3,000,001 to RMB3,500,000	**4**	2
RMB3,500,001 to RMB4,000,000	**1**	3
Total	**5**	5

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

20. Statement of financial position

		As at December 31	
	Notes VI	**2020**	2019
Assets			
Cash and balances with central banks	21	**2,667**	2,798
Deposits with banks and financial institutions	22	**28,324,705**	12,018,928
Financial assets at fair value through profit or loss	25	**347,540,534**	323,508,433
Financial assets held under resale agreements	26	**34,112,502**	10,479,747
Financial assets at fair value through other comprehensive income	27	**8,014,318**	4,199,647
Financial assets at amortized cost	29	**182,569,154**	187,365,891
Accounts receivable	30	**805,417**	552,805
Amounts due from subsidiaries	31	**27,331,231**	43,596,732
Investment properties	33	**279,512**	295,963
Interests in subsidiaries	34	**39,484,717**	39,484,717
Interests in consolidated structured entities	36	**49,024,530**	35,124,121
Interests in associates and joint ventures	37	**49,037,278**	48,497,327
Property and equipment	39	**1,068,203**	1,113,793
Other intangible assets	41	**23,998**	25,332
Deferred tax assets	42	**4,798,106**	2,722,196
Assets held for sale	56	**–**	7,449,679
Other assets	43	**18,163,027**	12,596,788
Total assets		**790,579,899**	729,034,897

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

20. Statement of financial position (continued)

	Notes VI	As at December 31 2020	As at December 31 2019
Liabilities			
Borrowings from central bank	44	**986,058**	986,058
Financial liabilities at fair value through profit or loss	46	**204,201**	717,977
Borrowings	49	**443,968,344**	426,086,925
Accounts payable	52	**1,000**	–
Tax payable	53	**778,176**	38,503
Bonds issued	54	**199,874,325**	154,916,816
Other liabilities	57	**9,487,441**	10,162,315
Total liabilities		**655,299,545**	592,908,594
Equity			
Share capital	58	**38,164,535**	38,164,535
Other equity instruments	59	**21,281,215**	21,281,215
Capital reserve	60	**19,135,464**	19,008,206
Other comprehensive income	61	**(461,409)**	(106,328)
Surplus reserve	62	**8,938,344**	8,499,569
General reserve	63	**10,629,877**	10,629,877
Retained earnings	64	**37,592,328**	38,649,229
Total equity		**135,280,354**	136,126,303
Total equity and liabilities		**790,579,899**	729,034,897

The financial statements are authorized for issue by the Board of Directors and signed on its behalf by:

CHAIRMAN

PRESIDENT

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

21. Cash and balances with central banks

Group

	As at December 31	
	2020	2019
Cash	**527,358**	577,491
Mandatory reserve deposits with central banks (1)	**7,854,243**	8,932,048
Surplus reserve deposits with central banks	**4,405,397**	5,318,432
Other deposits with central banks	**2,588,050**	4,174,080
Total	**15,375,048**	19,002,051
Including:		
Restricted		
– Balances with central banks	**7,972,114**	8,964,522

Company

	As at December 31	
	2020	2019
Cash	**257**	399
Other deposits with central banks	**2,410**	2,399
Total	**2,667**	2,798

(1) In accordance with relevant regulations, NCB, subsidiary of bank operations, is required to place mandatory reserve deposits with the People's Bank of China (the "PBOC") for customer deposits in both RMB and foreign currencies. As at December 31, 2020, the mandatory deposits were calculated at 9% (As at December 31, 2019: 10.5%) of customer deposits denominated in RMB and 5% (As at December 31, 2019: 5%) of customer deposits denominated in foreign currencies. Mandatory reserve deposits are not available for use by the Group in its daily operations.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

22. Deposits with banks and financial institutions

Group

	As at December 31	
	2020	2019
Deposits with banks		
– House accounts	**71,245,503**	55,937,328
– Cash held on behalf of clients	**12,891,950**	11,414,878
Clearing settlement funds		
– House accounts	**442,731**	559,594
– Clients	**2,679,062**	2,154,836
Deposits with other financial institutions		
– House accounts	**711,243**	688,204
Interest receivable	**47,359**	146,626
Subtotal	**88,017,848**	70,901,466
Less: Allowance for impairment losses	**64,285**	63,873
Total	**87,953,563**	70,837,593
Including:		
Restricted funds	**28,453,655**	21,566,732

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

22. Deposits with banks and financial institutions (continued)

Company

	As at December 31	
	2020	2019
Deposits with banks	**28,313,038**	**12,014,605**
Interest receivable	**11,667**	4,323
Subtotal	**28,324,705**	12,018,928
Less: Allowance for impairment losses	**–**	–
Total	**28,324,705**	12,018,928

Pledged bank deposits represent deposits that have been pledged to secure bank borrowings. As at December 31, 2020, the Group's pledged bank deposits amounted to RMB300.00 million (As at December 31, 2019: RMB1,193.00 million).

The Group's clearing settlement funds were interest-bearing at prevailing market interest rates and mainly deposited in the China Securities Depository and Clearing Corporation Limited. As at December 31, 2020, the Group's restricted clearing settlement funds amounted to RMB2,679.06 million (As at December 31, 2019: RMB2,154.84 million).

As at December 31, 2020, the Group's deposits with banks and financial institutions in Stage I, II and III amounted to RMB87,954.58 million, nil and RMB63.27 million, respectively (December 31, 2019: RMB70,838.20 million, nil and RMB63.27 million, respectively). The allowance for impairment losses amounted to RMB1.02 million, nil and RMB63.27 million, respectively (December 31, 2019: RMB0.60 million, nil and RMB63.27 million, respectively).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

23. Deposits with exchanges and others

Group

	As at December 31	
	2020	2019
Shanghai Stock Exchange	**84,977**	**48,796**
Shenzhen Stock Exchange	**51,296**	26,620
The Stock Exchange of Hong Kong Limited	**7,515**	3,550
National Equities Exchange and Quotations	**1,123**	636
Hong Kong Securities Clearing Company Limited	**380**	399
China Securities Finance Corporation Limited	**139,615**	1,042
Shanghai Futures Exchange	**337,156**	463,366
Dalian Commodity Exchange	**412,507**	372,643
Zhengzhou Commodity Exchange	**310,797**	143,217
China Financial Futures Exchange	**571,922**	219,240
Shanghai International Energy Exchange	**28,427**	10,158
The SEHK Options Clearing House Limited	**1,262**	–
Others	**7**	33,692
Total	**1,946,984**	1,323,359

The Company had no deposits with any exchanges or financial institutions at the end of 2020 and 2019.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

24. Placements with banks and financial institutions

Group

	As at December 31	
	2020	2019
Banks	**19,890,230**	11,106,600
Other financial institutions	**100,000**	100,000
Interest receivable	**5,715**	32,862
Subtotal	**19,995,945**	11,239,462
Less: Allowance for impairment losses	**86,440**	87,162
Total	**19,909,505**	11,152,300

As at December 31, 2020, the Group's placements with banks and financial institutions in Stage I, II and III amounted to RMB19,910.23 million, nil and RMB85.71 million, respectively (December 31, 2019: RMB11,153.75 million, nil and RMB85.71 million, respectively). The allowance for impairment losses amounted to RMB0.73 million, nil and RMB85.71 million, respectively (December 31, 2019: RMB1.45 million, nil and RMB85.71 million, respectively).

As at December 31, 2020 and December 31, 2019, the Company had no placements with banks and financial institutions.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

25. Financial assets at fair value through profit or loss

Group

	As at December 31	
	2020	2019
Financial assets classified as at fair value through profit or loss		
Listed investments:		
Equity investments	**13,561,934**	9,565,812
Debt securities		
– Government bonds	**5,579,784**	5,968,207
– Public sector and quasi-government bonds	**10,341**	1,044
– Corporate bonds	**6,278,631**	4,521,715
Funds	**7,295,378**	2,071,045
Corporate convertible bonds	**123,082**	55,579
Subtotal	**32,849,150**	22,183,402
Unlisted investments:		
Distressed debt assets	**198,746,185**	197,621,332
Funds	**101,702,383**	89,143,751
Equity investments	**49,474,894**	55,791,190
Debt instruments	**31,674,575**	28,148,647
Trust products and asset management plans	**25,083,228**	15,459,780
Security investments	**2,569,332**	1,642,858
Wealth management products	**2,344,900**	1,475,898
Derivative financial assets (1)	**2,416,116**	619,316
Others	**55,911**	78,409
Subtotal	**414,067,524**	389,981,181
Total	**446,916,674**	412,164,583

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

25. Financial assets at fair value through profit or loss (continued)

Group (continued)

(1) Derivative financial instruments

	As at December 31, 2020			As at December 31, 2019		
	Contractual/ Notional	Fair value		Contractual/ Notional	Fair value	
	amount	Assets	Liabilities	amount	Assets	Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps	**84,471,580**	**561,471**	**(1,053,077)**	43,518,087	477,815	(404,521)
Currency options	**4,204,646**	**97,215**	**(88,077)**	693,389	6,080	(6,081)
Subtotal	**88,676,226**	**658,686**	**(1,141,154)**	44,211,476	483,895	(410,602)
Interest rate derivatives						
Interest rate swaps	**146,410,467**	**143,535**	**(460,036)**	116,508,057	27,365	(131,429)
Equity derivatives(i)	**7,598,893**	**1,613,324**	**(12,243)**	488,509	26,288	–
Commodity derivatives and others	**66,014**	**571**	**(3,132)**	1,255,240	81,768	(826)
Total	**242,751,600**	**2,416,116**	**(1,616,565)**	162,463,282	619,316	(542,857)

(i) Please refer to Note VI.72.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis for fair value measurement of equity derivatives.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

25. Financial assets at fair value through profit or loss (continued)

Company

	As at December 31	
	2020	2019
Financial assets classified as at fair value through profit or loss		
Distressed debt assets	**198,870,483**	198,146,517
Funds	**70,339,626**	55,470,435
Equity investments	**29,883,714**	33,758,192
Debt instruments	**29,916,848**	27,224,738
Trust products and asset management plans	**17,006,247**	8,097,423
Security investments	**1,523,616**	811,128
Total	**347,540,534**	323,508,433
Analysed as:		
Listed	**8,250,452**	7,463,951
Unlisted	**339,290,082**	316,044,482

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

26. Financial assets held under resale agreements

Group

	As at December 31	
	2020	2019
By collateral type:		
Bonds	**35,117,764**	11,886,129
Stocks	**1,499,720**	1,722,173
Interest receivable	**41,775**	14,837
Subtotal	**36,659,259**	13,623,139
Less: Allowance for impairment losses	**418,106**	410,685
Total	**36,241,153**	13,212,454

As at December 31, 2020, the Group's assets held under resale agreements in Stage I, II and III amounted to RMB36,094.17 million, RMB3.17 million and 561.92 million, respectively (As at December 31, 2019: RMB12,613.92 million, RMB344.55 million and 664.67 million, respectively). The allowance for impairment losses amounted to RMB11.45 million, RMB0.16 million and RMB406.50 million, respectively (As at December 31, 2019: RMB1.18 million, RMB44.13 million and RMB365.38 million, respectively).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

26. Financial assets held under resale agreements (continued)

Company

	As at December 31	
	2020	2019
By collateral type:		
Bonds	**34,083,349**	10,477,409
Interest receivable	**38,861**	2,575
Subtotal	**34,122,210**	10,479,984
Less: Allowance for impairment losses	**9,708**	237
Total	**34,112,502**	10,479,747

As at December 31, 2020, all the Company's assets held under resale agreements were in Stage I, and amounted to RMB34,122.21 million (As at December 31, 2019: RMB10,479.98 million). The allowance for impairment losses amounted to RMB9.71 million (As at December 31, 2019: RMB0.24 million).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

27. Financial assets at fair value through other comprehensive income

Group

	As at December 31	
	2020	2019
Debt investments at fair value through other comprehensive income		
Debt securities		
– Government bonds	**40,320,392**	54,394,469
– Public sector and quasi-government bonds	**4,856,989**	4,948,670
– Financial institution bonds	**34,772,123**	30,911,883
– Corporate bonds	**27,692,655**	23,483,657
Certificates of deposit	**10,484,628**	17,640,471
Interest receivable	**1,128,596**	1,196,252
Subtotal	**119,255,383**	132,575,402
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	**4,473,085**	4,227,563
Subtotal	**4,473,085**	4,227,563
Total	**123,728,468**	136,802,965

As at December 31, 2020, the Group's debt investments at fair value through other comprehensive income in Stage I, II and III amounted to RMB118,591.28 million, nil, RMB150.05 million, respectively (As at December 31, 2019: RMB132,013.38 million, nil, RMB160.44 million, respectively). The allowance for impairment losses amounted to RMB71.41 million, nil and RMB150.05 million, respectively (As at December 31, 2019: RMB60.19 million, nil and RMB160.44 million respectively).

As at December 31, 2020, the Group's equity investments at fair value through other comprehensive income amounted to RMB4,473.09 million (December 31, 2019: RMB4,227.56 million). The above equity investments were irrevocably designated as at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended December 31, 2020, the Group received dividends in the amounts of RMB1.92 million (During the year ended December 31, 2019: RMB9.92 million) from equity investments designated as at fair value through other comprehensive income.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

27. Financial assets at fair value through other comprehensive income (continued)

Company

	As at December 31	
	2020	2019
Debt investments at fair value through other comprehensive income		
Debt securities		
– Government bonds	**1,501,742**	–
Certificates of deposit	**3,024,881**	–
Interest receivable	**44,324**	–
Subtotal	**4,570,947**	–
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	**3,443,371**	4,199,647
Subtotal	**3,443,371**	4,199,647
Total	**8,014,318**	4,199,647

As at December 31, 2020, all the Company's debt investments at fair value through other comprehensive income were in Stage I, and amounted to RMB4,626.80 million (As at December 31, 2019: nil). The allowance for impairment losses amounted to RMB0.42 million (As at December 31, 2019: nil).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

28. Loans and advances to customers

Group

	As at December 31	
	2020	2019
At amortized cost		
Corporate loans and advances		
– Loans and advances	**231,519,952**	229,007,729
– Discounted bills	**555,932**	2,036,542
Personal loans and advances		
– Mortgages	**27,332,895**	26,274,047
– Personal consumption loans	**21,239,038**	20,483,984
Loans to margin clients	**9,706,705**	7,070,164
Finance lease receivables	**48,645,645**	44,234,870
Subtotal	**339,000,167**	329,107,336
Interest accrued	**2,395,050**	2,014,792
Total loans and advances to customers at amortized cost	**341,395,217**	331,122,128
At fair value through profit or loss		
Corporate loans and advances	**19,546,738**	15,007,348
Total loans and advances to customers	**360,941,955**	346,129,476
Less: Allowance for impairment losses on loans and advances to customers at amortized cost	**7,485,658**	8,270,412
Net loans and advances to customers	**353,456,297**	337,859,064

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

28. Loans and advances to customers (continued)

Group (continued)

Loans and advances at amortized cost are as follows:

	Stage I (12-month ECL)	**Stage II (Lifetime ECL)**	**Stage III (Lifetime ECL-impaired)**	**Total**
As at December 31, 2020				
Gross loans and advances	**324,629,534**	**11,056,135**	**5,709,548**	**341,395,217**
Less: Allowances for impairment losses	**2,351,618**	**1,948,428**	**3,185,612**	**7,485,658**
Net loans and advances to customers	**322,277,916**	**9,107,707**	**2,523,936**	**333,909,559**

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2019				
Gross loans and advances	313,233,263	10,607,636	7,281,229	331,122,128
Less: Allowances for impairment losses	2,681,287	2,211,544	3,377,581	8,270,412
Net loans and advances to customers	310,551,976	8,396,092	3,903,648	322,851,716

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

28. Loans and advances to customers (continued)

Group (continued)

The movements of allowance for loans and advances to customers are as follows:

	2020			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	2,681,287	2,211,544	3,377,581	8,270,412
Convert to Stage I	413,534	(413,522)	(12)	–
Convert to Stage II	(245,012)	391,014	(146,002)	–
Convert to Stage III	(26,367)	(980,474)	1,006,841	–
Impairment losses recognized	1,164,557	270,741	2,024,648	3,459,946
Impairment losses reversed	(1,228,124)	(188,004)	(306,789)	(1,722,917)
Stage conversion	(378,731)	709,039	632,023	962,331
Write-off and transfer out	–	(40,062)	(3,432,309)	(3,472,371)
Recovery of loans and advances written off in previous years	–	–	94,542	94,542
Unwinding of discount on allowance	–	–	(18,182)	(18,182)
Exchange differences	(29,526)	(11,848)	(46,729)	(88,103)
As at December 31	2,351,618	1,948,428	3,185,612	7,485,658

The gross carrying amount of loans and advances to customers transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flows in the year of 2020 was not significant.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

28. Loans and advances to customers (continued)

Group (continued)

	2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	3,668,159	959,304	3,034,137	7,661,600
Convert to Stage I	64,757	(3,763)	(60,994)	–
Convert to Stage II	(123,209)	128,486	(5,277)	–
Convert to Stage III	(318,097)	(77,220)	395,317	–
Impairment losses recognized	997,163	711,559	1,223,224	2,931,946
Impairment losses reversed	(1,578,466)	(174,417)	(499,505)	(2,252,388)
Stage conversion	(56,408)	658,114	802,779	1,404,485
Write-off and transfer out	–	–	(1,516,518)	(1,516,518)
Recovery of loans and advances written off in previous years	–	–	5,401	5,401
Unwinding of discount on allowance	–	–	(9,189)	(9,189)
Exchange differences	27,388	9,481	8,206	45,075
As at December 31	2,681,287	2,211,544	3,377,581	8,270,412

The gross carrying amount of loans and advances to customers transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flows in the year of 2019 was not significant.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

28. Loans and advances to customers (continued)

Group (continued)

Finance lease receivable are analyzed as follow:

	As at December 31	
	2020	2019
Minimum finance lease receivables:		
Within 1 year (inclusive)	**20,048,878**	19,918,981
1 year to 2 years (inclusive)	**14,262,674**	12,742,276
2 years to 3 years (inclusive)	**8,024,371**	8,810,589
3 years to 4 years (inclusive)	**4,313,437**	2,904,380
4 years to 5 years (inclusive)	**3,605,488**	1,529,113
Over 5 years	**4,175,985**	3,262,264
Gross amount of finance lease receivables	**54,430,833**	49,167,603
Less: Unearned finance income	**5,785,188**	4,932,733
Subtotal	**48,645,645**	44,234,870
Interest accrued	**249,832**	224,304
Net amount of finance lease receivables	**48,895,477**	44,459,174
Less: Allowance for impairment losses	**2,317,846**	2,769,653
Carrying amount of finance lease receivables	**46,577,631**	41,689,521
Present value of minimum lease receivables:		
Within 1 year (inclusive)	**18,060,685**	17,788,548
1 year to 2 years (inclusive)	**12,891,251**	11,588,460
2 years to 3 years (inclusive)	**7,239,074**	8,161,928
3 years to 4 years (inclusive)	**3,712,478**	2,605,562
4 years to 5 years (inclusive)	**3,308,055**	1,362,012
Over 5 years	**3,683,934**	2,952,664
Total	**48,895,477**	44,459,174
Including:		
Finance lease receivables pledged for borrowings	**3,354,728**	3,051,730

The Company had no loans and advances to customers as at December 31, 2020 and 2019.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost

Group

	As at December 31	
	2020	2019
Distressed debt assets		
– Acquired from financial institutions	**5,889,582**	10,080,485
– Acquired from non-financial institutions	**181,520,507**	184,439,371
Subtotal	**187,410,089**	194,519,856
Interest accrued	**5,621,172**	3,426,127
Gross of distressed debt assets	**193,031,261**	197,945,983
Less: Allowance for impairment losses	**16,524,845**	11,510,610
Net of distressed debt assets	**176,506,416**	186,435,373
Other debt investments	**44,704,861**	41,990,957
Interest accrued	**1,099,705**	660,311
Gross of other debt investments	**45,804,566**	42,651,268
Less: Allowance for impairment losses	**2,078,026**	1,441,574
Net of other debt investments	**43,726,540**	41,209,694
Total	**220,232,956**	227,645,067

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Group (continued)

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2020				
Gross distressed debt assets	**142,993,369**	**42,304,988**	**7,732,904**	**193,031,261**
Less: Allowance for impairment losses	**5,575,629**	**7,690,661**	**3,258,555**	**16,524,845**
Net distressed debt assets	**137,417,740**	**34,614,327**	**4,474,349**	**176,506,416**

The changes of gross carrying amounts of the Group were mainly due to the following:

The Group adjusted the five tier classification and customer internal rating of distressed debt assets, and the distressed debt assets with a gross carrying amount of RMB23,065 million was transferred from Stage I to Stage II, and the corresponding impairment allowance was increased by RMB2,309 million. The gross carrying amount of debt assets transferred from Stage I and Stage II to Stage III was RMB6,662 million, with a corresponding increase in impairment allowance of RMB1,876 million. No distressed debt assets were transferred from Stage III to Stage II and Stage I.

The Group transferred out impaired distressed debt assets with a gross carrying amount of RMB4,968 million, resulting in a corresponding reduction of RMB2,461 million in impairment allowance for Stage III debt assets.

The Group has none distressed debt assets transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flows in the year of 2020.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Group (continued)

The movements of allowance for distressed debt assets in the year of 2020 are as follows:

	2020			
	Stage I (12-month ECL)	**Stage II (Lifetime ECL)**	**Stage III (Lifetime ECL-impaired)**	**Total**
As at January 1	**5,767,608**	**2,403,302**	**3,339,700**	**11,510,610**
Convert to Stage I	**–**	**–**	**–**	**–**
Convert to Stage II	**(754,554)**	**754,554**	**–**	**–**
Convert to Stage III	**(30,335)**	**(334,484)**	**364,819**	**–**
Impairment losses recognized	**3,064,381**	**2,776,089**	**570,499**	**6,410,969**
Impairment losses reversed	**(2,357,182)**	**(205,030)**	**(373,350)**	**(2,935,562)**
Stage conversion	**–**	**2,308,500**	**1,875,986**	**4,184,486**
Write-off and transfer out	**(114,289)**	**(12,270)**	**(2,460,916)**	**(2,587,475)**
Unwinding of discount on allowance	**–**	**–**	**(58,183)**	**(58,183)**
As at December 31	**5,575,629**	**7,690,661**	**3,258,555**	**16,524,845**

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2019				
Gross distressed debt assets	164,890,144	27,156,262	5,899,577	197,945,983
Less: Allowance for impairment losses	5,767,608	2,403,302	3,339,700	11,510,610
Net distressed debt assets	159,122,536	24,752,960	2,559,877	186,435,373

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Group (continued)

The changes of gross carrying amounts of the Group were mainly due to the following:

The Group adjusted the five tier classification and customer internal rating of distressed debt assets, and the distressed debt assets with a gross carrying amount of RMB26,046 million was transferred from Stage I to Stage II and Stage III, and the corresponding impairment allowance was increased by RMB4,392 million. The gross carrying amount of debt assets transferred from Stage II to Stage I was RMB1,974 million, with a corresponding decrease in impairment allowance of RMB343 million. No distressed debt assets were transferred from Stage II to Stage III, or Stage III to Stage II and Stage I.

The Group transferred out impaired distressed debt assets with a gross carrying amount of RMB8,160 million, resulting in a corresponding reduction of RMB4,091 million in impairment allowance for Stage III debt assets.

The gross carrying amount of the distressed debt assets transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flows in the year of 2019 was not significant.

The movements of allowance for distressed debt assets in the year of 2019 are as follows:

	2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	6,774,824	1,811,341	4,301,300	12,887,465
Convert to Stage I	831,292	(831,292)	–	–
Convert to Stage II	(322,471)	322,471	–	–
Convert to Stage III	(75,261)	–	75,261	–
Impairment losses recognized	2,959,532	844,937	219,502	4,023,971
Impairment losses reversed	(3,936,123)	(526,918)	(65,734)	(4,528,775)
Stage conversion	(343,423)	1,491,199	2,901,110	4,048,886
Write-off and transfer out	(120,762)	(708,436)	(4,091,409)	(4,920,607)
Unwinding of discount on allowance	–	–	(330)	(330)
As at December 31	5,767,608	2,403,302	3,339,700	11,510,610

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Company

	As at December 31	
	2020	2019
Distressed debt assets		
– Acquired from financial institutions	**5,889,582**	10,080,485
– Acquired from non-financial institutions	**181,600,881**	185,020,419
Subtotal	**187,490,463**	195,100,904
Interest accrued	**5,623,022**	3,436,246
Gross of distressed debt assets	**193,113,485**	198,537,150
Less: Allowance for impairment losses	**16,380,750**	11,412,402
Net of distressed debt assets	**176,732,735**	187,124,748
Other debt investments	**6,001,951**	295,440
Interest accrued	**28,544**	4,231
Gross of other debt investments	**6,030,495**	299,671
Less: Allowance for impairment losses	**194,076**	58,528
Net of other debt investments	**5,836,419**	241,143
Total	**182,569,154**	187,365,891

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Company (continued)

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2020				
Gross distressed debt assets	**143,269,118**	**42,304,988**	**7,539,379**	**193,113,485**
Less: Allowance for impairment losses	**5,602,841**	**7,690,661**	**3,087,248**	**16,380,750**
Net distressed debt assets	**137,666,277**	**34,614,327**	**4,452,131**	**176,732,735**

Refer to the Group for the changes of gross carrying amounts of the Company.

The movements of allowance for distressed debt assets in the year of 2020 are as follows:

	2020			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	**5,818,128**	**2,403,302**	**3,190,972**	**11,412,402**
Convert to Stage I	**–**	**–**	**–**	**–**
Convert to Stage II	**(754,554)**	**754,554**	**–**	**–**
Convert to Stage III	**(30,335)**	**(334,484)**	**364,819**	**–**
Impairment losses recognized	**3,064,381**	**2,776,089**	**547,920**	**6,388,390**
Impairment losses reversed	**(2,380,490)**	**(205,030)**	**(373,350)**	**(2,958,870)**
Stage conversion	**–**	**2,308,500**	**1,875,986**	**4,184,486**
Write-off and transfer out	**(114,289)**	**(12,270)**	**(2,460,916)**	**(2,587,475)**
Unwinding of discount on allowance	**–**	**–**	**(58,183)**	**(58,183)**
As at December 31	**5,602,841**	**7,690,661**	**3,087,248**	**16,380,750**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Company (continued)

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2019				
Gross distressed debt assets	165,674,836	27,156,262	5,706,052	198,537,150
Less: Allowance for impairment losses	5,818,128	2,403,302	3,190,972	11,412,402
Net distressed debt assets	159,856,708	24,752,960	2,515,080	187,124,748

Refer to the Group for the changes of gross carrying amounts of the Company.

The movements of allowance for distressed debt assets in the year of 2019 are as follows:

	2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	6,910,134	1,811,341	4,183,277	12,904,752
Convert to Stage I	831,292	(831,292)	–	–
Convert to Stage II	(322,471)	322,471	–	–
Convert to Stage III	(75,261)	–	75,261	–
Impairment losses recognized	2,959,532	844,937	205,286	4,009,755
Impairment losses reversed	(4,020,913)	(526,918)	(82,223)	(4,630,054)
Stage conversion	(343,423)	1,491,199	2,901,110	4,048,886
Write-off and transfer out	(120,762)	(708,436)	(4,091,409)	(4,920,607)
Unwinding of discount on allowance	–	–	(330)	(330)
As at December 31	5,818,128	2,403,302	3,190,972	11,412,402

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

30. Accounts receivable

Group

	As at December 31	
	2020	2019
Accounts receivable relating to equity assets (1)	**1,156,676**	1,206,745
Accounts receivable from sales of properties	**1,002,444**	620,439
Commission and fee receivables	**380,343**	248,450
Accounts receivable relating to distressed debt assets	**226,712**	327,432
Others	**699,932**	277,171
Gross of accounts receivable	**3,466,107**	2,680,237
Less: Allowance for impairment losses	**210,697**	277,512
Net of accounts receivable	**3,255,410**	2,402,725

Company

	As at December 31	
	2020	2019
Accounts receivable relating to equity assets (1)	**473,276**	400,008
Accounts receivable relating to distressed debt assets	**199,951**	283,872
Others	**382,889**	244,382
Gross of accounts receivable	**1,056,116**	928,262
Less: Allowance for impairment losses	**250,699**	375,457
Net of accounts receivable	**805,417**	552,805

(1) As at December 31, 2020, accounts receivable relating to disposal of debt-to-equity assets amounted to RMB384.37million (As at December 31, 2019: RMB400.01million). These receivables bear interest at nil to 7.99% per annum (As at December 31, 2019: Nil to 5.87%).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

30. Accounts receivable (continued)

The ageing analysis of accounts receivable relating to distressed debt assets and debt-to-equity swap assets is as follows:

Group

	As at December 31							
	2020				2019			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	212,154	34	–	212,154	193,560	27	–	193,560
1 year to 2 years (inclusive)	14,558	2	–	14,558	–	–	–	–
2 years to 3 years (inclusive)	–	–	–	–	–	–	–	–
Over 3 years	400,008	64	(15,640)	384,368	533,880	73	(133,872)	400,008
Total	626,720	100	(15,640)	611,080	727,440	100	(133,872)	593,568

Company

	As at December 31							
	2020				2019			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	199,951	33	–	199,951	150,000	22	–	150,000
1 year to 2 years (inclusive)	–	–	–	–	–	–	–	–
2 years to 3 years (inclusive)	–	–	–	–	–	–	–	–
Over 3 years	400,008	67	(15,640)	384,368	533,880	78	(133,872)	400,008
Total	599,959	100	(15,640)	584,319	683,880	100	(133,872)	550,008

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

30. Accounts receivable (continued)

The movements of allowance for impairment loss during the years are as follows:

Group

	Year ended December 31	
	2020	2019
At beginning of the year	**277,512**	1,060,332
Impairment losses recognized	**90,915**	112,146
Impairment losses reversed	**(154,845)**	(227,640)
Amounts written off and transferred out	**(2,885)**	(667,326)
At end of the year	**210,697**	277,512

Company

	Year ended December 31	
	2020	2019
At beginning of the year	**375,457**	191,450
Impairment losses recognized	**15,640**	184,007
Impairment losses reversed	**(140,398)**	–
At end of the year	**250,699**	375,457

31. Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured. The Company expected to recover a majority portion of the amounts due from subsidiaries within one year from the end of 2020 of the fiscal year.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

32. Properties held for sale

Group

	As at December 31	
	2020	2019
Completed properties	**13,515,329**	13,619,506
Properties under development	**37,453,058**	46,750,573
Others	**13,993**	37,426
Subtotal	**50,982,380**	60,407,505
Less: Allowance for impairment losses	**2,089,657**	820,348
Total	**48,892,723**	59,587,157
Including:		
Pledged for borrowings	**20,628,453**	16,819,551

As at December 31, 2020 and 2019, included in the properties held for sale were amounts of RMB30,506 million and RMB27,844 million which represented the carrying amounts of the properties not expected to be completed and sold within twelve months from the end of each reporting period.

The Company had no properties held for sale at the end of 2020 and 2019.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

33. Investment properties

Group

	Year ended December 31	
	2020	2019
Cost		
At beginning of the year	**6,989,677**	5,145,287
Acquisition of subsidiaries	**–**	1,691,052
Additions during the year	**3,749,345**	170,758
Transfer (out)/in	**(41,220)**	14,263
Disposals	**(50,883)**	(31,683)
At end of the year	**10,646,919**	6,989,677
Accumulated depreciation		
At beginning of the year	**(1,047,588)**	(858,671)
Change for the year	**(342,652)**	(190,671)
Disposals	**18,973**	1,754
At end of the year	**(1,371,267)**	(1,047,588)
Allowance for impairment losses		
At beginning of the year	**(81,030)**	(19,103)
Change for the year	**(19,236)**	(61,927)
Written-offs during the year	**5,492**	–
At end of the year	**(94,774)**	(81,030)
Net book value		
At beginning of the year	**5,861,059**	4,267,513
At end of the year	**9,180,878**	5,861,059
Net book value of investment properties pledged for borrowings	**3,151,110**	2,850,447

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

33. Investment properties (continued)

Group (continued)

The net book value of investment properties is analyzed based on the remaining terms of the leases as follows:

	As at December 31	
	2020	2019
Net book value:		
– on long-term leases (over 50 years)	**85,789**	87,652
– on medium-term leases (10 to 50 years)	**8,785,540**	5,653,969
– on short-term leases (less than 10 years)	**309,549**	119,438
Total	**9,180,878**	5,861,059

As at December 31, 2020 and 2019, the Group had no investment properties for which the Group has not obtained a certificate of land use right or certificate of property ownership.

Company

	Year ended December 31	
	2020	2019
Cost		
At beginning of the year	**448,526**	448,526
Transfers in	**–**	–
At end of the year	**448,526**	448,526
Accumulated depreciation		
At beginning of the year	**(152,563)**	(136,112)
Change for the year	**(16,451)**	(16,451)
Transfers in	**–**	–
At end of the year	**(169,014)**	(152,563)
Net book value		
At beginning of the year	**295,963**	312,414
At end of the year	**279,512**	295,963

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

33. Investment properties (continued)

Company (continued)

The net book value of investment properties is analyzed based on the remaining terms of the leases as follows:

	As at December 31	
	2020	2019
Net book value:		
– on medium-term leases (10 to 50 years)	**279,512**	295,963

34. Interests in subsidiaries

Company

	As at December 31	
	2020	2019
At cost	**39,484,717**	39,484,717
Total	**39,484,717**	39,484,717

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

34. Interests in subsidiaries (continued)

Company (continued)

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2020	Proportion of ownership held by the Group As at December 31		Proportion of voting rights held by the Group As at December 31		Principal activities
			(In '000)	2020 %(1)	2019 %(1)	2020 %(1)	2019 %(1)	
China Cinda (HK) Holdings Co., Ltd.*	Hong Kong, PRC	December 16, 1998	HKD24,975,487	**100.00**	100.00	**100.00**	100.00	Investment holding
Zhongrun Economic Development Co., Ltd.* (f)	Beijing, PRC	May 8, 2000	RMB30,000	**100.00**	100.00	**100.00**	100.00	Investment management
Cinda Securities Co., Ltd.* (e)	Beijing, PRC	September 4, 2007	RMB2,918,700	**87.42**	99.33	**87.42**	99.33	Securities brokerage
Cinda Investment Co., Ltd.* (a)	Beijing, PRC	August 1, 2000	RMB2,000,000	**100.00**	100.00	**100.00**	100.00	Business investment
Happy Life Insurance Co., Ltd. (2) (III)	Beijing, PRC	November 5, 2007	RMB10,130,376	**–**	51.00	**–**	51.00	Life insurance
China Jingu International Trust Co., Ltd.* (f)	Beijing, PRC	April 21, 1993	RMB2,200,000	**92.29**	92.29	**92.29**	92.29	Trust service
Cinda Financial Leasing Co., Ltd.* (f)	Lanzhou, PRC	December 28, 1996	RMB3,505,249	**99.92**	99.92	**99.92**	99.92	Financial leasing
Nanyang Commercial Bank, Limited	Hong Kong, PRC	February 2, 1948	HKD3,144,517	**100.00**	100.00	**100.00**	100.00	Commercial Bank
China Cinda (HK) Asset Management Co., Ltd.	Hong Kong, PRC	April 21, 1999	HKD0.002	**100.00**	100.00	**100.00**	100.00	Asset management
China Cinda Fund Management Co., Ltd.	Hong Kong, PRC	June 23, 1999	HKD0.002	**100.00**	100.00	**100.00**	100.00	Fund management
China Cinda (HK) Investment Management Co., Ltd.	Hong Kong, PRC	November 22, 2006	HKD0.001	**100.00**	100.00	**100.00**	100.00	Investment holding
Cinda (China) Investment Co., Ltd.	Hong Kong, PRC	March 24, 1994	HKD10	**100.00**	100.00	**100.00**	100.00	Investment holding
China Cinda (Macau) Asset Management Co., Ltd.	Macao, PRC	May 28, 1999	MOP100	**100.00**	100.00	**100.00**	100.00	Asset management
Well Kent International Group Co., Ltd.	Hong Kong, PRC	May 27, 1993	HKD1,000	**100.00**	100.00	**100.00**	100.00	Investment holding
Cinda Financial Holdings Co., Limited	Hong Kong, PRC	August 11, 2015	HKD68,000,001	**100.00**	100.00	**100.00**	100.00	Investment holding
Cinda Futures Co., Ltd. (a)	Hangzhou, PRC	October 5, 1995	RMB500,000	**87.42**	99.33	**100.00**	100.00	Futures and brokerage
Xinfeng Investment Management Co., Ltd. (a)	Beijing, PRC	April 9, 2012	RMB400,000	**87.42**	99.33	**100.00**	100.00	Investment management

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

34. Interests in subsidiaries (continued)

Company (continued)

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2020	Proportion of ownership held by the Group As at December 31		Proportion of voting rights held by the Group As at December 31		Principal activities
			(In '000)	**2020 %(1)**	2019 %(1)	**2020 %(1)**	2019 %(1)	
Cinda Innovation Investment Co., Ltd. (a)	Beijing, PRC	August 20, 2013	RMB400,000	**87.42**	99.33	**100.00**	100.00	Investment management
First State Cinda Fund Management Co., Ltd. (b)	Shenzhen, PRC	June 5, 2006	RMB100,000	**47.20**	53.64	**54.00**	54.00	Fund management
Hainan Jianxin Investment Management Co., Ltd. (e)	Haikou, PRC	April 10, 1993	RMB412,500	**100.00**	100.00	**100.00**	100.00	Investment management
Sanya Horizon Industry Co., Ltd. (c)	Sanya, PRC	December 19, 1992	RMB60,000	**51.00**	51.00	**51.00**	51.00	Real estate development
Shanghai Tongda Venture Capital Co., Ltd. (d) (l) (3)	Shanghai, PRC	July 27, 1991	RMB139,144	**41.02**	40.68	**41.02**	40.68	Investment management
Shenzhen Jianxin Investment Development Co., Ltd. (a)	Shenzhen, PRC	April 21, 1993	RMB400,000	**100.00**	100.00	**100.00**	100.00	Business investment
Hebei Cinda Jinjian Investment Co., Ltd. (a)	Langfang, PRC	November 24, 1998	RMB76,000	**100.00**	100.00	**100.00**	100.00	Business investment
Henan Jinboda Investment Co., Ltd. (a)	Zhengzhou, PRC	February 23, 1993	RMB400,000	**100.00**	100.00	**100.00**	100.00	Property leasing
Cinda Capital Management Co., Ltd. (f)	Tianjin, PRC	December 16, 2008	RMB200,000	**100.00**	100.00	**100.00**	100.00	Investment holding
Wuhan Oriental Jianguo Hotel Co., Ltd. (f)	Wuhan, PRC	December 15, 1995	RMB282,000	**90.25**	90.25	**90.25**	90.25	Hotel management
Cinda Real Estate Co., Ltd. (d) (l)	Beijing, PRC	July 20, 1984	RMB2,851,879	**55.45**	55.45	**55.45**	55.45	Real estate development
Changhuai Cinda Real Estate Co., Ltd. (a)	Anhui, PRC	June 8, 2006	RMB5,136,643	**55.45**	55.45	**100.00**	100.00	Real estate development
Cinda Jianrun Real Estate Co., Ltd. (b)	Beijing, PRC	December 28, 2007	RMB200,000	**70.00**	70.00	**70.00**	70.00	Real estate development

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

34. Interests in subsidiaries (continued)

Company (continued)

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2020 (In '000)	Proportion of ownership held by the Group As at December 31 2020 %(1)	2019 %(1)	Proportion of voting rights held by the Group As at December 31 2020 %(1)	2019 %(1)	Principal activities
Dalian Cinda Zhonglian Investment Co., Ltd. (f)	Dalian, PRC	March 3, 2010	RMB51,110	**55.00**	55.00	**55.00**	55.00	Project investment
Cinda International Holdings Limited (II)	Bermuda	April 19, 2000	HKD64,121	**55.07**	62.58	**63.00**	63.00	Investment holding
Beijing Cinda Shiyuxin Investment Management Co., Ltd. (a)	Beijing, PRC	May 11, 2015	RMB10,000	**55.45**	55.45	**100.00**	100.00	Asset management
Cinda Equity Investment (Tianjin) Co., Ltd. (f) (4)	Tianjin, PRC	December 29, 2011	RMB105,000	**36.71**	36.71	**36.71**	36.71	Private fund
Hefei Asia-Pacific Science and Technology Development Co., Ltd. (a)	Hefei, PRC	September 30, 1999	RMB23,000	**100.00**	100.00	**100.00**	100.00	Real estate development
Beijing Cinda Real Estate Development Co., Ltd. (a)	Beijing, PRC	September 14, 2015	RMB10,000	**55.45**	55.45	**100.00**	100.00	Real estate development
Hefei Zhonghuan Rongcheng Real Estate Co., Ltd. (f)	Anhui, PRC	June 15,2016	RMB150,000	**70.00**	70.00	**70.00**	70.00	Real estate development
Hefei Zhonghuan Yicheng Real Estate Co., Ltd. (f)	Anhui, PRC	December 23,2016	RMB100,000	**70.00**	70.00	**70.00**	70.00	Real estate development
Jade Aviation LLC	Cayman Islands	January 11, 2018	USD87,440	**80.00**	80.00	**80.00**	80.00	Aircraft leasing
China Cinda (2020) I Management Limited	BVI	November 26, 2019	USD10,000	**100.00**	100.00	**100.00**	100.00	Capital raising (debt issuing)

The above table lists the principal subsidiaries of the Company. To give details of other subsidiaries would, in the opinion of management, result in particulars of excessive length.

VI. EXPLANATORY NOTES (continued)

34. Interests in subsidiaries (continued)

Company (continued)

* These subsidiaries are directly held by the Company.

(a) This entity is registered as solely invested by a corporation limited liability company under the PRC laws.

(b) This entity is registered as a Sino-foreign joint venture limited liability company under the PRC laws.

(c) This entity is registered as a mainland joint venture with a Hong Kong, Macao or Taiwan limited liability company under the PRC laws.

(d) This entity is registered as a listed joint stock limited company under the PRC laws.

(e) This entity is registered as an unlisted joint stock limited company under the PRC laws.

(f) This entity is registered as other limited liability company under the PRC laws.

(I) The shares of these subsidiaries are listed in Mainland China.

(II) The shares of these subsidiaries are listed in Hong Kong.

(III) These subsidiaries were disposed of in 2020.

(1) The percentage of voting rights is combined by a direct holding percentage and an indirect controlling percentage of the subsidiaries. The percentage of ownership is the multiple of the holding percentages of different control levels.

(2) On November 19, 2019, the Group publicly announced the decision of its Board of Directors to sell Happy Life Insurance Co., Ltd ("Happy Life"), a wholly owned subsidiary, which represented the Group's insurance businesses. The Group decided to discontinue insurance businesses and focus on distressed asset management. In July 2020, the Company received the "CBIRC's Approval in respect of the Change of Shareholder of Happy Life Insurance Co., Ltd." (Yin Bao Jian Fu [2020] No. 442), which approved the transfer of 50.995% of the equity interests held in Happy Life by the Company to Champion Property & Casualty Insurance Co., Ltd. and Dongguan Communications Investment Group Co., Ltd. and that the amendment procedures to be performed according to the relevant provisions. From the date of approval by the CBIRC in respect of relevant matters of the transfer, the Company ceased to have any equity interests in Happy Life.

(3) The Group's shareholding in Shanghai Tongda Venture Capital Co., Ltd. ("Shanghai Tongda") is less than 50%, but the shareholding percentage of other shareholders is widely dispersed. Moreover, according to the corporate charter, the Board's resolutions must be approved by more than half of all the directors, and the Group takes three of the four seats of Shanghai Tongda's Board, with the exception of two independent directors. Therefore, Shanghai Tongda is accounted for as a subsidiary of the Company.

(4) The Group's shareholding in Cinda Equity Investment (Tianjin) Co., Ltd. ("Cinda Equity") is less than 50%. According to the corporate charter, the key persons in the Investment Committee, which is the operating decision-making institution of Cinda Equity, are all from the Group. Thus, the Group can direct Cinda Equity's relevant activities, and it is therefore accounted for as a subsidiary of the Company.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

35. Non-controlling interests in the subsidiaries of the Group

Cinda Real Estate Co., Ltd. ("Cinda Real Estate") is the subsidiaries which have significant influence on non-controlling interests in the consolidated financial statements of the Group.

General information about Cinda Real Estate has been set out in Note VI.34 Interests in subsidiaries. Summarized financial information about Cinda Real Estate before intra-group eliminations is as follows:

Cinda Real Estate

	As at December 31	
	2020	2019
Current assets	**82,736,848**	84,703,761
Non-current assets	**11,541,800**	13,900,867
Current liabilities	**50,965,898**	52,734,792
Non-current liabilities	**19,102,149**	23,109,787
Total equity	**24,210,601**	22,760,049
Non-controlling interests of the subsidiary	**11,409,114**	10,633,217

	Year ended December 31	
	2020	2019
Total revenue	**25,863,803**	19,478,393
Profit before tax	**3,060,634**	3,620,703
Total comprehensive income	**1,744,458**	2,556,093
Profit attributable to non-controlling interests of the subsidiary during the year	**911,585**	1,272,196
Dividend distribution to non-controlling interests	**412,970**	502,776

	Year ended December 31	
	2020	2019
Net cash flow from operating activities	**7,361,074**	8,114,810
Net cash flow from investing activities	**1,837,730**	(5,570,048)
Net cash flow from financing activities	**(2,540,097)**	(7,589,064)
Net increase/(decrease) in cash and cash equivalents	**6,658,707**	(5,044,302)

VI. EXPLANATORY NOTES (continued)

36. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts, and asset management plans. To determine whether control exists, the Group uses the following judgements:

(1) For the private equity funds, trusts and asset management plans, to which the Group provides financial guarantees, the Group has an obligation to fund the losses beyond its investments, if any, in accordance with the guarantee agreements. The Group concludes that its exposure to variability of returns is of such significance that these structured entities shall be consolidated.

(2) For the private equity funds where the Group is involved as both general partner and limited partner, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the funds that is of such significance that it indicates that the Group is a principal. The funds shall be consolidated if the Group acts in the role of principal.

(3) For the trusts or asset management plans where the Group is involved as manager or trustee and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of such trusts or asset management plans that is of such significance that it indicates that the Group is a principal. The trusts or asset management plans shall be consolidated if the Group acts in the role of principal.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

36. Interests in consolidated structured entities (continued)

Details of the Group's significant consolidated structured entities are as follows:

Name of structured entity	Paid-in capital/size of trust plan As at December 31 2020 (In RMB'000)	Proportion of interests held by the Group As at December 31 2020 (%)	Proportion of interests held by the Group As at December 31 2019 (%)	Principal activities
Ningbo Meishan Bonded Port Area Jusheng Jiada Investment Partnership (Limited Partnership)	**6,102,000**	**81.97**	86.25	Investment management
Jingu·Borui Single Capital Trust No.[95]	**4,461,000**	**100.00**	100.00	Trust
Ningbo Meishan Bonded Port Area Cinda Runze Investment Partnership (Limited Partnership)	**4,202,286**	**100.00**	100.00	Investment management
Wuhu Xinshi Heli Investment Management Partnership (Limited Partnership)	**4,059,290**	**100.00**	100.00	Investment management
Jingu·Borui Assembled Capital Trust No.[94]	**3,672,813**	**100.00**	–	Trust
Jingu·Pingmei Shenma Bailout Single Capital Trust	**2,863,649**	**100.00**	–	Trust
Ningbo Meishan Bonded Port Area Jinxin Tairun Investment Partnership (Limited Partnership)	**2,807,000**	**99.93**	99.93	Investment management
Ningbo Meishan Bonded Port Area Cinda Yingxin Investment Partnership (Limited Partnership)	**2,590,362**	**100.00**	100.00	Investment management
China Cinda – Kunlun Trust·Coal Restruction (Guanghui Energy) Single Capital Trust No.[2]	**2,500,000**	**100.00**	–	Trust
Bohai Trust·Hangzhou Chengmao Capital Trust	**2,315,000**	**100.00**	100.00	Trust
Jingu·Shenzhen Baoneng Motor Single Capital Trust	**2,290,000**	**100.00**	–	Trust
Jingu·Ruiyuan Single Capital Trust No.[13]	**2,000,000**	**100.00**	–	Trust
Wuhu Xinshi Xinye Investment Management Partnership (Limited Partnership)	**1,977,100**	**100.00**	100.00	Investment management
Ningbo Meishan Bonded Port Area Xinzhe Investment Partnership (Limited Partnership)	**1,681,000**	**100.00**	–	Investment management
Ningbo Xintai Kaiyuan Equity Investment Partnership (Limited Partnership)	**1,500,100**	**99.99**	99.99	Investment management
Shanghai Yuxin Equity Investment Partnership (Limited Partnership)	**1,176,875**	**99.92**	99.87	Investment management
Jingu·Huiyin Single Capital Trust No.[73]	**1,100,000**	**100.00**	100.00	Trust
Ningbo Meishan Bonded Port Area Xinji Investment Partnership (Limited Partnership)	**1,094,910**	**100.00**	100.00	Investment management
Ningbo Jingxinhuicheng Investment Partnership (Limited Partnership)	**1,001,000**	**100.00**	100.00	Investment management
Ningbo Huajian Dingsheng Equity Investment Partnership (Limited Partnership)	**1,001,000**	**99.90**	89.91	Investment management

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

36. Interests in consolidated structured entities (continued)

The financial impact of each of the private equity funds, trusts, asset management plans on the Group's financial position as at December 31, 2020 and 2019, and results and cash flows for the years ended December 31, 2020 and 2019, though consolidated, are not significant and therefore not disclosed separately.

Interests in all consolidated structured entities directly held by the Company amounted to RMB49,024.53 million and RMB35,124.12 million, at December 31, 2020 and 2019, respectively.

Interests held by other interest holders are presented as changes in net assets attributable to other holders of consolidated structured entities in the consolidated statement of profit or loss and included in other liabilities in the consolidated statement of financial position as set out in Note VI.57 Other liabilities.

37. Interests in associates and joint ventures

Group

	As at December 31	
	2020	2019
Interests in associates		
Carrying amount of unlisted companies	**34,894,817**	35,976,942
Carrying amount of listed companies	**21,502,033**	21,094,870
Allowance for impairment losses	**(489,721)**	(1,772,054)
Net carrying amounts of associates	**55,907,129**	55,299,758
Interests in joint ventures		
Carrying amount of unlisted companies	**14,997,347**	17,858,751
Allowance for impairment losses	**(401,816)**	(152,220)
Net carrying amounts of joint ventures	**14,595,531**	17,706,531
Net carrying amounts	**70,502,660**	73,006,289

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

37. Interests in associates and joint ventures (continued)

Company

	As at December 31	
	2020	2019
Interests in associates		
Carrying amount of unlisted companies	**28,869,959**	28,731,266
Carrying amount of listed companies	**14,170,025**	12,316,210
Allowance for impairment losses	**–**	(1,423,000)
Net carrying amounts of associates	**43,039,984**	39,624,476
Interests in joint ventures		
Carrying amount of unlisted companies	**6,149,514**	9,025,071
Allowance for impairment losses	**(152,220)**	(152,220)
Net carrying amounts of joint ventures	**5,997,294**	8,872,851
Net carrying amounts	**49,037,278**	48,497,327

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

37. Interests in associates and joint ventures (continued)

Name of entity	Place of incorporation/ establishment principal activities	Authorized/ paid-in capital As at December 31 2020 (In'000)	Book value As at December 31 2020 (In'000)	Book value As at December 31 2019 (In'000)	Proportion of equity interests held by the Group As at December 31 2020 %	Proportion of equity interests held by the Group As at December 31 2019 %	Proportion of voting power held by the Group As at December 31 2020 %	Proportion of voting power held by the Group As at December 31 2019 %	Principal activities
Shenhua Group Zhungeer Energy Co., Ltd.	Ordos, PRC	RMB7,102,343	**16,124,516**	15,609,962	**42.24**	42.24	**42.24**	42.24	Coal mining
Yancoal Australia Ltd. (1)	Australia	AUD6,482,000	**4,392,683**	5,460,841	**15.89**	15.89	**15.89**	15.89	Coal mining
Shenzhen Tencent Cinda Limited Partnership (Limited Partnership) (2)	Shenzhen, PRC	RMB11,007,330	**4,054,702**	4,052,474	**36.35**	36.35	**50.00**	50.00	Investment holding
China Nuclear Engineering Co., Ltd. (3)	Beijing, PRC	RMB2,650,465	**3,776,308**	3,697,392	**11.67**	11.78	**11.67**	11.78	Construction
Wengfu Group Co., Ltd. (4)	Guiyang, PRC	RMB4,609,091	**3,544,554**	3,319,881	**32.74**	32.74	**32.74**	32.74	Chemical materials and products
Huainan Mining (Group) Co., Ltd. (5)	Huainan, PRC	RMB18,102,549	**3,222,247**	3,106,642	**8.32**	8.32	**8.32**	8.32	Coal mining
Ordos Yihua Mining Resources Co., Ltd. (6)	Ordos, PRC	RMB1,274,087	**2,983,226**	2,860,618	**29.96**	29.96	**29.96**	29.96	Coal mining
Kailuan Energy Chemical Co., Ltd.	Tangshan, PRC	RMB1,587,800	**2,918,887**	2,790,866	**22.24**	22.24	**22.24**	22.24	Coal mining
Wuhu Xinyunhanshi Investment Partnership (Limited Partnership) (7)	Wuhu, PRC	RMB3,003,811	**2,539,194**	4,750,086	**79.89**	79.89	**33.33**	33.33	Investment holding
Xinjiang Chang Yuan Water Group Co., Ltd.	Urumqi, PRC	RMB800,000	**2,325,052**	2,556,920	**51.00**	51.00	**51.00**	51.00	Hydraulic generation
Baiyin Nonferrous Group Co., Ltd. (8)	Baiyin, PRC	RMB7,404,775	**2,261,116**	2,247,730	**5.06**	5.06	**5.06**	5.06	Mining
China Shipbuilding Industry Group Power Co., Ltd. (9)	Baoding, PRC	RMB2,160,682	**1,966,055**	–	**5.47**	–	**5.47**	–	Manufacturing
Prometeon Tyre Group S.r.l.	Milan, Italy	EUR100,000	**1,361,831**	1,847,055	**38.00**	38.00	**38.00**	38.00	Manufacturing
Xishan Coal Electricity Group Co., Ltd.	Taiyuan, PRC	RMB9,250,327	**1,625,326**	1,784,056	**41.14**	41.14	**41.14**	41.14	Coal mining
Baic Bluepark New Energy Technology Co., Ltd. (10)	Beijing, PRC	RMB3,493,659	**1,504,776**	1,843,285	**5.36**	5.36	**5.36**	5.36	Manufacturing
Ningxia Western Venture Industrial Co., Ltd. (11)	Yinchuan, PRC	RMB1,458,375	**1,208,027**	1,179,775	**15.71**	15.71	**15.71**	15.71	Transportation

VI. EXPLANATORY NOTES (continued)

37. Interests in associates and joint ventures (continued)

The above table lists the principal associates and joint ventures of the Group. To give details of other associates and joint ventures would, in the opinion of the management, result in particulars of excessive length. The directors, therefore do not disclose them separately.

(1) The Group has a 15.89% interest in Yancoal Australia Ltd. ("YAL"), thus the Group can exercise significant influence on the financial and operating policy decision of YAL by nominating a director to its board of directors. The Group accounts for this investment by equity method as an associate. The decrease of the book value for the year ended 31 December 2020 is mainly due to a one-off, non-cash loss incurred by YAL and the reversal of a gain recognized in the book of YAL as a result of the remeasurement of an asset from an investment in an associate. The remeasurement gain has been taken into account in the consideration paid by the Group during the investment of YAL in year 2017.

(2) The Group has a 36.35% interest in Shenzhen Tencent Cinda Limited Partnership (Limited Partnership), and has joint control on the financial and operating policy decision of the partnership with other parties under the contractual agreement. The Group accounts for this investment by equity method as a joint venture.

(3) The Group has a 11.67% interest in China Nuclear Engineering Co., Ltd. ("CNE"), thus the Company can exercise significant influence on the financial and operating policy decision of CNE by nominating a director to its board of directors.

(4) The Company has a 32.74% interest in Wengfu Group Co., Ltd. ("Wengfu Group"), thus the Group can exercise significant influence on the financial and operating policy decision of Wengfu Group by nominating five directors to its board of directors. The Group accounts for this investment by equity method as an associate.

(5) The Company has a 8.32% interest in Huainan Mining (group) Co.,Ltd. ("Huainan Mining"), thus the Group can exercise significant influence on the financial and operating policy decision of Huainan Mining by nominating a director to its board of directors. The Group accounts for this investment by equity method as an associate.

(6) The Company has a 29.96% interest in Ordos Yihua Mining Resources Co., Ltd. ("Yihua Mining"), thus the Group can exercise significant influence on the financial and operating policy decision of Yihua Mining by nominating two directors to its board of directors. The Group accounts for this investment by equity method as an associate.

(7) The Group has a 79.89% interest in Wuhu Xinyunhanshi Investment Partnership (Limited Partnership), and has joint control on the financial and operating policy decision of the partnership with other parties under the contractual agreement. The Group accounts for this investment by equity method as a joint venture. The decrease of the book value for the year ended 31 December 2020 is mainly due to the recovery of part of investment.

(8) The Company has a 5.06% interest in Baiyin Nonferrous Group Co., Ltd. ("Baiyin Nonferrous"), thus the Company can exercise significant influence on financial and operating policy decision of Baiyin Nonferrous by nominating a director to its board of directors. The Company accounts for this investment by equity method as an associate.

(9) The Company has a 5.47% interest in China Shipbuilding Industry Group Power Co.,Ltd. ("China Shipbuilding"), thus the Company can exercise significant influence on financial and operating policy decision of China Shipbuilding by nominating a director to its board of directors. The Company accounts for this investment by equity method as an associate.

(10) The Group has a 5.36% interest in Baic Bluepark New Energy Technology Co., Ltd. ("BAICBP"), thus the Group can exercise significant influence on the financial and operating policy decision of BAICBP by nominating a director to its board of directors. The Group accounts for this investment by equity method as an associate.

(11) The Company has a 15.71% interest in Ningxia Western Venture Industrial Co.,Ltd. ("Western Venture"), thus the Company can exercise significant influence on financial and operating policy decision of Western Venture by nominating a director to its board of directors. The Company accounts for this investment by equity method as an associate.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

38. Interests in unconsolidated structured entities

The Group is principally involved with structured entities through financial investments. These structured entities generally purchase assets through financing. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them. Whether control exists is determined by the manner described in Note VI.36 Interests in consolidated structured entities. The unconsolidated structured entities include private equity funds, trust products, asset management plans and mutual funds, etc. The interests held by the Group in the unconsolidated structured entities are set out as below.

As at December 31, 2020, the maximum exposure to risk and the book value of relevant investments of the Group rising from the interests held in directly invested structured entities that are sponsored by the Group or the third party financial institutions are set out as below:

	December 31, 2020		December 31, 2019	
	Carrying amount	**Maximum exposure to risk**	Carrying amount	Maximum exposure to risk
Financial assets at fair value through profit or loss	**130,802,146**	**130,802,146**	106,530,006	106,530,006
Financial assets at amortized cost	**18,458,563**	**18,458,563**	17,926,727	17,926,727
Interests in associates and joint ventures	**5,100,587**	**5,100,587**	7,379,050	7,379,050

In 2020, the Group obtained management fee, commission and performance fee amounting to RMB821.11 million (2019: RMB384.99 million) from unconsolidated structured entities sponsored by the Group, in which the Group held no interest as at the year end.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

39. Property and equipment

Group

	Buildings	Aircrafts	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost							
As at January 1, 2020	14,742,735	4,654,679	306,543	815,712	241,495	44,944	20,806,108
Acquisition of subsidiaries	–	–	–	120	272	–	392
Additions	1,836	909,874	12,605	87,546	17,419	29,687	1,058,967
Disposals of subsidiaries	–	–	–	(83)	–	–	(83)
Disposals	(579)	–	(13,976)	(77,118)	(28,021)	–	(119,694)
Construction in progress transfer in/(out)	17,802	–	5,346	4,182	–	(54,237)	(26,907)
Transfer in/(out)	164,973	–	–	–	–	–	164,973
Exchange differences	(509,962)	(205,355)	(3,429)	(5,056)	(708)	534	(723,976)
As at December 31, 2020	14,416,805	5,359,198	307,089	825,303	230,457	20,928	21,159,780
Accumulated depreciation							
As at January 1, 2020	(2,068,199)	(126,953)	(183,931)	(632,895)	(180,346)	–	(3,192,324)
Change for the year	(541,315)	(221,340)	(34,829)	(88,991)	(12,949)	–	(899,424)
Disposals of subsidiaries	–	–	–	80	–	–	80
Disposals	134	–	13,618	71,569	25,544	–	110,865
Exchange differences	30,264	13,788	2,990	3,558	562	–	51,162
As at December 31, 2020	(2,579,116)	(334,505)	(202,152)	(646,679)	(167,189)	–	(3,929,641)
Allowance for impairment losses							
As at January 1, 2020	(1,629)	–	(16)	–	(346)	(484)	(2,475)
Change for the year	(3,137)	–	–	–	–	–	(3,137)
Exchange difference	15	–	–	–	–	–	15
As at December 31, 2020	(4,751)	–	(16)	–	(346)	(484)	(5,597)
Net book value							
As at January 1, 2020	12,672,907	4,527,726	122,596	182,817	60,803	44,460	17,611,309
As at December 31, 2020	11,832,938	5,024,693	104,921	178,624	62,922	20,444	17,224,542
Including:							
Net book value of assets pledged as at December 31, 2020	–	2,002,789	–	–	–	–	2,002,789

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

39. Property and equipment (continued)

Group (continued)

	Buildings	Aircrafts	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost							
As at January 1, 2019	10,629,724	2,279,663	450,811	862,180	283,898	204,487	14,710,763
Acquisition of subsidiaries	–	–	117	11	–	–	128
Additions	3,798,998	2,619,070	31,567	52,866	19,861	62,667	6,585,029
Transfer to assets held for sale	(203,881)	–	(162,031)	(20,376)	(34,053)	–	(420,341)
Disposals of subsidiaries	(5,889)	–	(2,028)	(23,518)	(815)	–	(32,250)
Disposals	(1,815)	(290,351)	(15,670)	(28,842)	(19,740)	–	(356,418)
Construction in progress transfer in/(out)	187,525	–	2,379	959	–	(222,753)	(31,890)
Transfer in/(out)	144,915	–	–	(29,292)	(7,914)	–	107,709
Exchange differences	193,158	46,297	1,398	1,724	258	543	243,378
As at December 31, 2019	14,742,735	4,654,679	306,543	815,712	241,495	44,944	20,806,108
Accumulated depreciation							
As at January 1, 2019	(1,782,294)	(21,990)	(267,539)	(620,506)	(221,730)	–	(2,914,059)
Change for the year	(303,949)	(112,935)	(47,264)	(104,615)	(15,887)	–	(584,650)
Transfer to assets held for sale	28,159	–	117,094	18,927	30,283	–	194,463
Disposals of subsidiaries	4,513	–	1,306	18,373	772	–	24,964
Disposals	387	9,259	13,411	56,203	26,416	–	105,676
Exchange differences	(15,015)	(1,287)	(939)	(1,277)	(200)	–	(18,718)
As at December 31, 2019	(2,068,199)	(126,953)	(183,931)	(632,895)	(180,346)	–	(3,192,324)
Allowance for impairment losses							
As at January 1, 2019	(1,624)	–	(16)	–	(346)	(484)	(2,470)
Change for the year	–	(75,367)	–	–	–	–	(75,367)
Disposals	–	75,367	–	–	–	–	75,367
Exchange difference	(5)	–	–	–	–	–	(5)
As at December 31, 2019	(1,629)	–	(16)	–	(346)	(484)	(2,475)
Net book value							
As at January 1, 2019	8,845,806	2,257,673	183,256	241,674	61,822	204,003	11,794,234
As at December 31, 2019	12,672,907	4,527,726	122,596	182,817	60,803	44,460	17,611,309
Including:							
Net book value of assets pledged as at December 31, 2019	198,741	551,165	–	–	–	–	749,906

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

39. Property and equipment (continued)

Group (continued)

As at December 31, 2020 and 2019, the original cost of the fully depreciated property and equipment that were still in use amounted to RMB627.42 million and RMB563.50 million, respectively.

As at December 31, 2020 and 2019, the Group's property and equipment for which the Group has not obtained a certificate of property ownership amounted to RMB530.66 million and RMB583.44 million, respectively.

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31	
	2020	2019
Net book value:		
– on long-term leases (over 50 years)	**2,969,476**	3,271,516
– on medium-term leases (10 to 50 years)	**8,713,773**	9,233,755
– on short-term leases (less than 10 years)	**149,689**	167,636
Total	**11,832,938**	12,672,907

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

39. Property and equipment (continued)

Company

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Total
Cost					
As at January 1, 2020	1,057,609	104,665	323,565	99,961	1,585,800
Additions	–	25	44,400	7,515	51,940
Disposals	–	–	(27,290)	(8,031)	(35,321)
As at December 31, 2020	1,057,609	104,690	340,675	99,445	1,602,419
Accumulated depreciation					
As at January 1, 2020	(115,637)	(53,797)	(224,890)	(77,683)	(472,007)
Change for the year	(34,867)	(7,227)	(48,966)	(4,819)	(95,879)
Disposals	–	–	26,031	7,639	33,670
As at December 31, 2020	(150,504)	(61,024)	(247,825)	(74,863)	(534,216)
Net book value					
As at January 1, 2020	941,972	50,868	98,675	22,278	1,113,793
As at December 31, 2020	907,105	43,666	92,850	24,582	1,068,203

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

39. Property and equipment (continued)

Company (continued)

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Total
Cost					
As at January 1, 2019	1,057,609	104,463	326,626	99,737	1,588,435
Additions	–	202	26,231	8,138	34,571
Disposals	–	–	(29,292)	(7,914)	(37,206)
As at December 31, 2019	1,057,609	104,665	323,565	99,961	1,585,800
Accumulated depreciation					
As at January 1, 2019	(80,770)	(46,590)	(196,788)	(80,357)	(404,505)
Change for the year	(34,867)	(7,207)	(56,456)	(4,939)	(103,469)
Disposals	–	–	28,354	7,613	35,967
As at December 31, 2019	(115,637)	(53,797)	(224,890)	(77,683)	(472,007)
Net book value					
As at January 1, 2019	976,839	57,873	129,838	19,380	1,183,930
As at December 31, 2019	941,972	50,868	98,675	22,278	1,113,793

As at December 31, 2020 and 2019, the original cost of the fully depreciated property and equipment that were still in use amounted to RMB243.71 million and RMB230.58 million, respectively.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

39. Property and equipment (continued)

Company (continued)

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31	
	2020	2019
Net book value:		
– on medium-term leases (10 to 50 years)	**907,105**	941,972

40. Goodwill

Group

	As at December 31	
	2020	2019
Carrying amount		
At beginning of the year	**24,683,406**	24,169,379
Disposal of subsidiaries	**(310)**	(98,905)
Acquisition of subsidiaries	**–**	106,324
Exchange differences	**(1,401,470)**	506,608
At end of the year	**23,281,626**	24,683,406
Allowance for impairment losses		
At beginning of the year	**(1,134,844)**	(1,130,562)
Disposal of subsidiaries	**310**	–
Change for the year	**(103,534)**	(4,282)
At end of the year	**(1,238,068)**	(1,134,844)
Net book value		
At beginning of the year	**23,548,562**	23,038,817
At end of the year	**22,043,558**	23,548,562

VI. EXPLANATORY NOTES (continued)

40. Goodwill (continued)

Group (continued)

The goodwill acquired through the business combination of NCB, which was accounted for as the majority portion of the Group's goodwill as of December 31, 2020, is allocated to the NCB cash-generating units for impairment testing. The recoverable amount of the NCB cash-generating units has been determined based on a value-in-use calculation method, using cash flow projections based on both financial forecasts covering a 5-year period ("projection period") approved by senior management and a forward speculated 5-year period ("transition period"). The stable growth rate used to extrapolate the cash flows of NCB cash-generating units beyond the 10-year period is fixed at 3%, which does not exceed the long-term average growth rate of the banking industry. The pre-tax discount rates applied to the goodwill impairment testing are 10.14% (Hong Kong) and 12.10% (Mainland China), respectively.

The Group management believes that there are no impairment indications of the goodwill acquired through the business combination of NCB and the key assumptions used to calculate the present value of future cash flow on NCB cash-generating units may change. Management holds that any reasonable fluctuation of key assumptions will not lead to a lower recoverable amount of the NCB cash-generating units compared with the book value of the goodwill, thus no impairment losses need to be recognized.

For the goodwill impairment testing, the Group makes the following assumptions on the key hypothesis in the process of cash flow projection: 1) Discount rate: pre-tax discount rate reflecting the specific risk of the relevant cash-generating units; 2) Cash flow's growth rate: based on both the past performance and the projection of market development. The information used by the Group in determining these key assumptions is consistent with external information.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

41. Other intangible assets

Group

	Trading rights	Computer software systems and others	Trade names	Core deposits intangible	Credit card customer relationships	Total
Cost						
As at January 1, 2020	23,820	819,228	618,929	3,777,479	8,170	5,247,626
Disposals of subsidiaries	–	(85)	–	–	–	(85)
Additions	–	133,207	–	–	–	133,207
Disposals	–	(10,076)	–	–	–	(10,076)
Exchange differences	(71)	(7,583)	(37,407)	(228,308)	(494)	(273,863)
As at December 31, 2020	23,749	934,691	581,522	3,549,171	7,676	5,096,809
Accumulated amortization						
As at January 1, 2020	–	(366,084)	–	(676,798)	(2,889)	(1,045,771)
Change for the year	–	(124,609)	–	(187,390)	(800)	(312,799)
Disposals of subsidiaries	–	53	–	–	–	53
Disposals	–	10,030	–	–	–	10,030
Exchange differences	–	2,009	–	50,836	217	53,062
As at December 31, 2020	–	(478,601)	–	(813,352)	(3,472)	(1,295,425)
Net book value						
As at January 1, 2020	23,820	453,144	618,929	3,100,681	5,281	4,201,855
As at December 31, 2020	23,749	456,090	581,522	2,735,819	4,204	3,801,384

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

41. Other intangible assets (continued)

Group (continued)

	Trading rights	Computer software systems and others	Trade names	Core deposits intangible	Credit card customer relationships	Total
Cost						
As at January 1, 2019	23,794	785,622	605,400	3,694,911	7,991	5,117,718
Increase resulting from subsidiaries purchased	–	21	–	–	–	21
Transfer to assets held for sale	–	(173,384)	–	–	–	(173,384)
Additions	–	205,529	–	–	–	205,529
Disposals	(5)	(1,751)	–	–	–	(1,756)
Exchange differences	31	3,417	13,529	82,568	179	99,724
Others	–	(226)	–	–	–	(226)
As at December 31, 2019	23,820	819,228	618,929	3,777,479	8,170	5,247,626
Accumulated amortization						
As at January 1, 2019	–	(395,704)	–	(477,259)	(2,037)	(875,000)
Transfer to assets held for sale	–	130,760	–	–	–	130,760
Change for the year	–	(102,362)	–	(185,552)	(792)	(288,706)
Disposals	–	1,707	–	–	–	1,707
Exchange differences	–	(485)	–	(13,987)	(60)	(14,532)
As at December 31, 2019	–	(366,084)	–	(676,798)	(2,889)	(1,045,771)
Net book value						
As at January 1, 2019	23,794	389,918	605,400	3,217,652	5,954	4,242,718
As at December 31, 2019	23,820	453,144	618,929	3,100,681	5,281	4,201,855

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

41. Other intangible assets (continued)

Company

	Computer software systems and others	Total
Cost		
As at January 1, 2020	105,206	105,206
Additions	14,624	14,624
As at December 31, 2020	119,830	119,830
Accumulated amortization		
As at January 1, 2020	(79,873)	(79,873)
Change for the year	(15,959)	(15,959)
As at December 31, 2020	(95,832)	(95,832)
Net book value		
As at January 1, 2020	25,332	25,332
As at December 31, 2020	23,998	23,998

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

41. Other intangible assets (continued)

Company (continued)

	Computer software systems and others	Total
Cost		
As at January 1, 2019	96,068	96,068
Additions	9,575	9,575
Disposals	(437)	(437)
As at December 31, 2019	105,206	105,206
Accumulated amortization		
As at January 1, 2019	(64,050)	(64,050)
Change for the year	(16,260)	(16,260)
Disposals	437	437
As at December 31, 2019	(79,873)	(79,873)
Net book value		
As at January 1, 2019	32,018	32,018
As at December 31, 2019	25,332	25,332

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

42. Deferred taxation

For the purpose of presentation of the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances:

Group

	As at December 31	
	2020	2019
Deferred tax assets		
– Continuing operations	**8,989,874**	6,756,583
– Discontinued operation	**–**	1,279,149
Deferred tax liabilities		
– Continuing operations	**(2,412,778)**	(2,299,671)
– Discontinued operation	**–**	(68,710)
Deferred taxation	**6,577,096**	5,667,351

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

42. Deferred taxation (continued)

Group (continued)

The movements of deferred tax assets and deferred tax liabilities are set out below:

	Allowance for impairment losses	Withholding land appreciation tax	Asset revaluation	Fair value adjustments in business combination	Staff costs accrued but not paid	Interest capitalized on properties held for sale	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Temporary differences related to the cost of associates and joint ventures (i)	Changes in fair value and impairment losses on financial assets at FVOCI	Unrealized loss due to income rights transfer	Discontinued operation	Others	Total
As at January 1, 2020	6,702,675	388,147	(953,580)	(980,723)	1,134,472	644,986	474,584	96,785	264,196	(4,346,589)	(26,137)	762,684	1,210,439	295,412	5,667,351
Credit/(charge) to profit or loss	1,353,418	149,339	(18,963)	34,061	2,731	58,032	(204,183)	5,734	1,461,920	(439,383)	105	(73,667)	(1,220,498)	(498,834)	609,812
Charge to other comprehensive income/(expense)	-	-	-	-	3,185	-	-	-	-	(68,836)	224,213	-	20,391	-	178,953
Discontinued operation	-	-	-	-	-	-	-	-	-	-	-	-	(10,332)	-	(10,332)
Others	(12,611)	-	48,490	36,179	(1,351)	-	-	(179)	61,187	(42,421)	4,598	-	-	37,420	131,312
As at December 31, 2020	8,043,482	537,486	(924,053)	(910,483)	1,139,037	703,018	270,401	102,340	1,787,303	(4,897,229)	202,779	689,017	-	(166,002)	6,577,096

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

42. Deferred taxation (continued)

Group (continued)

The movements of deferred tax assets and deferred tax liabilities are set out below (continued):

	Allowance for impairment losses	Withholding land appreciation tax	Asset revaluation	Fair value adjustments in business combination	Staff costs accrued but not paid	Interest capitalized on properties held for sale	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Temporary differences related to the cost of associates and joint ventures (i)	Changes in fair value and impairment losses on financial assets at FVOCI	Unrealized loss due to income rights transfer	Discontinued operation	Others	Total
As at January 1, 2019	5,498,527	358,526	(970,847)	(982,569)	1,019,293	495,521	380,871	203,205	1,736,051	(4,267,615)	176,930	–	–	124,871	3,772,764
Credit/(charge) to profit or loss	1,200,581	29,621	35,331	31,075	112,477	149,465	139,540	(106,472)	(1,469,354)	(419,669)	(4)	762,684	1,227,175	172,125	1,864,575
Charge to other comprehensive income/(expense)	–	–	–	–	2,289	–	–	–	–	(42,764)	(248,530)	–	(22,822)	–	(311,827)
Acquisitions of subsidiaries	–	–	–	(15,417)	–	–	–	–	–	–	–	–	–	–	(15,417)
Discontinued operation	–	–	–	–	–	–	(51,974)	–	–	–	45,888	–	6,086	–	–
Others	3,567	–	(18,064)	(13,812)	413	–	6,147	52	(2,501)	383,459	(421)	–	–	(1,584)	357,256
As at December 31, 2019	6,702,675	388,147	(953,580)	(980,723)	1,134,472	644,986	474,584	96,785	264,196	(4,346,589)	(26,137)	762,684	1,210,439	295,412	5,667,351

(i) The temporary differences related to the costs of associates and joint ventures are temporary differences arising from the difference between the book values and the tax bases for the associates and joint ventures not held for long-term by the Group.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

42. Deferred taxation (continued)

Group (continued)

Tax losses and temporary differences that are not recognized as deferred income tax assets are as follows:

	As at December 31	
	2020	2019
Unused tax losses	**2,225,904**	11,637,614
Deductible temporary differences	**3,398,922**	2,928,241
	5,624,826	14,565,855

As at December 31, 2020, the above unused tax loses would expire from 2021 to 2025 (As at December 31, 2019: from 2020 to 2024).

Company

	As at December 31	
	2020	2019
Deferred tax assets	**4,798,106**	2,722,196
Deferred tax liabilities	**–**	–
Deferred taxation	**4,798,106**	2,722,196

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

42. Deferred taxation (continued)

Company (continued)

The movements of deferred tax assets and deferred tax liabilities are set out below:

	Allowance for impairment losses	Staff costs accrued but not paid	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value and impairment losses on financial assets at FVOCI	Temporary differences related to the cost of associates and joint ventures (i)	Unrealized loss due to income rights transfer	Others	Total
As at January 1, 2020	4,821,257	689,217	58,029	499,796	83,456	(4,301,986)	762,684	109,743	2,722,196
Credit/(charge) to profit or loss	978,044	(95,588)	(190)	1,512,650	105	(439,385)	(73,667)	118,000	1,999,969
Charge to other comprehensive income	–	–	–	–	187,195	(68,835)	–	–	118,360
Charge to capital reserve	–	–	–	–	–	(42,419)	–	–	(42,419)
As at December 31, 2020	5,799,301	593,629	57,839	2,012,446	270,756	(4,852,625)	689,017	227,743	4,798,106
As at January 1, 2019	3,726,885	664,190	146,343	1,827,681	288,584	(4,222,439)	–	(14,410)	2,416,834
Credit/(charge) to profit or loss	1,094,372	25,027	(88,314)	(1,327,885)	(4)	(420,242)	762,684	124,153	169,791
Charge to other comprehensive income	–	–	–	–	(205,124)	(42,764)	–	–	(247,888)
Charge to capital reserve	–	–	–	–	–	383,459	–	–	383,459
As at December 31, 2019	4,821,257	689,217	58,029	499,796	83,456	(4,301,986)	762,684	109,743	2,722,196

(i) The temporary differences related to the costs of associates and joint ventures are temporary differences arising from the difference between the book values and the tax bases for the associates and joint ventures not held for long-term by the Company.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

43. Other assets

Group

	As at December 31	
	2020	2019
Assets in satisfaction of debts (1)	**9,915,677**	6,309,257
Other receivables (2)	**6,962,884**	11,625,262
Prepayments	**5,207,409**	4,127,253
Notes receivable	**1,352,198**	302,260
Prepaid taxes	**1,350,602**	2,207,861
Dividends receivable	**1,313,729**	1,545,985
Right-of-use assets	**1,084,271**	1,306,740
Precious metals	**329,657**	225,035
Interest receivable	**240,716**	484,201
Long-term prepaid expenses	**212,469**	192,749
Assets with continuing involvement (Note VI.68)	**142,470**	237,392
Others	**319,889**	296,859
Total	**28,431,971**	28,860,854

Company

	As at December 31	
	2020	2019
Assets in satisfaction of debts (1)	**8,896,648**	6,032,563
Prepayments	**4,314,139**	1,705,015
Dividends receivable	**2,354,428**	2,602,758
Notes receivable	**1,238,570**	174,762
Right-of-use assets	**720,891**	847,633
Other receivables (2)	**463,271**	798,839
Assets with continuing involvement (Note VI.68)	**142,470**	237,392
Long-term prepaid expenses	**32,427**	18,143
Interest receivable	**–**	178,448
Others	**183**	1,235
Total	**18,163,027**	12,596,788

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

43. Other assets (continued)

(1) Assets in satisfaction of debts

Assets in satisfaction of debts include those obtained from the Group's debtors to settle their defaulted debts and those acquired directly from financial institutions, which came into their possession through similar arrangements.

Group

	As at December 31	
	2020	2019
Buildings	**9,801,310**	5,997,845
Land use rights	**494,885**	314,022
Others	**523,806**	345,696
Subtotal	**10,820,001**	6,657,563
Less: Allowance for impairment losses	**904,324**	348,306
Net book value	**9,915,677**	6,309,257

Company

	As at December 31	
	2020	2019
Buildings	**8,791,247**	5,829,873
Land use rights	**494,885**	314,022
Others	**434,383**	213,547
Subtotal	**9,720,515**	6,357,442
Less: Allowance for impairment losses	**823,867**	324,879
Net book value	**8,896,648**	6,032,563

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

43. Other assets (continued)

(2) Other receivables

Group

	As at December 31	
	2020	2019
Other receivables	**7,940,713**	12,635,049
Less: Allowance for impairment losses	**977,829**	1,009,787
Net book value	**6,962,884**	11,625,262

Company

	As at December 31	
	2020	2019
Other receivables	**752,562**	2,186,104
Less: Allowance for impairment losses	**289,291**	1,387,265
Net book value	**463,271**	798,839

Other receivables mainly include guarantee deposits and accounts receivable relating to assets disposal within one year.

As at December 31, 2020, the carrying amount of other receivables was RMB7,940.71 million, in which the allowance for impairment losses was RMB977.83 million. The principal in Stage III amounted to RMB1,764.52 million, with the allowance for impairment losses amounting to RMB951.86 million.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

44. Borrowings from central bank

Group

	As at December 31	
	2020	2019
Borrowings from central bank	**986,058**	1,010,860

Company

	As at December 31	
	2020	2019
Borrowings from central bank	**986,058**	986,058

The borrowings from the central bank are the outstanding interest on the loans from the People's Bank of China for purchasing the non-performing assets of commercial banks and the rediscount of the central bank.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

45. Accounts payable to brokerage clients

Group

	As at December 31	
	2020	2019
Personal customers	**13,806,696**	11,933,196
Corporate customers	**2,777,151**	2,387,148
Total	**16,583,847**	14,320,344

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group, and the portion relating to securities brokerage clients amounting to RMB13,308.63 million at December 31, 2020 (As at December 31, 2019: RMB11,232.95 million) bears interest at the prevailing market interest rate.

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, as the ageing analysis does not give additional value to the readers of this report in view of the nature of this business.

As at December 31, 2020 and 2019, included in the Group's accounts payable to brokerage clients were cash collateral of approximately RMB1,354.95 million and RMB1,310.40 million received from clients for margin financing and securities lending arrangement, respectively.

As at December 31, 2020 and 2019, the Company had no accounts payable to brokerage clients.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

46. Financial liabilities at fair value through profit or loss

Group

	As at December 31	
	2020	2019
Derivative financial liabilities (Note VI.25.(1))	**1,616,565**	542,857
Short positions in exchange fund bills and notes	**5,597,737**	4,522,399
Financing payables linked to stock index	**62,607**	–
Total	**7,276,909**	5,065,256

Company

	As at December 31	
	2020	2019
Income guarantee and repurchase commitment	**204,201**	717,977
Total	**204,201**	717,977

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

47. Financial assets sold under repurchase agreements

Group

	As at December 31	
	2020	2019
By collateral type:		
Debt securities	**15,981,904**	18,978,707
Loans to margin clients	**–**	500,000
Subtotal	**15,981,904**	19,478,707
Interest payable	**8,774**	16,883
Total	**15,990,678**	19,495,590

The Company had no financial assets sold under repurchase agreements as at December 31, 2020 and 2019.

48. Placements from banks and financial institutions

Group

	As at December 31	
	2020	2019
Placements from banks	**13,367,506**	13,820,783
Placements from financial institutions	**664,494**	244,167
Subtotal	**14,032,000**	14,064,950
Interest payable	**12,334**	19,869
Total	**14,044,334**	14,084,819

The Company had no placements from banks and financial institutions as at December 31, 2020 and 2019.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

49. Borrowings

Group

	As at December 31	
	2020	2019
Banks and other financial institutions borrowings		
Unsecured loans	**522,480,108**	503,932,122
Loans secured by properties	**10,719,652**	8,251,987
Other secured loans	**20,685,552**	21,401,193
Subtotal	**553,885,312**	533,585,302
Interest payable	**3,026,836**	3,006,002
Total	**556,912,148**	536,591,304

Loans secured by properties were collateralized by investment properties, properties held for sale, property and equipment at an aggregate carrying amount of RMB26,082 million as at December 31, 2020 (As at December 31, 2019: RMB20,255 million).

Other secured loans were collateralized by deposits with banks and financial institutions, interests in associates and joint ventures, and finance lease receivables at an aggregate carrying amount of RMB4,889 million as at December 31, 2020 (As at December 31, 2019: RMB5,790 million).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

49. Borrowings (continued)

Group (continued)

	As at December 31	
	2020	2019
Carrying amount repayable*:		
Within one year	**445,128,086**	412,328,796
More than one year, but not exceeding two years	**61,793,969**	65,190,249
More than two years, but not exceeding five years	**11,106,040**	18,430,123
More than five years	**2,758,071**	2,066,369
Interest payable	**2,856,334**	2,816,603
Subtotal	**523,642,500**	500,832,140
Carrying amount of borrowings that contain a repayment on demand clause repayable*:		
Within one year	**14,931,329**	546,067
More than one year, but not exceeding two years	**–**	15,718,741
More than two years, but not exceeding five years	**1,631,794**	1,734,099
More than five years	**16,536,023**	17,570,858
Interest payable	**170,502**	189,399
Subtotal	**33,269,648**	35,759,164
Total	**556,912,148**	536,591,304

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

49. Borrowings (continued)

Group (continued)

The exposure of the Group's fixed-rate borrowings by the remaining contractual maturity period is as follows:

	As at December 31	
	2020	2019
Fixed-rate borrowings:		
Within one year	**421,341,434**	409,227,151
More than one year, but not exceeding two years	**58,253,600**	77,704,796
More than two years, but not exceeding five years	**9,556,430**	15,884,855
More than five years	**18,013,472**	18,730,624
Subtotal	**507,164,936**	521,547,426
Interest payable	**2,865,535**	2,968,355
Total	**510,030,471**	524,515,781

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

49. Borrowings (continued)

Group (continued)

In addition, the Group has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC, Hong Kong Inter-bank Offered Rate ("HIBOR"), London Inter-bank Offered Rate ("LIBOR") or the Loan Prime Rate ("LPR").

The ranges of effective interest rates (which are also equal to contractual interest rates) on the Group's borrowings are as follows:

	As at December 31	
	2020	2019
Effective interest rate		
Fixed-rate borrowings	**1.20%-23.00%**	2.64%-23.00%
Variable-rate borrowings	**0.36%-6.65%**	2.48%-7.83%

Company

	As at December 31	
	2020	2019
Bank borrowings		
Unsecured loans	**441,860,000**	423,679,000
Interest payable	**2,108,344**	2,407,925
Total	**443,968,344**	426,086,925

The ranges of effective interest rates (which are also equal to contractual interest rates) on the Company's borrowings are as follows:

	As at December 31	
	2020	2019
Effective interest rate		
Fixed-rate borrowings	**2.00%-6.45%**	3.20%-6.45%
Variable-rate borrowings	**–**	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

50. Due to customers

Group

	As at December 31	
	2020	2019
Demand deposits		
Corporate	**55,155,266**	47,822,264
Personal	**48,794,211**	38,903,720
Time deposits		
Corporate	**82,949,416**	86,160,226
Personal	**72,746,366**	90,288,769
Guarantee deposits	**12,759,611**	10,363,607
Subtotal	**272,404,870**	273,538,586
Interest payable	**1,239,304**	1,667,180
Total	**273,644,174**	275,205,766

The Company had no due to customers at the end of 2020 and 2019.

51. Deposits from banks and financial institutions

Group

	As at December 31	
	2020	2019
Banks	**2,111,840**	1,403,302
Other financial institutions	**13,306,772**	12,625,758
Subtotal	**15,418,612**	14,029,060
Interest payable	**123,572**	128,068
Total	**15,542,184**	14,157,128

The Company had no deposits from banks and financial institutions at the end of 2020 and 2019.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

52. Accounts payable

Group

	As at December 31	
	2020	2019
Accounts payable associated with real estate business (1)	**4,259,205**	4,539,013
Asset purchase payable	**1,000**	2,175
Others	**626,488**	509,609
Total	**4,886,693**	5,050,797

Company

	As at December 31	
	2020	2019
Asset purchase payable	**1,000**	–
Total	**1,000**	–

(1) Accounts payable associated with real estate business mainly comprised construction costs payable to contractors.

No ageing analysis is disclosed as in the opinion of the directors of the Company, as the ageing analysis on these items does not give additional value to the readers of this report in view of the nature of these items.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

53. Tax payable

Group

	As at December 31	
	2020	2019
PRC Enterprise Income Tax	**2,108,171**	1,604,228
PRC Land Appreciation Tax	**2,496,584**	2,227,867
Hong Kong Profits Tax	**147,068**	499,684
Total	**4,751,823**	4,331,779

Company

	As at December 31	
	2020	2019
PRC Enterprise Income Tax	**778,176**	38,503
Total	**778,176**	38,503

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

54. Bonds issued

Group

		As at December 31, 2020					As at December 31, 2019
Bonds Type	Notes	**Face Value**	**Currency**	**Term**	**Bond Rate/ Expected Return Rate**	**Book Value**	Book Value
Financial Bonds		**108,500,000**	**CNY**	**3-10 years**	**2.85%-5.50%**	**111,834,030**	93,851,320
Asset-backed Securities		**103,598,269**	**CNY**	**4 months-18 years**	**2.05%-7.00%**	**102,944,587**	70,141,886
USD Guaranteed Senior Notes	(1)	**11,445,000**	**USD**	**3-30 years**	**2.00%-5.625%**	**75,062,023**	77,528,870
Corporate Bonds	(2)(3)(4)	**22,017,909**	**CNY**	**3-8 years**	**3.18%-5.50%**	**22,571,051**	24,867,566
Tier-II Capital Bonds	(5)	**18,000,000**	**CNY**	**5 years**	**3.70%-4.50%**	**18,216,741**	10,189,368
Mid-term Notes	(6)	**8,040,000**	**CNY**	**3-5 years**	**2.99%-5.00%**	**8,132,321**	5,076,287
Subordinate Notes	(7)	**700,000**	**USD**	**10 years**	**3.80%**	**4,558,650**	4,871,598
Beneficiary Certificates		**4,050,950**	**CNY**	**1 month-2 years**	**2.70%-4.60%**	**4,099,790**	1,224,258
Debt Financing Plans		**2,984,000**	**CNY**	**2-3 years**	**3.90%-6.20%**	**2,993,370**	2,988,500
Subordinate Bonds	(8)	**2,600,000**	**CNY**	**3 years**	**4.55%-4.64%**	**2,681,478**	8,930,695
Certificates of Deposit		**178,000**	**USD**	**9 months-1 year**	**0.84%-1.32%**	**1,158,950**	–
Asset-backed Notes		**810,000**	**CNY**	**6 months-9 years**	**5.20%-5.50%**	**834,197**	909,218
Certificates of Deposit		**650,000**	**CNY**	**3 months-6 months**	**3.14%-3.15%**	**646,028**	2,218,890
HKD Bonds	(9)	**52,000**	**HKD**	**5-9 years**	**4.00%**	**44,314**	47,164
Debt Financing Instruments		**N/A**	**N/A**	**N/A**	**N/A**	**–**	2,003,946
Total						**355,777,530**	304,849,566

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

54. Bonds issued (continued)

Company

		As at December 31, 2020					As at December 31, 2019
Bonds Type	Notes	**Face Value**	**Currency**	**Term**	**Bond Rate/ Expected Return Rate**	**Book Value**	Book Value
Financial Bonds		**89,000,000**	**CNY**	**3-10 years**	**2.85%-5.50%**	**91,659,417**	82,354,245
Asset-backed Securities		**90,878,000**	**CNY**	**4 months-10 years**	**2.05%-5.50%**	**90,020,210**	62,384,096
Tier-II Capital Bonds	(5)	**18,000,000**	**CNY**	**5 years**	**3.70%-4.50%**	**18,194,698**	10,178,475
Total						**199,874,325**	154,916,816

(1) China Cinda Financial Co., Ltd., a subsidiary of China Cinda (Hong Kong) Holdings Limited ("Cinda Hong Kong"), issued a total face value of USD3,045 million of Guaranteed Senior Notes (the "USD Notes") in Hong Kong in May 2014, December 2017 and February 2019, the notes have fixed coupon rates, payable semiannually. At any time prior to the date of maturity of the USD Notes, the issuer or Cinda Hong Kong may redeem the USD Notes, in whole or in part.

(2) The Company's subsidiary Cinda Investment Co., Ltd. ("Cinda Investment") issued corporate bonds with a face value of RMB3,000 million and RMB2,000 million in December 2015 and January 2016, respectively. The issuer and investors chose to adjust the coupon rate and part of the resale respectively in December 2020.The bonds have fixed coupon rates, payable annually, with the subsidiary's option to adjust the coupon rate and the investor's option to sell back at the end of the fifth year. Cinda Investment issued corporate bonds with a total face value of RMB11,375 million in August 2016, May 2019 and August 2019. The bonds have fixed coupon rates, payable annually, with the subsidiary's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The issuer and investors chose to adjust the coupon rate and part of the resale respectively in August 2019.

(3) Cinda Real Estate Co., Ltd. ("Cinda Real Estate"), a subsidiary of Cinda Investment, issued corporate bonds with a face value of RMB2,500 million and RMB500 million in March 2016, with fixed interest rates, and interest paid annually. The subsidiary shall be entitled to adjust the coupon rates, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary at the end of the third year.The issuer and investors chose to adjust the coupon rate and part of the resale respectively in March 2019. Cinda Real Estate issued corporate bonds with a face value of RMB2,700 million and RMB700 million in May 2019 and July 2019, respectively. The bonds have fixed interest rate, payable annually, with the subsidiary's option to adjust the coupon rate and the investor's option to sell back at the end of the second year.

VI. EXPLANATORY NOTES (continued)

54. Bonds issued (continued)

(4) Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, issued a corporate bond with a face value of RMB600 million in April 2016. The bond has fixed coupon rates, payable annually. And the subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the third year. The issuer and investors chose to adjust the coupon rate and part of the resale respectively in April 2019. Well Kent International Enterprises (Shenzhen) Co., Ltd. Issued a corporate bond with a face value of RMB800 million in April 2016. The bond has fixed coupon rate, payable annually, with the subsidiary's option to adjust the coupon rate and the investor's option to sell back at the end of the second year. The issuer and investors chose to adjust the coupon rate and part of the resale respectively in April 2018. Well Kent International Enterprises (Shenzhen) Co., Ltd. Issued a corporate bond with a total face value of RMB2,000 million in March 2020 and May 2020. The bond has fixed coupon rate, payable annually, with the subsidiary's option to adjust the coupon rate and the investor's option to sell back at the end of the third year.

(5) The tier-II capital bonds issued by the Company have a fixed coupon rate, payable annually and conditionally redeemable at the end of the fifth year. The Company has the right to early redeem the bond at par value in full subject to the approval of the China Banking and Insurance Regulatory Commission.

(6) The Company's subsidiary Cinda Investment issued a medium-term note with a face value of RMB2,000 million in April 2020, with fixed interest rate, and interest paid annually. The subsidiary shall be entitled to adjust the coupon rates, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the third year.

(7) The subordinate notes issued by Nanyang Commercial Bank, Limited, a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable semiannually. The coupon rates will be reset at the end of the fifth year.

(8) The subordinate bonds issued by Cinda Securities Co., Ltd. ("Cinda Securities"), a subsidiary of the Company, have fixed coupon rates, payable annually.

(9) Cinda International holding limited, a subsidiary of Cinda Securities, issued a total of 42 million Hong Kong dollar bonds in Hong Kong in 2014, with fixed interest rates, payable annually. The subsidiary and investor shall be entitled to extend the maturity date at the end of the fifth year. In July and September 2019, the investors extend the bond maturity date by 24 months through exercising the extension option. Cinda International holding limited issued Hong Kong dollar bonds with a face value of HKD10 million in September 2013 and March 2016, with fixed interest rates, payable annually. At the end of the third year and the end of the fourth year after the issuance of the bond, the issuer has the right to redeem the bond in full or in part in advance; at the same time, the issuer and investors have the option to defer at the end of the fifth year. In September 2018, the investors extend the bond maturity date by 24 months through exercising the extension option. In September 2020, the investors extend the bond maturity date by 24 months through exercising the extension option.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

55. Contract liabilities

Group

	As at December 31	
	2020	2019
Sales proceeds received in advance (1)	**14,725,445**	22,994,982
Others	**130,282**	1,092,054
Total	**14,855,727**	24,087,036

(1) Sales proceeds received in advance

	2020	2019
At beginning of the year	**22,994,982**	23,486,561
Deferred during the year	**15,415,430**	17,699,437
Recognized as revenue during the year	**(23,684,967)**	(18,191,016)
At end of the year	**14,725,445**	22,994,982

As at December 31, 2020, all contract liabilities of the Group were held by Cinda Real Estate and Cinda Securities, the subsidiaries of the company. The contract liabilities are mainly sales proceeds received in advance by Cinda Real Estate.

56. Assets and liabilities held for sale

Group and Company

As at December 13, 2019, the company had signed a sale agreement of shares with Champion Property & Casualty Insurance Co., Ltd. and Dongguan Communications Investment Group Co., Ltd. in relation to the proposed sale of 50.995% of the issued shares of Happy Life. The Group classified all the assets and liabilities of Happy Life, Ltd. as assets and liabilities held for sale. The carrying amounts of assets and liabilities were RMB61,394.18 million and RMB57,924.14 million accordingly. The Company classified all the investment of Happy Life valued RMB7,449.68 million, as assets held for sale. This transaction was completed in July 2020.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

57. Other liabilities

Group

	As at December 31	
	2020	2019
Other payables	**16,010,287**	14,487,437
Staff costs payable (1)	**6,993,165**	6,548,895
Risk deposit	**4,330,358**	4,405,749
Payables to interest holders of consolidated structured entities (Note VI.36)	**2,086,380**	3,862,357
Sundry taxes payable	**1,604,526**	975,741
Items in the process of clearance and settlement	**1,483,509**	9,387,282
Long-term payable	**1,248,218**	1,333,437
Lease liabilities	**1,040,216**	1,236,872
Receipts in advance associated with disposal of distressed assets	**1,039,991**	1,340,962
Notes payable	**911,332**	767
Provisions (2)	**791,150**	921,133
Deferred income related to leasing business	**560,282**	770,527
Receipts in advance	**527,491**	359,030
Others	**749,440**	715,302
Total	**39,376,345**	46,345,491

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

57. Other liabilities (continued)

Group (continued)

(1) Staff costs payable

	2020			
	As at January 1	**Increase in the current year**	**Decrease in the current year**	**As at December 31**
Wages or salaries, bonuses, allowances and subsidies	**5,874,285**	**5,324,079**	**(5,069,326)**	**6,129,038**
Social insurance	**76,996**	**269,974**	**(265,787)**	**81,183**
Defined contribution plans	**67,719**	**381,919**	**(290,200)**	**159,438**
Defined benefit plans (i)	**117,643**	**23,667**	**(11,563)**	**129,747**
Housing funds	**2,611**	**232,542**	**(232,095)**	**3,058**
Labor union fees and staff education expenses	**328,845**	**132,437**	**(87,931)**	**373,351**
Others	**80,796**	**352,545**	**(315,991)**	**117,350**
Total	**6,548,895**	**6,717,163**	**(6,272,893)**	**6,993,165**

	2019			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	5,669,814	5,245,747	(5,041,276)	5,874,285
Social insurance	40,373	319,832	(283,209)	76,996
Defined contribution plans	33,578	564,178	(530,037)	67,719
Defined benefit plans (i)	99,799	18,480	(636)	117,643
Housing funds	6,193	232,108	(235,690)	2,611
Labor union fees and staff education expenses	326,355	149,286	(146,796)	328,845
Others	92,033	390,863	(402,100)	80,796
Total	6,268,145	6,920,494	(6,639,744)	6,548,895

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

57. Other liabilities (continued)

Group (continued)

(1) Staff costs payable (continued)

(i) Defined benefit plans

Movements of retirement benefit of the Group's subsidiary NCB are as follows:

	2020	2019
At beginning of the year	**117,643**	99,799
Current service cost	**2,684**	2,235
Past service cost – plan changes	**(391)**	106
Interest cost	**2,071**	2,270
Actuarial gains on remeasurement	**19,303**	13,869
Benefit paid	**(3,377)**	(3,142)
Exchange differences	**(8,186)**	2,506
At end of the year	**129,747**	117,643

Principal actuarial assumptions used are as follows:

	As at December 31	
	2020	2019
Discount rate	**1.3%**	1.8%
Expected rate of medical insurance cost increases	**6%**	6%
Expected rate of social entertainment cost increases	**0%**	0%
Expected rate of retirement souvenir cost increases	**0%**	0%
Expected rate of rental increases	**3%**	3%
Expected rate of withdrawal	**3%-18%**	3%-18%
Expected death rate	**Hong Kong Life Tables 2019**	Hong Kong Life Tables 2018

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

57. Other liabilities (continued)

Group (continued)

(2) Movements of provisions

	2020	2019
At beginning of the year	**921,133**	1,107,868
Provided for the year	**446,876**	615,215
Settled/Reversed	**(576,859)**	(801,950)
At end of the year	**791,150**	921,133

Company

	As at December 31	
	2020	2019
Other payables	**4,106,999**	4,061,205
Staff costs payable (1)	**2,963,446**	3,256,625
Receipts in advance associated with disposal of distressed assets	**1,039,991**	1,340,962
Lease liabilities	**703,528**	821,264
Sundry taxes payable	**322,761**	280,718
Provisions (2)	**263,568**	316,908
Others	**87,148**	84,633
Total	**9,487,441**	10,162,315

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

57. Other liabilities (continued)

Company (continued)

(1) Staff costs payable

	2020			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	**3,052,387**	**1,162,095**	**(1,463,769)**	**2,750,713**
Social insurance	**56,790**	**101,968**	**(118,627)**	**40,131**
Defined contribution plans	**3,434**	**159,518**	**(158,138)**	**4,814**
Housing funds	**321**	**73,330**	**(73,504)**	**147**
Labor union fees and staff education expenses	**143,661**	**41,337**	**(28,513)**	**156,485**
Others	**32**	**80,909**	**(69,785)**	**11,156**
Total	**3,256,625**	**1,619,157**	**(1,912,336)**	**2,963,446**

	2019			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	2,977,342	1,376,552	(1,301,507)	3,052,387
Social insurance	16,063	116,319	(75,592)	56,790
Defined contribution plans	4,007	191,604	(192,177)	3,434
Housing funds	323	63,931	(63,933)	321
Labor union fees and staff education expenses	134,106	48,417	(38,862)	143,661
Others	641	118,425	(119,034)	32
Total	3,132,482	1,915,248	(1,791,105)	3,256,625

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

57. Other liabilities (continued)

Company (continued)

(2) Movements of provisions

	2020	2019
At beginning of the year	**316,908**	617,339
Provided for the year	**90,021**	55,981
Settled/Reversed	**(143,361)**	(356,412)
At end of the year	**263,568**	316,908

58. Share capital

Group and Company

	Year ended December 31	
	2020	**2019**
Authorized, issued and fully paid:		
At beginning of the year	**38,164,535**	38,164,535
At end of the year	**38,164,535**	38,164,535

VI. EXPLANATORY NOTES (continued)

58. Share capital (continued)

Group and Company (continued)

A summary of the movements of the Company's issued shares (in thousands of shares) during the year is as follows:

	2020			
	As at January 1	**Issuance**	**Transfer**	**As at December 31**
Domestic shares				
– MOF	**22,137,239**	**–**	**–**	**22,137,239**
– NCSSF	**2,459,693**	**–**	**–**	**2,459,693**
H shares	**13,567,603**	**–**	**–**	**13,567,603**
Total	**38,164,535**	**–**	**–**	**38,164,535**

	2019			
	As at January 1	Issuance	Transfer	As at December 31
Domestic shares				
– MOF (1)	24,596,932	–	(2,459,693)	22,137,239
– NCSSF (1)	–	–	2,459,693	2,459,693
H shares	13,567,603	–	–	13,567,603
Total	38,164,535	–	–	38,164,535

(1) The Ministry of Finance transferred 2,459,693,232 domestic Shares to the National Council for Social Security Fund ("NCSSF") on December 27, 2019 in accordance with the Notice on Fully Implementing the Work of Transferring Part of State-owned Assets to Enrich Social Security Funds (Cai Zi [2019] No.49).

As at December 31, 2020, no share of the Group was subject to lock-up restriction (As at December 31, 2019, no share of the Group was subject to lock-up restriction).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

59. Other equity instruments

Group and Company

For the year ended December 31, 2020, the movements of the Company's other equity instruments were as follows:

	As at January 1, 2020		Increase		Decrease		As at December 31, 2020	
	Quantity (shares) (In '000)	Carrying Amount (In '000)	Quantity (shares) (In '000)	Carrying Amount (In '000)	Quantity (shares) (In '000)	Carrying Amount (In '000)	Quantity (shares) (In '000)	Carrying Amount (In '000)
Preference Shares – 2016 Offshore Preference Shares	160,000	21,281,215	–	–	–	–	160,000	21,281,215
Total	160,000	21,281,215	–	–	–	–	160,000	21,281,215

The Company issued the U.S. dollar settled Non-Cumulative Perpetual Offshore Preference Shares (the "Offshore Preference Shares") on September 30, 2016. In the year of 2020, the Company distributed dividends for the Offshore Preference Shares of US$158.22 million (2019: US$158.22 million).

60. Capital reserve

The balance of capital reserve mainly represents share premium arising from the Company's initial public offering of H shares and other previous shares issuances in current and prior years.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

61. Other comprehensive income

Group

Other comprehensive income attributable to equity holders of the Company is set out below:

	Year ended December 31	
	2020	2019
At beginning of the year	**(35,688)**	(1,152,132)
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the year	**(14,307)**	535,521
Amounts reclassified to profit or loss upon disposal	**(85,096)**	(184,083)
Amounts of profit or loss upon impairment	**15,230**	8,461
Income tax effect	**43,693**	(53,352)
	(40,480)	306,547
Exchange differences arising on translation of foreign operations	**(805,095)**	(10,643)
Share of other comprehensive income of associates and joint ventures	**275,618**	260,089
Income tax effect	**(68,836)**	(42,764)
	(638,793)	513,229
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	**(19,303)**	(13,869)
Income tax effect	**3,185**	2,288
	(16,118)	(11,581)
Fair value changes on equity instruments designated as at fair value through other comprehensive income	**(735,884)**	819,925
Income tax effect	**189,069**	(205,129)
	(562,933)	603,215
Other comprehensive income/(loss) for the year	**(1,201,726)**	1,116,444
At end of the year	**(1,237,414)**	(35,688)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

61. Other comprehensive income (continued)

Company

	Year ended December 31	
	2020	2019
At beginning of the year	**(106,328)**	(849,991)
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the year	**7,074**	–
Amounts of profit or loss upon impairment	**419**	(18)
Income tax effect	**(1,873)**	4
	5,620	(14)
Share of other comprehensive income of associates and joint ventures	**275,343**	171,055
Income tax effect	**(68,836)**	(42,764)
	212,127	128,277
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on equity instruments designated as at fair value through other comprehensive income	**(756,277)**	820,514
Income tax effect	**189,069**	(205,128)
	(567,208)	615,386
Other comprehensive income/(loss) for the year	**(355,081)**	743,663
At end of the year	**(461,409)**	(106,328)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

62. Surplus reserve

Under the PRC Laws, the Company and its domestic subsidiaries are required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital of the entity.

63. General reserve

For the year ended December 31, 2020, as approved by the general meetings of the Company and the board of directors meetings of its subsidiaries, the Group reversed RMB296.1 million from the general reserve (For the years ended December 31, 2019, the Group transferred RMB918.13 million to the general reserve).

For the year ended December 31, 2020, as approved by the general meetings of the Company, no general reserve is required to transfer for the company (For the years ended December 31, 2019, the company transferred RMB549.11 million).

64. Retained earnings

During the years ended December 31, 2020 and 2019, the retained earnings of the Company were as follows:

Company

	Year ended December 31	
	2020	2019
At beginning of the year	**38,649,229**	38,074,368
Profit for the year	**4,387,754**	6,522,636
Appropriation to surplus reserve	**(438,775)**	(652,264)
Appropriation to general reserve	**–**	(549,113)
Dividends recognized as distribution	**(5,005,880)**	(4,746,398)
At end of the year	**37,592,328**	38,649,229

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

65. Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent:

	As at December 31	
	2020	2019
Cash	**527,358**	577,491
Balances with central banks	**6,875,576**	9,460,038
Deposits with banks and financial institutions	**59,516,834**	49,188,108
Placements with banks and financial institutions	**19,730,230**	9,686,980
Financial assets held under resale agreements	**34,083,349**	10,486,909
Assets held for sale (1)	**–**	3,349,811
Cash and cash equivalents	**120,733,347**	82,749,337

(1) As at December 31, 2019, the amount was composed of cash amounting to RMB0.03 million, deposits with banks and financial institutions amounting to RMB317.23 million and financial assets held under resale agreements amounting to RMB3,032.55 million.

66. Major non-cash transactions

As part of its distressed asset management business, the Group entered into transactions of debt-to-equity swap with counterparties in the ordinary courses of business during the year. For the year ended December 31, 2020, equity instruments amounting to RMB1,312.69 million (2019: RMB2,328.29 million) were swapped with debt instruments held by the Group with carrying value of RMB1,176.03 million (2019: RMB2,122.26 million).

As part of the distressed asset management business, the Group entered into transactions of equity swap with counterparties in the ordinary courses of business during the year. For year ended December 31, 2020, equity instruments amounting to RMB1,722.96 million (2019: RMB1,626.66 million) were swapped with equity instruments held by the Group with cost of RMB2,150.95 million (2019: RMB734.86 million).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

67. Contingent liabilities and commitments

(1) Legal proceedings

Group and Company

The Company and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at December 31, 2020 and 2019, total claim amounts of pending litigations were RMB1,974.05 million and RMB2,473.81 million for the Group and RMB199.45 million and RMB580.31 million for the Company respectively, and provisions of RMB9.35 million and RMB54.93 million for the Group respectively were made based on court judgements or the advice of legal counsels. The directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group and the Company.

(2) Credit commitments

	As at December 31	
	2020	2019
Bank bill acceptance	**19,885,771**	15,145,363
Loan commitments (i)	**15,363,473**	16,427,261
Letters of guarantee issued	**3,708,904**	3,294,722
Letters of credit issued	**3,756,413**	3,092,269
Undrawn credit card commitments	**695,460**	593,359
Others	**425,280**	380,927
Total	**43,835,301**	38,933,901
Impairment of credit commitments	**(142,593)**	(91,407)

These credit commitments mainly arise from the banking business of the Group.

(i) Loan commitments represent undrawn loan facilities agreed and granted to customers. Unconditionally revocable loan commitments are not included in loan commitments. As at December 31, 2020, the unconditionally revocable loan commitments of the Group amounted to RMB91,308.42 million (December 31, 2019: RMB93,668.23 million).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

67. Contingent liabilities and commitments (continued)

(3) Capital commitments

Group

	As at December 31	
	2020	2019
Contracted but not provided for		
Commitments for the acquisition of property and equipment	**49,508**	69,122
Total	**49,508**	69,122

Company

	As at December 31	
	2020	**2019**
Contracted but not provided for		
Commitments for the acquisition of property and equipment	**2,264**	**2,128**
Total	**2,264**	**2,128**

(4) Other commitments

As a result of the purchase commitments and guarantees provided by the Group, the Group has the ability to use its power over the structured entities to affect their returns and is exposed to significant variable returns and the structured entities. These structured entities have been consolidated into the Group's financial statements. Please refer to Note VI.36 Interests in consolidated structured entities.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

68. Transfers of financial assets

(1) Repurchase agreements

The Group entered into sales agreements with certain counterparties on its financial assets, in which the Group was subject to simultaneous agreements with commitments to repurchase these financial assets at specified future dates and prices. As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these financial assets to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these financial assets during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore these financial assets have not been derecognized from the financial statements but regarded as "collateral" for the secured lending from the counterparties. Normally, the counterparties could only claim from the collateral when there is an event of default on the secured lending.

	Carrying amount of pledged assets December 31		Related liabilities December 31	
	2020	2019	**2020**	2019
Financial assets at amortized cost	**–**	4,586,420	**–**	4,357,099
Financial assets at fair value through profit or loss	**67,218**	1,791,560	**65,280**	1,791,560
Financial assets at fair value through other comprehensive income	**16,074,084**	13,635,567	**15,925,398**	12,846,266
Loans to margin clients	**–**	500,665	**–**	500,665
Total	**16,141,302**	20,514,212	**15,990,678**	19,495,590

VI. EXPLANATORY NOTES (continued)

68. Transfers of financial assets (continued)

(2) Asset-backed securities

The Group enters into securitization transactions, by which it transfers financial assets to structured entities which issue asset-backed securities to investors. The Group assessed, among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its control over these assets.

With respect to the securitization of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognized, and the consideration paid by third parties is recorded as a financial liability. As at December 31, 2020, the Group' s carrying amount of transferred assets that did not qualify for derecognition was RMB84,982.80 million (December 31, 2019: RMB53,952.19 million), and the carrying amount of their associated liabilities was RMB90,139.62 million (December 31, 2019: RMB64,493.89 million).

With respect to the securitization of financial assets that qualified for derecognition, the Group derecognized the transferred financial assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitization transactions was nil as at December 31, 2019 and 2020.

(3) Continuing involvement

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the financial assets transferred to third parties or to structured entities, and retained control of the financial assets, the transferred financial assets are recognized to the extent of the Group's continuing involvement. For the year ended December 31, 2020, the carrying amount at the time of transfer of the original financial assets, which the Group determined that it has continuing involvement, was nil (for the year ended December 31, 2019: RMB6,301.00 million). As at December 31, 2020, the carrying amount of continuing involvement assets recognized by the Group was RMB142.47 million (As at December 31, 2019: RMB237.39 million). As at December 31, 2020 and 2019, the carrying amount of continuing involvement liabilities was nil.

VI. EXPLANATORY NOTES (continued)

69. Segment information

Information relating to business lines is reported to the Board of Directors of the Company and its relevant management committees, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance. Profit before tax is the measure of segment profit or loss reviewed by the chief operating decision makers.

Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group. Segment income, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Distressed asset management operations

The distressed asset management segment comprises the relevant business operated by the Company and certain of its subsidiaries, including (1) management and disposal of distressed debt assets acquired from financial institutions and non-financial enterprises; (2) operation, management and disposal of DES Assets; (3) restructuring, special opportunity businesses and other debt businesses and equity businesses related to distressed assets and distressed entities in comprehensive operation method; and (4) custody businesses.

Financial services operations

The Group's financial services segment comprises the relevant business of the Group, including the provision of financial services in sectors such as banking, securities, future, public offering fund, trust and lease. These operations were mainly carried out by the subsidiaries of the Company.

There is no significant customer concentration of the Group's business. There is no customer contributing more than 10% of the Group's revenue.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

69. Segment information (continued)

	Distressed asset management	Financial services	Elimination	Consolidated
Year ended December 31, 2020				
Income from distressed debt assets at amortized cost	19,150,708	–	–	19,150,708
Fair value changes on distressed debt assets	12,546,970	–	–	12,546,970
Fair value changes on other financial instruments	12,132,844	299,260	134,411	12,566,515
Investment income	(330,106)	655,290	(2,694)	322,490
Interest income	9,446,514	14,978,024	(525,362)	23,899,176
Revenue from sales of inventories	24,316,307	–	–	24,316,307
Commission and fee income	443,814	4,468,746	(467,660)	4,444,900
Net gains on disposal of subsidiaries, associates and joint ventures	1,791,019	38,354	12,899	1,842,272
Other income and other net gains or losses	602,049	509,994	(67,363)	1,044,680
Total	80,100,119	20,949,668	(915,769)	100,134,018
Interest expense	(32,942,091)	(7,362,136)	685,723	(39,618,504)
Employee benefits	(2,923,455)	(3,235,440)	–	(6,158,895)
Purchases and changes in inventories	(17,360,392)	–	–	(17,360,392)
Commission and fee expense	(194,244)	(523,840)	82,190	(635,894)
Taxes and surcharges	(505,559)	(93,752)	–	(599,311)
Depreciation and amortization expenses	(1,212,976)	(904,374)	59,601	(2,057,749)
Other expenses	(2,429,198)	(1,153,631)	50,732	(3,532,097)
Impairment losses on assets	(11,231,608)	(2,833,325)	(31,886)	(14,096,819)
Total	(68,799,523)	(16,106,498)	846,360	(84,059,661)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

69. Segment information (continued)

	Distressed asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	(9,673)	(8,142)	–	(17,815)
Profit before share of results of associates and joint ventures and tax	11,290,923	4,835,028	(69,409)	16,056,542
Share of results of associates and joint ventures	212,132	40,583	–	252,715
Profit before tax from continuing operations	11,503,055	4,875,611	(69,409)	16,309,257
Income tax expense				(5,324,010)
Profit for the year from continuing operations				10,985,247
Profit for the year from a discontinued operation				3,752,030
Capital expenditure	7,099,966	1,552,551	–	8,652,517
As at December 31, 2020				
Segment assets	1,002,081,396	528,523,142	(21,510,764)	1,509,093,774
Including: Interests in associates and joint ventures	70,095,189	407,471	–	70,502,660
Unallocated assets				8,989,874
Total assets				1,518,083,648
Segment liabilities	885,402,875	453,596,547	(20,626,211)	1,318,373,211
Unallocated liabilities				4,668,017
Total liabilities				1,323,041,228

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

69. Segment information (continued)

	Distressed asset management	Financial services	Elimination	Consolidated
Year ended December 31, 2019				
Income from distressed debt assets at amortized cost	16,403,571	–	–	16,403,571
Fair value changes on distressed debt assets	13,645,346	–	–	13,645,346
Fair value changes on other financial instruments	14,704,357	503,722	(367,997)	14,840,082
Investment income	(316,469)	783,163	(2,205)	464,489
Interest income	8,934,854	17,313,248	(846,476)	25,401,626
Revenue from sales of inventories	18,169,404	–	–	18,169,404
Commission and fee income	514,966	3,301,017	(279,425)	3,536,558
Net gains on disposal of subsidiaries, associates and joint ventures	879,080	2,524	–	881,604
Other income and other net gains or losses	2,719,228	139,447	(54,463)	2,804,212
Total	75,654,337	22,043,121	(1,550,566)	96,146,892
Interest expense	(35,941,760)	(9,452,412)	1,027,619	(44,366,553)
Employee benefits	(3,111,593)	(2,890,347)	–	(6,001,940)
Purchases and changes in inventories	(12,869,033)	–	263	(12,868,770)
Commission and fee expense	(313,728)	(428,910)	23,058	(719,580)
Taxes and surcharges	(493,721)	(83,306)	–	(577,027)
Depreciation and amortization expenses	(756,826)	(861,748)	59,901	(1,558,673)
Other expenses	(2,475,457)	(1,164,194)	98,666	(3,540,985)
Impairment losses on assets	(6,113,839)	(2,816,306)	5,912	(8,924,233)
Total	(62,075,957)	(17,697,223)	1,215,419	(78,557,761)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

69. Segment information (continued)

	Distressed asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	(229,732)	(7,808)	–	(237,540)
Profit before share of results of associates and joint ventures and tax	13,348,648	4,338,090	(335,147)	17,351,591
Share of results of associates and joint ventures	1,888,914	31,935	–	1,920,849
Profit before tax from continuing operations	15,237,562	4,370,025	(335,147)	19,272,440
Income tax expense				(5,754,622)
Profit for the year from continuing operations				13,517,818
Profit for the year from discontinued operation				1,500,399
Capital expenditure	6,940,419	1,712,098	–	8,652,517
As at December 31, 2019				
Segment assets	945,229,023	535,673,814	(35,823,591)	1,445,079,246
Including: Interests in associates and joint ventures	72,612,763	393,526	–	73,006,289
Assets held for sale	–	61,394,178	–	61,394,178
Unallocated assets				6,756,583
Total assets				1,513,230,007
Segment liabilities	832,929,548	461,547,993	(31,985,719)	1,262,491,822
Liabilities held for sale	–	57,924,139	–	57,924,139
Unallocated liabilities				4,403,585
Total liabilities				1,324,819,546

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Related party transactions

(1) The MOF

Group

As at December 31, 2020, the MOF directly owned 58.00% (As at December 31, 2019: 58.00%) of the share capital of the Company.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies. The entities controlled or regulated by the MOF are mainly financial institutions.

The Group had the following balances and had entered into the following transactions with the MOF in its ordinary course of business:

The Group had the following balances with the MOF:

	As at December 31	
	2020	2019
Financial assets at fair value through other comprehensive income	**24,515,050**	23,418,637
Financial assets at amortized cost	**581,013**	3,787,218
Financial assets at fair value through profit or loss	**111,011**	–
Accounts receivable	**1,597**	1,597

The Group had entered into the following transactions with the MOF:

	Year ended December 31	
	2020	2019
Interest income	**859,511**	779,012
Investment income	**52,149**	31,331

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Related party transactions (continued)

(1) The MOF (continued)

Company

The Company had the following balances with the MOF:

	As at December 31	
	2020	2019
Accounts receivable	**1,597**	1,597

For the years ended December 31, 2020 and 2019, the Company had no transaction with the MOF.

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at December 31	
	2020	2019
Amounts due from subsidiaries	**27,536,214**	44,912,818
Financial assets at fair value through profit or loss	**1,780,906**	2,485,202
Lease liabilities	**526,070**	671,681
Right-of-use assets	**509,186**	663,344
Bonds issued	**484,380**	378,751
Financial assets at amortized cost	**226,319**	689,375
Other payables	**183,703**	131,990
Property and equipment	**15,672**	16,254
Accounts payable	**–**	788

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Related party transactions (continued)

(2) Subsidiaries (continued)

The Company had entered into the following transactions with its subsidiaries:

	Year ended December 31	
	2020	2019
Interest income	**887,740**	1,468,572
Interest expense	**206,498**	149,597
Fair value changes on other financial instruments	**196,490**	298,159
Depreciation expenses of right-of-use assets	**126,527**	126,781
Other expenses	**117,261**	99,593
Commission and fee expense	**68,722**	18,980
Impairment losses on assets	**23,308**	101,279
Rental income	**18,185**	29,559
Dividend income	**3,551**	35,605
Depreciation and amortisation expenses	**582**	582
Fair value changes on distressed debt assets	**–**	29,387

(3) Associates and joint ventures

The Group had the following balances and entered into the following transactions with its associates and joint ventures, entities that it does not control but exercise significant influence or joint control. These transactions were carried out in the ordinary course of business.

Group

The Group had the following balances with its associates and joint ventures:

	As at December 31	
	2020	**2019**
Loans and advances to customers	**7,360,505**	**9,720,108**
Risk deposit	**242,364**	188,664
Other payables	**163,369**	261,448
Other receivables	**45,984**	49,810
Dividend receivable	**45,000**	21,940
Deferred income related to leasing business	**10,549**	21,839
Accounts receivable	**–**	2,480

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Related party transactions (continued)

(3) Associates and joint ventures (continued)

Group (continued)

The Group had entered into the following transactions with its associates and joint ventures:

	Year ended December 31	
	2020	2019
Dividend income	**1,173,208**	1,167,372
Interest income	**814,474**	901,057
Commission and fee income	**9,569**	23,380
Rental income	**9**	–

Company

The Company had entered into the following transactions with its associates and joint ventures:

	Year ended December 31	
	2020	2019
Dividend income	**524,220**	219,665

(4) Government related entities

Other than those disclosed above, the Group also entered into transactions with other government related entities. These transactions are entered into under normal commercial terms and conditions.

Management considers that transactions with government related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that both the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government related entities.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Related party transactions (continued)

(5) Defined contribution plans

Group

The Group had the following transactions with the defined contribution plans set up by the Company:

	Year ended December 31	
	2020	2019
Contribution to defined contribution plans	**286,981**	216,385

Company

The Company had the following transactions with the defined contribution plans:

	Year ended December 31	
	2020	2019
Contribution to defined contribution plans	**109,796**	91,578

(6) Defined benefit plans

Group

Movements of retirement benefits of the Group due to its subsidiary, NCB:

	Year ended December 31	
	2020	**2019**
Current service cost	**2,684**	**2,235**

(7) During the year, the Group and the Company did not conduct any connected transactions or continuing connected transactions required to be reported, announced or approved by independent shareholders under Chapter 14A “Connected Transactions” of the Listing Rules.

VI. EXPLANATORY NOTES (continued)

71. Financial risk management

Overview

The Group's primary objectives of risk management are to ensure (1) the prudent operation and sound business development of the Group; (2) the execution of significant decisions to achieve business targets and ensure operational efficiency; and (3) that risks are managed within a range consistent with our strategies and business targets. Based on this, the Group has designed a series of risk management policies and set up controls to identify, analyze, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews and revises its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The most significant types of risks to the Group are credit risk, market risk and liquidity risk. Market risk includes interest rate risk, currency risk and other price risk.

Risk Management Framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk strategy and risk management policies and evaluating the Group's overall risk exposures regularly.

Within this framework, the Group's senior management has the overall responsibility for managing all aspects of risks, including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures relating to risk management. The Risk Management Department and other relevant functional units are responsible for monitoring financial risks.

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk

71.1.1 Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate advance, commitment or investment of funds. The Group's major credit risks arise from financial assets at amortized cost, loans and advance to customers and other guarantees. There is no significant difference of the credit risk of distressed debt assets at amortized cost and other debt assets. Risk management of other distressed debt assets at fair value through profit or loss is detailed in Note VI.71.4 Risk management of distressed assets.

The Group implements the following measures to mitigate credit risk:

- Referencing to internal and external credit rating information to manage the credit quality of counterparties, and selecting counterparties with acceptable credit quality and repayment ability to balance credit risk and return;

- Obtaining effective collateral from counterparties to mitigate risks.

In particular, credit risk relating to investment assets such as debt securities and trust products is managed by selecting counterparties with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and by applying appropriate limits.

71.1.2 Measurement of ECL

Refer to Note IV.7.4 Impairment of financial assets.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.3 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of each reporting period without taking into account any collateral held or other credit enhancements. The exposure to credit risk at the end of each reporting period mainly arises from distressed debt assets acquired from financial institutions and non-financial institutions, loans and advances to customers and treasury operations. At the end of each reporting period, the maximum exposure to credit risk other than distressed debt assets is as follows:

Group

	As at December 31	
	2020	2019
Balances with central banks	**14,847,690**	18,424,560
Deposits with banks and financial institutions	**87,953,563**	70,837,593
Deposits with exchanges and others	**1,946,984**	1,323,359
Placements with banks and financial institutions	**19,909,505**	11,152,300
Financial assets at fair value through profit or loss	**127,921,267**	110,527,227
Financial assets held under resale agreements	**36,241,153**	13,212,454
Financial assets at fair value through other comprehensive income	**119,255,383**	132,575,402
Financial assets at amortized cost	**220,232,956**	227,645,067
Loans and advance to customers	**353,456,297**	337,859,064
Accounts receivable	**3,255,410**	2,402,725
Other assets	**10,437,031**	14,872,719
Subtotal	**995,457,239**	940,832,470
Off-balance sheet		
Bank bill acceptance	**19,885,771**	15,145,363
Loan commitments	**15,363,473**	16,427,261
Letters of guarantee issued and other credit commitments	**8,586,057**	7,361,277
Subtotal	**43,835,301**	38,933,901
Total	**1,039,292,540**	979,766,371

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.3 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (continued)

Company

	As at December 31	
	2020	2019
Balances with central banks	**2,410**	2,399
Deposits with banks and financial institutions	**28,324,705**	12,018,928
Financial assets at fair value through profit or loss	**99,590,995**	81,636,664
Financial assets held under resale agreements	**34,112,502**	10,479,747
Financial assets at fair value through other comprehensive income	**4,570,947**	–
Financial assets at amortized cost	**182,569,154**	187,365,891
Accounts receivable	**805,417**	552,805
Amounts due from subsidiaries	**27,331,230**	43,596,732
Other assets	**4,198,739**	3,992,197
Total	**381,506,099**	339,645,363

Among the distressed debt assets at fair value through profit or loss, the distressed assets contain certain elements of credit risk. The risks that such assets are exposed to are the same as those set out in the Group's consolidated financial statements for the year ended December 31, 2019. The carrying amount of distressed debt assets at fair value through profit or loss for the Group as at December 31, 2020 amounted to RMB198,746.18 million (December 31, 2019: RMB197,621.33 million).

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is by obtaining guarantee deposits, collateral and/or guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of counterparties. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters. The main types of collateral obtained are land and properties or other assets of the borrowers. The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost

Group

	As at December 31	
	2020	2019
Distressed debt assets	**193,031,261**	198,124,431
Loans and advances to customers	**341,395,217**	331,122,128
Subtotal	**534,426,478**	529,246,559
Allowance for impairment losses		
Distressed debt assets	**(16,524,845)**	(11,510,610)
Loans and advances to customers	**(7,485,658)**	(8,270,412)
Subtotal	**(24,010,503)**	(19,781,022)
Net carrying amounts		
Distressed debt assets	**176,506,416**	186,613,821
Loans and advances to customers	**333,909,559**	322,851,716
Total	**510,415,975**	509,465,537

Company

	As at December 31	
	2020	**2019**
Distressed debt assets	**193,113,485**	198,715,598
Allowance for impairment losses	**(16,380,750)**	(11,412,402)
Net carrying amounts	**176,732,735**	187,303,196

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By geographical area

Group

	As at December 31			
	2020		2019	
Area	**Gross amount**	**%**	Gross amount	%
Overseas	**166,206,634**	**31.2**	181,852,321	34.3
Central Region	**78,592,971**	**14.7**	78,112,858	14.8
Western Region	**76,251,607**	**14.3**	62,523,186	11.8
Yangtze River Delta	**75,412,542**	**14.1**	71,233,443	13.5
Bohai Rim	**67,601,765**	**12.6**	65,191,623	12.3
Pearl River Delta	**63,155,401**	**11.8**	63,336,690	12.0
Northeastern Region	**7,205,558**	**1.3**	6,996,438	1.3
Total	**534,426,478**	**100.0**	529,246,559	100.0

Company

	As at December 31			
	2020		2019	
Area	**Gross amount**	**%**	Gross amount	%
Central Region	**54,645,420**	**28.2**	57,263,732	28.8
Bohai Rim	**39,382,659**	**20.4**	47,667,325	24.0
Yangtze River Delta	**38,990,764**	**20.2**	36,009,498	18.1
Western Region	**35,307,888**	**18.3**	30,503,536	15.4
Pearl River Delta	**22,562,868**	**11.7**	24,908,364	12.5
Northeastern Region	**2,223,886**	**1.2**	2,363,143	1.2
Total	**193,113,485**	**100.0**	198,715,598	100.0

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By geographical area (continued)

Notes:

Central Region:	Including Shanxi, Henan, Hunan, Hubei, Anhui, Jiangxi, and Hainan.
Bohai Rim:	Including Beijing, Tianjin, Hebei, and Shandong.
Yangtze River Delta:	Including Shanghai, Jiangsu, and Zhejiang.
Western Region:	Including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Guangxi, Gansu, Qinghai, Xinjiang, Ningxia, and Inner Mongolia.
Pearl River Delta:	Including Guangdong, Shenzhen, and Fujian.
Northeastern Region:	Including Liaoning, Jilin, and Heilongjiang.
Overseas:	Including Hong Kong and other overseas regions.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By industry

Group

	As at December 31			
	2020		2019	
Industry	**Gross amount**	**%**	Gross amount	%
Corporate business				
Real estate	**183,031,269**	**34.1**	200,997,143	38.0
Manufacturing	**63,451,828**	**11.9**	72,867,907	13.8
Leasing and commercial services	**49,612,282**	**9.3**	52,368,521	9.9
Finance	**29,357,482**	**5.5**	24,073,846	4.5
Production and supply of power, heat, gas and water	**29,166,681**	**5.5**	15,940,369	3.0
Construction	**17,837,696**	**3.3**	14,849,816	2.8
Transportation, logistics and postal services	**15,969,971**	**3.0**	17,707,176	3.3
Mining	**15,857,411**	**3.0**	15,143,210	2.9
Others	**71,380,337**	**13.4**	61,013,509	11.5
Subtotal	**475,664,957**	**89.0**	474,961,497	89.7
Personal business				
Mortgage	**27,377,051**	**5.1**	26,318,715	5.0
Personal consumption loans	**21,264,336**	**4.0**	20,507,932	3.9
Subtotal	**48,641,387**	**9.1**	46,826,647	8.9
Loans to margin clients	**10,120,134**	**1.9**	7,458,415	1.4
Total	**534,426,478**	**100.0**	529,246,559	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By industry (continued)

Company

	As at December 31			
	2020		2019	
Industry	**Gross amount**	**%**	Gross amount	%
Real estate	**88,674,668**	**45.9**	97,974,379	49.3
Manufacturing	**26,321,210**	**13.6**	25,859,350	13.0
Wholesale and retail trade	**16,240,091**	**8.4**	19,143,834	9.6
Construction	**11,348,409**	**5.9**	8,918,543	4.5
Mining	**10,903,560**	**5.6**	12,642,255	6.4
Leasing and commercial services	**8,353,896**	**4.3**	10,717,913	5.4
Transportation, logistics and postal services	**2,611,676**	**1.4**	4,848,924	2.4
Others	**28,659,975**	**14.9**	18,610,400	9.4
Total	**193,113,485**	**100.0**	198,715,598	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By security type

Group

	As at December 31			
	2020		2019	
	Gross amount	**%**	Gross amount	%
Unsecured	**140,241,990**	**26.2**	118,900,076	22.5
Guaranteed	**60,133,987**	**11.3**	69,657,240	13.2
Mortgaged	**192,002,678**	**35.9**	239,447,311	45.2
Pledged	**142,047,823**	**26.6**	101,241,932	19.1
Total	**534,426,478**	**100.0**	529,246,559	100.0

Company

	As at December 31			
	2020		2019	
	Gross amount	**%**	Gross amount	%
Unsecured	**8,842,939**	**4.6**	6,188,898	3.1
Guaranteed	**17,725,350**	**9.2**	20,111,948	10.1
Mortgaged	**132,674,250**	**68.7**	139,585,515	70.3
Pledged	**33,870,946**	**17.5**	32,829,237	16.5
Total	**193,113,485**	**100.0**	198,715,598	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.5 Past due distressed debt assets and loans and advances to customers at amortized cost

Group

	Gross amount as at December 31, 2020					Gross amount as at December 31, 2019				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	9,719,713	6,024,210	3,091,359	330,099	19,165,381	8,392,430	4,139,551	13,779	541,852	13,087,612
Loans and advances to customers	3,228,913	1,986,215	2,650,726	920,067	8,785,921	4,728,498	966,062	1,490,807	1,381,315	8,566,682
Total	12,948,626	8,010,425	5,742,085	1,250,166	27,951,302	13,120,928	5,105,613	1,504,586	1,923,167	21,654,294

Company

	Gross amount as at December 31, 2020					Gross amount as at December 31, 2019				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	9,719,713	6,024,210	3,091,359	136,574	18,971,856	8,392,430	4,139,551	13,779	348,327	12,894,087

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.6 Credit quality of distressed debt assets and loans and advances to customers at amortized cost

Group

	As at December 31	
	2020	2019
Neither past due nor impaired	**506,048,025**	**507,296,036**
Past due but not impaired (1)	**14,936,001**	8,769,717
Impaired (2)	**13,442,452**	13,180,806
Subtotal	**534,426,478**	529,246,559
Allowance for impairment losses	**(24,010,503)**	(19,781,022)
Net carrying amount	**510,415,975**	509,465,537

Company

	As at December 31	
	2020	2019
Neither past due nor impaired	**174,141,629**	**185,821,511**
Past due but not impaired (1)	**11,432,477**	7,188,035
Impaired (2)	**7,539,379**	5,706,052
Subtotal	**193,113,485**	198,715,598
Allowance for impairment losses	**(16,380,750)**	(11,412,402)
Net carrying amount	**176,732,735**	187,303,196

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.6 Credit quality of distressed debt assets and loans and advances to customers at amortized cost (continued)

(1) Past due but not impaired

Group

	Gross amount as at December 31, 2020					Gross amount as at December 31, 2019				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	7,844,426	3,588,051	–	–	11,432,477	6,688,035	500,000	–	–	7,188,035
Loans and advances to customers	1,553,265	1,740,259	210,000	–	3,503,524	1,581,682	–	–	–	1,581,682
Total	9,397,691	5,328,310	210,000	–	14,936,001	8,269,717	500,000	–	–	8,769,717

Company

	Gross amount as at December 31, 2020					Gross amount as at December 31, 2019				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	7,844,426	3,588,051	–	–	11,432,477	6,688,035	500,000	–	–	7,188,035

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.6 Credit quality of distressed debt assets and loans and advances to customers at amortized cost (continued)

(2) Impaired

Group

	As at December 31, 2020		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	**7,732,904**	**(3,258,555)**	**4,474,349**
Loans and advances to customers	**5,709,548**	**(3,185,611)**	**2,523,937**
Total	**13,442,452**	**(6,444,166)**	**6,998,286**

	As at December 31, 2019		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	5,899,577	(3,339,700)	2,559,877
Loans and advances to customers	7,281,229	(3,377,581)	3,903,648
Total	13,180,806	(6,717,281)	6,463,525

Company

	As at December 31, 2020		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	**7,539,379**	**(3,087,248)**	**4,452,131**

	As at December 31, 2019		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	5,706,052	(3,190,972)	2,515,080

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.6 Credit quality of distressed debt assets and loans and advances to customers at amortized cost (continued)

(2) Impaired (continued)

Group

	As at December 31	
	2020	2019
Distressed debt assets		
Impaired	**7,732,904**	5,899,577
– Portion covered	**7,364,164**	5,876,865
– Portion not covered	**368,740**	22,712
Impaired as % of total distressed debt assets	**4.0**	3.0
Fair value of collateral	**7,655,575**	5,887,278
Loans and advances to customers		
Impaired	**5,709,548**	7,281,229
– Portion covered	**5,513,737**	5,598,368
– Portion not covered	**195,811**	1,682,861
Impaired as % of total loans and advances to customers	**1.7**	2.2
Fair value of collateral	**5,554,941**	6,451,349

Company

	As at December 31	
	2020	2019
Distressed debt assets		
Impaired	**7,539,379**	5,706,052
– Portion covered	**7,173,532**	5,683,340
– Portion not covered	**365,847**	22,712
Impaired as % of total distressed debt assets	**3.9**	2.9
Fair value of collateral	**7,463,985**	5,693,753

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.6 Credit quality of distressed debt assets and loans and advances to customers at amortized cost (continued)

(2) Impaired (continued)

Impaired distressed debt assets and loans and advances to customers by geographical area are analyzed as follows:

Distressed debt assets

Group

Area	As at December 31			
	2020		2019	
	Gross amount	%	Gross amount	%
Pearl River Delta	**2,948,201**	**38.1**	3,332,824	56.5
Bohai Rim	**2,715,747**	**35.1**	507,669	8.6
Yangtze River Delta	**1,182,091**	**15.3**	1,285,313	21.8
Central Region	**753,934**	**9.8**	3,643	0.1
Western Region	**132,931**	**1.7**	331,977	5.6
Northeastern Region	**–**	**–**	438,151	7.4
Total	**7,732,904**	**100.0**	5,899,577	100.0

Company

Area	As at December 31			
	2020		2019	
	Gross amount	%	Gross amount	%
Pearl River Delta	**2,948,201**	**39.0**	3,332,824	58.4
Bohai Rim	**2,522,222**	**33.5**	314,144	5.5
Yangtze River Delta	**1,182,091**	**15.7**	1,285,313	22.5
Central Region	**753,934**	**10.0**	3,643	0.1
Western Region	**132,931**	**1.8**	331,977	5.8
Northeastern Region	**–**	**–**	438,151	7.7
Total	**7,539,379**	**100.0**	5,706,052	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.6 Credit quality of distressed debt assets and loans and advances to customers at amortized cost (continued)

(2) Impaired (continued)

Loans and advances to customers

Group

	As at December 31			
	2020		2019	
Area	Gross amount	%	Gross amount	%
Pearl River Delta	**1,170,235**	**20.5**	2,833,018	38.8
Central Region	**1,115,132**	**19.5**	448,066	6.2
Yangtze River Delta	**1,060,707**	**18.6**	230,391	3.2
Bohai Rim	**787,219**	**13.8**	1,133,474	15.6
Overseas	**675,902**	**11.8**	1,191,407	16.4
Northeastern Region	**593,807**	**10.4**	592,276	8.1
Western Region	**306,546**	**5.4**	852,597	11.7
Total	**5,709,548**	**100.0**	7,281,229	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.7 Credit quality of investment products

The tables below set forth the credit quality of investment products, including mixed fund investments, debt investments and trust products.

Group

	As at December 31	
	2020	2019
Neither past due nor impaired (1)	**276,024,460**	267,230,444
Past due but not impaired (2)	**10,816,502**	11,969,437
Impaired (3)	**6,140,254**	6,554,016
Subtotal	**292,981,216**	285,753,897
Allowance for impairment losses	**(2,078,026)**	(1,441,574)
Net carrying amounts	**290,903,190**	284,312,323

Company

	As at December 31	
	2020	2019
Neither past due nor impaired (1)	**97,426,594**	67,498,577
Past due but not impaired	**10,797,575**	11,960,991
Impaired	**1,968,268**	2,476,767
Subtotal	**110,192,437**	81,936,335
Allowance for impairment losses	**(194,076)**	(58,528)
Net carrying amounts	**109,998,361**	81,877,807

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.7 Credit quality of investment products (continued)

(1) Neither past due nor impaired

Group

	As at December 31, 2020				As at December 31, 2019			
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
Government bonds	5,579,784	581,013	40,679,921	46,840,718	5,968,207	3,786,207	54,737,515	64,491,929
Public sector and quasi-government bonds	10,341	–	4,929,996	4,940,337	1,044	–	5,055,750	5,056,794
Financial institution bonds	582,818	1,586,606	34,945,920	37,115,344	501,428	1,776,449	31,354,721	33,632,598
Corporate bonds	7,613,126	581,214	28,105,436	36,299,776	5,086,983	579,971	23,786,945	29,453,899
Trust products and rights to trust assets	14,570,839	15,445,631	–	30,016,470	11,711,825	12,994,353	–	24,706,178
Wealth management products	2,344,900	–	–	2,344,900	1,475,898	–	–	1,475,898
Asset management plans	518,134	513,748	–	1,031,882	1,682,059	608,811	–	2,290,870
Asset-backed securities	756,174	–	–	756,174	564,133	–	–	564,133
Derivative financial assets	802,792	–	–	802,792	593,028	–	–	593,028
Embedded derivatives debts	838,092	–	–	838,092	744,665	–	–	744,665
Debt investments	22,131,737	22,877,525	–	45,009,262	17,607,515	18,781,385	–	36,388,900
Mixed fund investments	56,381,773	–	–	56,381,773	46,917,208	–	–	46,917,208
Interbank negotiate certificate of deposit	–	–	10,594,110	10,594,110	59,162	–	17,640,471	17,699,633
Others	3,052,830	–	–	3,052,830	3,214,711	–	–	3,214,711
Subtotal	115,183,340	41,585,737	119,255,383	276,024,460	96,127,866	38,527,176	132,575,402	267,230,444
Allowance for impairment losses	–	(1,001,339)	–	(1,001,339)	–	(491,353)	–	(491,353)
Total	115,183,340	40,584,398	119,255,383	275,023,121	96,127,866	38,035,823	132,575,402	266,739,091

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.7 Credit quality of investment products (continued)

(1) Neither past due nor impaired (continued)

Company

	As at December 31, 2020				As at December 31, 2019			
	Financial assets at fair value through profit or loss	Financial assets at-amortized cost	Financial assets at fair value through other comprehensive income	Total	Financial assets at fair value through profit or loss	Financial assets at-amortized cost	Financial assets at fair value through other comprehensive income	Total
Government bonds	–	–	1,506,645	1,506,645	–	–	–	–
Financial institution bonds	582,818	–	–	582,818	501,428	–	–	501,428
Corporate bonds	601,542	–	–	601,542	–	–	–	–
Trust plans and rights to trust assets	9,402,461	808,995	–	10,211,456	6,457,791	252,828	–	6,710,619
Asset management plans	257,328	–	–	257,328	495,159	–	–	495,159
Asset-backed securities	339,256	–	–	339,256	309,700	–	–	309,700
Debt investments	22,131,737	5,174,657	–	27,306,394	17,607,515	–	–	17,607,515
Mixed fund investments	51,194,679	–	–	51,194,679	38,979,278	–	–	38,979,278
Interbank negotiate certificate of deposit	–	–	3,064,302	3,064,302	–	–	–	–
Others	2,362,174	–	–	2,362,174	2,894,878	–	–	2,894,878
Subtotal	86,871,995	5,983,652	4,570,947	97,426,594	67,245,749	252,828	–	67,498,577
Allowance for impairment losses	–	(148,822)	–	(148,822)	–	(13,274)	–	(13,274)
Total	86,871,995	5,834,830	4,570,947	97,277,772	67,245,749	239,554	–	67,485,303

As at December 31, 2020, the gross amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB119,255.38 million, the allowances of RMB71.41 million was recognized in other comprehensive income.

As at December 31, 2019, the gross amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB132,575.40 million, and the allowance of RMB60.19 million was recognized in other comprehensive income.

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.7 Credit quality of investment products (continued)

(2) Past due but not impaired

As at December 31, 2020, the past due but not impaired investment products of the Group were financial assets at fair value through profit or loss. The gross amount of investment products was RMB10,816.50 million.

As at December 31, 2019, the past due but not impaired investment products of the Group were financial assets at fair value through profit or loss. The gross amount of investment products was RMB11,969.44 million.

(3) Impaired

As at December 31, 2020, the gross amount of the impaired investment products at fair value through profit or loss was RMB1,921.43 million, and the fair value loss of RMB1,138.35 million was recognized. The impairment of the impaired investment products at fair value through other comprehensive income has been fully accrued, and the allowance of RMB150.05 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB4,218.83 million, and the allowance of RMB1,076.69 million was recognized.

As at December 31, 2019, the gross amount of the impaired investment products at fair value through profit or loss was RMB2,429.92 million, and the fair value loss of RMB1,329.85 million was recognized. The impairment of the impaired investment products at fair value through other comprehensive income has been fully accrued, and the allowance of RMB160.44 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB4,124.09 million, and the allowance of RMB950.22 million was recognized.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.8 Investment products analyzed by credit rating from reputable rating agencies

Group

	As at December 31, 2020						As at December 31, 2019					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Government bonds	3,263,281	19,147,980	1,046,098	-	23,383,360	46,840,719	4,557,937	38,054,765	588,810	–	21,290,350	64,491,862
Public sector and quasi-government bonds	1,787,386	427,452	-	-	2,725,499	4,940,337	2,205,304	–	–	–	2,851,490	5,056,794
Financial institution bonds	582,818	13,509,790	17,121,152	5,752,238	149,222	37,115,220	4,204,237	8,703,239	18,525,052	2,045,728	–	33,478,256
Corporate bonds	10,561,091	93,024	12,314,048	5,108,869	8,227,903	36,304,935	7,466,445	1,355,500	10,375,855	5,978,218	4,263,787	29,439,805
Trust products and rights to trust assets	-	-	-	718,206	32,039,242	32,757,448	–	–	–	239,554	27,800,736	28,040,290
Wealth management products	-	-	-	-	2,344,900	2,344,900	–	–	–	–	1,475,898	1,475,898
Asset management plans	-	-	-	-	983,643	983,643	–	–	–	–	2,280,276	2,280,276
Asset-backed securities	-	-	-	-	756,174	756,174	–	–	–	–	564,133	564,133
Debt investments	-	-	-	-	49,711,037	49,711,037	–	–	–	–	42,780,895	42,780,895
Mixed fund investments	-	-	-	-	63,677,836	63,677,836	–	–	–	–	54,111,022	54,111,022
Derivative financial assets	-	-	-	-	802,792	802,792	–	–	–	–	593,028	593,028
Embedded derivatives debts	-	-	-	-	838,092	838,092	–	–	–	–	744,665	744,665
Interbank negotiate certificate of deposit	3,064,303	-	5,297,013	1,757,876	474,918	10,594,110	–	465,925	11,474,739	5,853,786	59,162	17,853,612
Others	-	-	-	-	3,235,947	3,235,947	–	–	–	–	3,401,787	3,401,787
Total	19,258,879	33,178,246	35,778,311	13,337,189	189,350,565	290,903,190	18,433,923	48,579,429	40,964,456	14,117,286	162,217,229	284,312,323

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.1 Credit Risk (continued)

71.1.8 Investment products analyzed by credit rating from reputable rating agencies (continued)

Company

	As at December 31, 2020						As at December 31, 2019					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Government bonds	1,506,645	-	-	-	-	1,506,645	–	–	–	–	–	–
Financial institution bonds	582,818	-	-	-	-	582,818	501,428	–	–	–	–	501,428
Corporate bonds	-	-	-	-	601,542	601,542	–	–	–	–	–	–
Trust products and rights to trust assets	-	-	-	718,206	9,402,459	10,120,665	–	–	–	239,554	6,932,547	7,172,101
Asset management plans	-	-	-	-	257,328	257,328	–	–	–	–	495,159	495,159
Asset-backed securities	-	-	-	-	339,256	339,256	–	–	–	–	309,700	309,700
Debt investments	-	-	-	-	32,489,771	32,489,771	–	–	–	–	24,144,373	24,144,373
Mixed fund investments	-	-	-	-	58,490,743	58,490,743	–	–	–	–	46,173,092	46,173,092
Interbank negotiate certificate of deposit	3,064,302	-	-	-	-	3,064,302	–	–	–	–	–	–
Others	-	-	-	-	2,545,291	2,545,291	–	–	–	–	3,081,954	3,081,954
Total	5,153,765	-	-	718,206	104,126,390	109,998,361	501,428	–	–	239,554	81,136,825	81,877,807

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 Market risk

Market risk is the risk of loss, in respect of the Group's on- and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities.

The risk of fair value and cash flow changes due to interest rate changes is mainly related to the Group's fixed rate and floating rate financial instruments.

The Group manages its interest rate risk by:

- minimizing the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities;
- strictly controlling the length of the debt restructuring term and strengthening the matching of the Group's liabilities with the terms and interest rate structure of the restructured distressed assets; and
- regularly performing quantitative analysis, including periodic sensitivity analysis.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 Market risk (continued)

Interest rate risk (continued)

At the end of each reporting period, the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing date and maturity date are as follows:

Group

	As at December 31, 2020						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	12,383,502	–	–	–	–	2,991,546	15,375,048
Deposits with banks and financial institutions	76,226,924	4,954,756	4,562,736	–	–	2,209,147	87,953,563
Placements with banks and financial institutions	19,697,443	212,062	–	–	–	–	19,909,505
Deposits with exchanges and others	1,946,984	–	–	–	–	–	1,946,984
Financial assets at fair value through profit or loss	7,789,638	7,193,689	23,859,451	77,310,374	663,339	330,100,183	446,916,674
Financial assets at fair value through other comprehensive income	5,610,860	15,457,819	24,975,428	68,911,888	3,170,792	5,601,681	123,728,468
Loans and advances to customers	192,551,465	38,326,493	75,187,191	45,000,035	1,656,871	734,242	353,456,297
Financial assets at amortized cost	21,659,018	11,394,795	90,043,666	97,102,816	32,661	–	220,232,956
Accounts receivable	15,212	–	–	384,360	–	2,855,838	3,255,410
Financial assets held under resale agreements	30,631,860	4,579,366	313,994	435,156	–	280,777	36,241,153
Other financial assets	2,100	42,341	1,265,625	988,964	1,766	8,465,891	10,766,687
Total financial assets	368,515,006	82,161,321	220,208,091	290,133,593	5,525,429	353,239,305	1,319,782,745
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Accounts payable to brokerage clients	(13,045,266)	–	–	–	–	(3,538,581)	(16,583,847)
Due to customers	(135,353,256)	(57,336,498)	(65,025,816)	(3,243,963)	–	(12,684,641)	(273,644,174)
Deposits from banks and financial institutions	(3,978,380)	(3,863,730)	(391,502)	(7,105,000)	(80,000)	(123,572)	(15,542,184)
Placements from banks and financial institutions	(4,493,080)	(6,791,235)	(2,528,243)	–	–	(231,776)	(14,044,334)
Financial liabilities at fair value through profit or loss	(1,817,920)	(2,170,572)	(1,671,852)	–	–	(1,616,565)	(7,276,909)
Financial assets sold under repurchase agreements	(8,874,433)	(3,948,122)	(1,484,020)	–	–	(1,684,103)	(15,990,678)
Borrowings	(34,278,158)	(57,361,284)	(368,419,974)	(74,531,803)	(19,294,094)	(3,026,835)	(556,912,148)
Bonds issued	(36,279)	(21,483,793)	(75,886,723)	(146,967,791)	(105,330,923)	(6,072,021)	(355,777,530)
Accounts payable	–	–	–	–	–	(4,886,693)	(4,886,693)
Other financial liabilities	(272,841)	(206,431)	(2,671,112)	(539,468)	(22,916)	(25,158,839)	(28,871,607)
Total financial liabilities	(202,149,613)	(153,161,665)	(518,079,242)	(232,388,025)	(124,727,933)	(60,009,684)	(1,290,516,162)
Interest rate gap	166,365,393	(71,000,344)	(297,871,151)	57,745,568	(119,202,504)	293,229,621	29,266,583

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 Market risk (continued)

Interest rate risk (continued)

Group (continued)

	As at December 31, 2019						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	14,285,356	–	–	–	–	4,716,695	19,002,051
Deposits with banks and financial institutions	59,750,485	7,040,042	2,845,194	170,983	–	1,030,889	70,837,593
Placements with banks and financial institutions	9,196,767	1,177,215	778,318	–	–	–	11,152,300
Deposits with exchanges and others	1,323,359	–	–	–	–	–	1,323,359
Financial assets at fair value through profit or loss	5,735,157	1,962,001	8,573,894	68,119,351	931,961	326,842,219	412,164,583
Financial assets at fair value through other comprehensive income	9,018,158	14,835,453	43,842,887	61,297,584	2,385,068	5,423,815	136,802,965
Loans and advances to customers	205,062,207	43,968,089	47,327,661	39,506,994	1,360,271	633,842	337,859,064
Financial assets at amortized cost	24,921,303	12,744,713	73,068,357	116,910,694	–	–	227,645,067
Accounts receivable	–	–	–	400,000	–	2,002,725	2,402,725
Financial assets held under resale agreements	11,870,687	–	129,050	461,994	–	750,723	13,212,454
Assets held for sale	5,774,791	2,035,931	5,142,616	17,036,291	10,881,121	18,084,650	58,955,400
Other financial assets	41,628	49,617	231,904	292,221	–	14,482,385	15,097,755
Total financial assets	346,979,898	83,813,061	181,939,881	304,196,112	15,558,421	373,967,943	1,306,455,316
Borrowings from central bank	–	–	(24,761)	–	–	(986,099)	(1,010,860)
Accounts payable to brokerage clients	(11,231,975)	–	–	–	–	(3,088,369)	(14,320,344)
Due to customers	(127,974,752)	(53,385,563)	(78,323,140)	(7,389,881)	(309,498)	(7,822,932)	(275,205,766)
Deposits from banks and financial institutions	(1,480,862)	(6,429,392)	(3,032,490)	(3,081,540)	(4,776)	(128,068)	(14,157,128)
Placements from banks and financial institutions	(7,292,129)	(3,759,010)	(3,013,811)	–	–	(19,869)	(14,084,819)
Financial liabilities at fair value through profit or loss	(3,394,627)	(818,294)	(309,478)	–	–	(542,857)	(5,065,256)
Financial assets sold under repurchase agreements	(9,212,051)	(1,125,131)	(6,849,966)	(500,000)	–	(1,808,442)	(19,495,590)
Borrowings	(14,978,533)	(76,909,729)	(320,986,602)	(99,623,212)	(21,087,227)	(3,006,001)	(536,591,304)
Bonds issued	(99,293)	(10,569,779)	(69,764,775)	(112,101,319)	(106,929,018)	(5,385,382)	(304,849,566)
Accounts payable	–	–	–	–	–	(5,050,797)	(5,050,797)
Liabilities held for sale	–	(1,078)	(3,235)	(5,717,873)	(7,946,077)	(1,880,074)	(15,548,337)
Other financial liabilities	(21,834)	(28,704)	(170,274)	(456,570)	(99,550)	(34,512,061)	(35,288,993)
Total financial liabilities	(175,686,056)	(153,026,680)	(482,478,532)	(228,870,395)	(136,376,146)	(64,230,951)	(1,240,668,760)
Interest rate gap	171,293,842	(69,213,619)	(300,538,651)	75,325,717	(120,817,725)	309,736,992	65,786,556

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 Market risk (continued)

Interest rate risk (continued)

Company

	As at December 31, 2020						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	2,410	–	–	–	–	257	2,667
Deposits with banks and financial institutions	18,543,161	5,198,792	4,582,752	–	–	–	28,324,705
Financial assets at fair value through profit or loss	2,745,944	3,390,675	10,147,922	63,693,233	582,818	266,979,942	347,540,534
Accounts receivable	–	–	–	384,360	–	421,057	805,417
Financial assets held under resale agreements	29,593,405	4,480,236	–	–	–	38,861	34,112,502
Amounts due from subsidiaries	8,944,307	4,022,829	4,907,648	8,335,300	–	1,121,147	27,331,231
Financial assets at fair value through other comprehensive income	496,600	2,528,281	–	9,759	1,491,983	3,487,695	8,014,318
Financial assets at amortized cost	16,536,439	11,077,677	74,176,797	80,745,580	32,661	–	182,569,154
Interests in consolidated structured entities	1,349,504	191,269	2,552,948	20,986,607	562,232	2,693,306	28,335,866
Other financial assets	600	13,137	1,224,833	–	–	2,960,168	4,198,738
Total financial assets	78,212,370	30,902,896	97,592,900	174,154,839	2,669,694	277,702,433	661,235,132
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(204,201)	(204,201)
Borrowings	(29,000,000)	(50,300,000)	(311,660,000)	(50,900,000)	–	(2,108,344)	(443,968,344)
Bonds issued	–	(15,795,585)	(65,082,426)	(45,459,319)	(69,655,676)	(3,881,319)	(199,874,325)
Accounts payable	–	–	–	–	–	(1,000)	(1,000)
Other financial liabilities	–	–	–	–	–	(5,870,305)	(5,870,305)
Total financial liabilities	(29,000,000)	(66,095,585)	(376,742,426)	(96,359,319)	(69,655,676)	(13,051,227)	(650,904,233)
Interest rate gap	49,212,370	(35,192,689)	(279,149,526)	77,795,520	(66,985,982)	264,651,206	10,330,899

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 Market risk (continued)

Interest rate risk (continued)

Company (continued)

	As at December 31, 2019						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	2,399	–	–	–	–	399	2,798
Deposits with banks and financial institutions	10,957,760	1,061,168	–	–	–	–	12,018,928
Financial assets at fair value through profit or loss	2,447,981	153,667	2,733,090	59,647,247	501,428	258,025,020	323,508,433
Accounts receivable	–	–	–	400,000	–	152,805	552,805
Financial assets held under resale agreements	10,477,172	–	–	–	–	2,575	10,479,747
Amounts due from subsidiaries	3,084,025	12,555,309	16,183,089	11,527,458	–	246,851	43,596,732
Financial assets at fair value through other comprehensive income	–	–	–	–	–	4,199,647	4,199,647
Financial assets at amortized cost	19,207,256	11,820,799	67,451,293	88,886,543	–	–	187,365,891
Interests in consolidated structured entities	–	1,205,059	1,190,736	11,878,496	545,468	3,571,235	18,390,994
Other financial assets	35,200	46,800	92,762	–	–	3,817,435	3,992,197
Total financial assets	46,211,793	26,842,802	87,650,970	172,339,744	1,046,896	270,015,967	604,108,172
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(717,977)	(717,977)
Borrowings	(13,900,000)	(66,490,000)	(278,289,000)	(65,000,000)	–	(2,407,925)	(426,086,925)
Bonds issued	–	(1,258,847)	(52,641,066)	(38,286,132)	(59,693,617)	(3,037,154)	(154,916,816)
Other financial liabilities	–	–	–	–	–	(6,308,063)	(6,308,063)
Total financial liabilities	(13,900,000)	(67,748,847)	(330,930,066)	(103,286,132)	(59,693,617)	(13,457,177)	(589,015,839)
Interest rate gap	32,311,793	(40,906,045)	(243,279,096)	69,053,612	(58,646,721)	256,558,790	15,092,333

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 Market risk (continued)

Interest rate risk (continued)

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in the yield rates of all financial instruments on the Group's profit before tax and other comprehensive income, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of each reporting period.

Interest rate sensitivity analysis

Group

	As at December 31			
	2020		2019	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
+ 100 basis points	(114,351)	(1,690,701)	(62,234)	(1,536,577)
– 100 basis points	114,351	1,751,159	62,234	1,584,092

Company

	As at December 31			
	2020		2019	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
+ 100 basis points	(868,465)	(117,276)	(943,526)	–
– 100 basis points	868,465	127,967	943,526	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 Market risk (continued)

Foreign exchange risk

Foreign exchange risk is the risk of loss due to changes in currency exchange rates. The Group takes on exposure to the effects of fluctuations in the prevailing foreign exchange rates on its financial position and operating performance. The Group conducts the majority of its businesses in RMB, with certain foreign transactions in United States dollars ("USD"), Hong Kong dollars ("HKD") and other currencies.

At the end of each reporting period, a breakdown of the assets and liabilities analyzed by currency is as follows:

Group

	As at December 31, 2020				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central banks	26,650	12,974	15,299,320	36,104	15,375,048
Deposits with banks and financial institutions	65,656,583	20,637,853	1,019,592	639,535	87,953,563
Placements with banks and financial institutions	3,813,372	12,207,698	3,888,435	–	19,909,505
Deposits with exchanges and others	1,935,351	1,762	9,871	–	1,946,984
Financial assets at fair value through profit or loss	402,160,618	35,022,882	8,351,050	1,382,124	446,916,674
Financial assets at amortized cost	218,646,474	1,586,482	–	–	220,232,956
Financial assets at fair value through other comprehensive income	32,438,919	48,044,228	43,245,321	–	123,728,468
Loans and advances to customers	179,083,828	56,126,125	110,162,799	8,083,545	353,456,297
Accounts receivable	2,573,061	251,661	430,688	–	3,255,410
Financial assets held under resale agreements	36,241,153	–	–	–	36,241,153
Other financial assets	7,618,333	1,005,533	2,124,290	18,531	10,766,687
Total financial assets	950,194,342	174,897,198	184,531,366	10,159,839	1,319,782,745

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 Market risk (continued)

Foreign exchange risk (continued)

Group (continued)

	As at December 31, 2020				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Borrowings from central bank	(986,058)	–	–	–	(986,058)
Accounts payable to brokerage clients	(16,263,474)	–	(320,373)	–	(16,583,847)
Due to customers	(59,290,688)	(55,912,215)	(152,174,635)	(6,266,636)	(273,644,174)
Deposits from banks and financial institutions	(14,705,384)	(441,637)	(387,442)	(7,721)	(15,542,184)
Placements from banks and financial institutions	(5,758,799)	(2,746,535)	(957,230)	(4,581,770)	(14,044,334)
Financial liabilities at fair value through profit or loss	(74,850)	(501,482)	(6,700,577)	–	(7,276,909)
Financial assets sold under repurchase agreements	(1,469,301)	(2,823,223)	(3,042,306)	(8,655,848)	(15,990,678)
Borrowings	(512,019,155)	(8,284,352)	(36,606,585)	(2,056)	(556,912,148)
Bonds issued	(274,953,592)	(80,779,624)	(44,314)	–	(355,777,530)
Accounts payable	(4,363,902)	(288,274)	(228,684)	(5,833)	(4,886,693)
Other financial liabilities	(26,126,129)	(870,771)	(1,856,554)	(18,153)	(28,871,607)
Total financial liabilities	(916,011,332)	(152,648,113)	(202,318,700)	(19,538,017)	(1,290,516,162)
Net exposure	34,183,010	22,249,085	(17,787,334)	(9,378,178)	29,266,583

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 Market risk (continued)

Foreign exchange risk (continued)

Group (continued)

	As at December 31, 2019				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central banks	12,972,424	1,206,396	4,786,904	36,327	19,002,051
Deposits with banks and financial institutions	62,380,986	5,406,720	2,378,390	671,497	70,837,593
Placements with banks and financial institutions	2,721,743	6,954,649	780,937	694,971	11,152,300
Deposits with exchanges and others	1,315,107	1,884	6,368	–	1,323,359
Financial assets at fair value through profit or loss	370,119,094	30,962,869	9,218,225	1,864,395	412,164,583
Financial assets at amortized cost	226,289,655	445,976	861,378	48,058	227,645,067
Financial assets at fair value through other comprehensive income	22,516,260	38,979,865	62,032,783	13,274,057	136,802,965
Loans and advances to customers	144,869,164	61,208,348	123,663,333	8,118,219	337,859,064
Accounts receivable	2,146,879	28,123	227,723	–	2,402,725
Financial assets held under resale agreements	13,212,454	–	–	–	13,212,454
Assets held for sale	58,955,400	–	–	–	58,955,400
Other financial assets	5,867,064	4,649,590	4,577,405	3,696	15,097,755
Total financial assets	923,366,230	149,844,420	208,533,446	24,711,220	1,306,455,316

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 Market risk (continued)

Foreign exchange risk (continued)

Group (continued)

	As at December 31, 2019				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Borrowings from central bank	(1,010,860)	–	–	–	(1,010,860)
Accounts payable to brokerage clients	(14,053,843)	(89,314)	(177,187)	–	(14,320,344)
Due to customers	(70,424,176)	(58,729,789)	(140,643,516)	(5,408,285)	(275,205,766)
Deposits from banks and financial institutions	(13,158,511)	(631,904)	(359,188)	(7,525)	(14,157,128)
Placements from banks and financial institutions	(7,020,316)	(3,487,979)	(928,905)	(2,647,619)	(14,084,819)
Financial liabilities at fair value through profit or loss	(159,071)	(180,796)	(4,724,331)	(1,058)	(5,065,256)
Financial assets sold under repurchase agreements	(9,997,280)	(1,171,378)	(2,008,720)	(6,318,212)	(19,495,590)
Borrowings	(488,982,718)	(7,569,702)	(40,038,884)	–	(536,591,304)
Bonds issued	(222,401,934)	(82,400,467)	(47,165)	–	(304,849,566)
Accounts payable	(3,946,431)	(468,906)	(625,238)	(10,222)	(5,050,797)
Liabilities held for sale	(15,548,337)	–	–	–	(15,548,337)
Other financial liabilities	(24,548,963)	(491,365)	(10,243,498)	(5,167)	(35,288,993)
Total financial liabilities	(871,252,440)	(155,221,600)	(199,796,632)	(14,398,088)	(1,240,668,760)
Net exposure	52,113,790	(5,377,180)	8,736,814	10,313,132	65,786,556

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.2 Market risk (continued)

Foreign exchange risk (continued)

Foreign exchange rate sensitivity analysis

The tables below indicate the potential effect on profit before tax of a 5% appreciation or depreciation of RMB spot and forward exchange rate against all other currencies.

Group

	As at December 31	
	2020	2019
5% appreciation	**245,821**	(683,638)
5% depreciation	**(245,821)**	683,638

As the Company's operations are mainly denominated in RMB, directors of the Company are of the view that the Company's foreign exchange risk is insignificant and therefore do not present such analysis.

Price risk

Price risk is the risk that the fair values of equity investments fluctuate as a result of changes in the levels of equity indices and the value of relative securities. The risk is reflected as the variation of the Group's profit or loss and net assets arising from fair value changes of financial assets measured at fair value changes, and also the variation of the Group's other comprehensive income and net assets arising from the fair value changes of financial assets measured at other comprehensive income.

The following tables illustrate the potential impact of an increase or decrease of 1 percent in price of equity investments classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income on profit before tax and equity.

Group

	As at December 31			
	2020		2019	
	Profit before tax	**Equity**	Profit before tax	Equity
+1 percent	**1,202,492**	**44,731**	1,040,160	42,276
– 1 percent	**(1,202,492)**	**(44,731)**	(1,040,160)	(42,276)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.3 Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk by:

- optimizing assets and liabilities structure;

- implementing a centralized liquidity management system by pooling Group-wide funds and maintaining an efficient internal fund transfer mechanism within the Group; and

- regularly performing quantitative analysis.

The tables below present the cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturity at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.3 Liquidity risk (continued)

Group

	As at December 31, 2020							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	7,972,169	7,402,906	–	–	–	–	–	15,375,075
Deposits with banks and financial institutions	166	63,240,984	15,505,223	4,963,935	4,575,117	–	–	88,285,425
Placements with banks and financial institutions	–	–	19,697,613	211,892	–	–	–	19,909,505
Deposits with exchanges and others	1,946,984	–	–	–	–	–	–	1,946,984
Financial assets at fair value through profit or loss	318,751,002	10,578,634	3,694,278	20,484,306	30,288,313	101,182,674	707,329	485,686,536
Loans and advances to customers	9,750,462	21,456,317	8,441,472	29,791,214	90,988,108	161,080,255	54,453,781	375,961,609
Accounts receivable	459,266	1,208,723	247,350	197,000	731,895	467,477	–	3,311,711
Financial assets held under resale agreements	857,181	–	31,133,004	4,617,292	335,500	436,462	–	37,379,439
Financial assets at fair value through other comprehensive income	4,473,085	–	5,681,357	15,653,390	25,374,364	74,641,918	3,967,887	129,792,001
Financial assets at amortized cost	22,301,470	1,838,962	3,093,361	12,651,062	101,077,742	123,196,429	54,157	264,213,183
Other financial assets	3,172,323	3,801,919	1,127,062	45,170	1,311,480	1,554,912	1,870	11,014,736
Total financial assets	369,684,108	109,528,445	88,620,720	88,615,261	254,682,519	462,560,127	59,185,024	1,432,876,204
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(3,538,581)	(13,045,266)	–	–	–	–	(16,583,847)
Due to customers	–	(104,862,591)	(43,432,569)	(51,170,053)	(68,300,389)	(6,714,776)	–	(274,480,378)
Deposits from banks and financial institutions	–	(705,966)	(3,379,247)	(3,899,744)	(396,824)	(7,280,031)	(97,961)	(15,759,773)
Placements from banks and financial institutions	–	(218,873)	(3,896,967)	(7,412,977)	(2,602,871)	–	–	(14,131,688)
Financial liabilities at fair value through profit or loss	(12,243)	(73,468)	(2,132,995)	(2,452,163)	(2,173,916)	(419,984)	(12,571)	(7,277,340)
Financial assets sold under repurchase agreements	–	(1,683,280)	(8,881,858)	(3,951,109)	(1,485,243)	–	–	(16,001,490)
Borrowings	(504,059)	(37,347,637)	(33,816,464)	(58,125,905)	(363,274,829)	(81,303,264)	(3,682,802)	(578,054,960)
Bonds issued	–	–	(36,430)	(21,907,485)	(77,970,973)	(155,918,738)	(132,570,547)	(388,404,173)
Accounts payable	(82,353)	(4,728,742)	(63,263)	11,926	(127,814)	(24,052)	–	(5,014,298)
Other financial liabilities	(982,722)	(17,135,458)	(1,321,168)	(732,879)	(4,747,677)	(3,610,039)	(489,451)	(29,019,394)
Total financial liabilities	(2,567,435)	(170,294,596)	(110,006,227)	(149,640,389)	(521,080,536)	(255,270,884)	(136,853,332)	(1,345,713,399)
Net position	367,116,673	(60,766,151)	(21,385,507)	(61,025,128)	(266,398,017)	207,289,243	(77,668,308)	87,162,805

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.3 Liquidity risk (continued)

Group (continued)

	As at December 31, 2019							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	14,282,968	4,719,083	–	–	–	–	–	19,002,051
Deposits with banks and financial institutions	225,157	53,322,345	7,742,837	7,077,806	2,878,550	172,296	–	71,418,991
Placements with banks and financial institutions	–	–	10,038,274	1,178,496	789,744	–	–	12,006,514
Deposits with exchanges and others	1,323,359	–	–	–	–	–	–	1,323,359
Financial assets at fair value through profit or loss	314,149,501	8,215,331	2,881,024	4,452,634	14,293,074	82,843,927	1,436,453	428,271,944
Loans and advances to customers	4,238,615	21,041,993	13,184,025	25,917,915	80,741,496	175,952,409	64,987,104	386,063,557
Accounts receivable	1,253,545	553,021	30,112	150,401	14,705	441,601	–	2,443,385
Financial assets held under resale agreements	746,068	–	11,898,840	–	130,964	471,383	–	13,247,255
Financial assets at fair value through other comprehensive income	4,227,563	–	9,054,914	14,978,895	44,605,167	65,991,149	8,728,017	147,585,705
Financial assets at amortized cost	16,103,312	2,312,590	13,074,001	13,563,498	81,202,152	146,642,305	–	272,897,858
Assets held for sale	18,226,322	260,051	5,023,850	2,234,612	5,803,534	19,973,013	15,194,148	66,715,530
Other financial assets	5,455,473	1,905,655	3,351,778	3,956,872	742,838	121,784	239,052	15,773,452
Total financial assets	380,231,883	92,330,069	76,279,655	73,511,129	231,202,224	492,609,867	90,584,774	1,436,749,601
Borrowings from central bank	(986,058)	–	–	–	(25,040)	–	–	(1,011,098)
Accounts payable to brokerage clients	–	(3,086,905)	(11,236,844)	–	–	–	–	(14,323,749)
Due to customers	–	(93,941,836)	(41,530,831)	(53,780,903)	(79,659,993)	(14,824,434)	(365,109)	(284,103,106)
Deposits from banks and financial institutions	–	(978,458)	(507,576)	(6,496,080)	(3,122,944)	(3,195,744)	(4,823)	(14,305,625)
Placements from banks and financial institutions	–	–	(7,305,821)	(3,782,400)	(3,014,120)	–	–	(14,102,341)
Financial liabilities at fair value through profit or loss	(16,941)	(77,572)	(3,445,263)	(972,209)	(399,194)	(154,077)	–	(5,065,256)
Financial assets sold under repurchase agreements	–	(1,791,560)	(9,308,489)	(1,136,864)	(6,930,046)	(505,671)	–	(19,672,630)
Borrowings	–	–	(16,256,368)	(80,360,737)	(332,129,868)	(122,735,798)	(27,688,312)	(579,171,083)
Bonds issued	–	–	(102,319)	(10,969,067)	(72,108,118)	(124,642,253)	(153,386,288)	(361,208,045)
Accounts payable	(34,011)	(4,749,307)	(120,925)	(121,335)	(25,219)	–	–	(5,050,797)
Liabilities held for sale	(1,799,310)	–	–	(1,078)	(3,235)	(5,733,039)	(8,731,346)	(16,268,008)
Other financial liabilities	(3,772,588)	(12,945,698)	(9,644,781)	(190,809)	(5,005,133)	(3,161,603)	(612,948)	(35,333,560)
Total financial liabilities	(6,608,908)	(117,571,336)	(99,459,217)	(157,811,482)	(502,422,910)	(274,952,619)	(190,788,826)	(1,349,615,298)
Net position	373,622,975	(25,241,267)	(23,179,562)	(84,300,353)	(271,220,686)	217,657,248	(100,204,052)	87,134,303

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.3 Liquidity risk (continued)

Company

	As at December 31, 2020							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,667	–	–	–	–	–	2,667
Deposits with banks and financial institutions	–	14,617,312	3,927,180	5,203,655	4,590,619	–	–	28,338,766
Financial assets at fair value through profit or loss	267,469,787	1,887,664	2,310,068	16,009,190	12,006,688	83,720,167	582,818	383,986,382
Accounts receivable	1,605	219,502	199,951	–	–	440,660	–	861,718
Financial assets held under resale agreements	–	–	29,654,654	4,502,946	–	–	–	34,157,600
Amounts due from subsidiaries	4,673	3,588,296	6,476,925	4,025,425	4,912,144	9,267,541	–	28,275,004
Financial assets at fair value through other comprehensive income	3,443,371	–	500,393	2,572,264	–	10,966	1,892,628	8,419,622
Financial assets at amortized cost	19,018,700	–	2,846,492	11,828,842	83,907,253	103,270,345	54,157	220,925,789
Interests in consolidated structured entities	4,558,616	–	136,862	194,000	2,703,438	24,464,327	588,337	32,645,580
Other financial assets	2,354,428	463,269	600	13,137	1,463,238	142,470	–	4,437,142
Total financial assets	296,851,180	20,778,710	46,053,125	44,349,459	109,583,380	221,316,476	3,117,940	742,050,270
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(204,201)	–	(204,201)
Borrowings	–	–	(29,096,792)	(50,975,988)	(319,441,241)	(54,580,813)	–	(454,094,834)
Bonds issued	–	–	–	(15,979,131)	(66,259,310)	(49,495,689)	(96,901,745)	(228,635,875)
Accounts payable	–	–	–	–	(1,000)	–	–	(1,000)
Other financial liabilities	(715,173)	(5,140,607)	–	–	(14,526)	–	–	(5,870,306)
Total financial liabilities	(1,701,231)	(5,140,607)	(29,096,792)	(66,955,119)	(385,716,077)	(104,280,703)	(96,901,745)	(689,792,274)
Net position	295,149,949	15,638,103	16,956,333	(22,605,660)	(276,132,697)	117,035,773	(93,783,805)	52,257,996

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.3 Liquidity risk (continued)

Company (continued)

	As at December 31, 2019							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,798	–	–	–	–	–	2,798
Deposits with banks and financial institutions	–	10,957,760	–	1,065,458	–	–	–	12,023,218
Financial assets at fair value through profit or loss	262,713,167	2,517,905	121,285	1,360,729	5,435,354	63,198,808	501,428	335,848,676
Accounts receivable	1,605	1,200	–	150,000	–	440,660	–	593,465
Financial assets held under resale agreements	–	–	10,485,873	–	–	–	–	10,485,873
Amounts due from subsidiaries	4,673	1,665,229	1,662,316	12,609,381	16,437,791	12,921,921	–	45,301,311
Financial assets at fair value through other comprehensive income	4,199,647	–	–	–	–	–	–	4,199,647
Financial assets at amortized cost	12,762,483	–	12,960,852	12,089,923	73,231,233	114,731,143	–	225,775,634
Interests in consolidated structured entities	3,804,365	–	–	1,274,098	1,266,807	14,087,611	581,076	21,013,957
Other financial assets	2,781,205	798,838	35,200	46,800	92,762	–	237,392	3,992,197
Total financial assets	286,267,145	15,943,730	25,265,526	28,596,389	96,463,947	205,380,143	1,319,896	659,236,776
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	(106,876)	(267,978)	(343,123)	–	(717,977)
Borrowings	–	–	(15,170,332)	(69,696,345)	(285,743,863)	(67,006,110)	–	(437,616,650)
Bonds issued	–	–	–	(1,281,273)	(54,434,865)	(41,370,489)	(84,467,055)	(181,553,682)
Other financial liabilities	(536,971)	(5,559,592)	–	–	(211,500)	–	–	(6,308,063)
Total financial liabilities	(1,523,029)	(5,559,592)	(15,170,332)	(71,084,494)	(340,658,206)	(108,719,722)	(84,467,055)	(627,182,430)
Net position	284,744,116	10,384,138	10,095,194	(42,488,105)	(244,194,259)	96,660,421	(83,147,159)	32,054,346

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities

Group

	As at December 31, 2020							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	7,972,169	7,402,879	–	–	–	–	–	15,375,048
Deposits with banks and financial institutions	166	62,949,253	15,485,789	4,955,619	4,562,736	–	–	87,953,563
Placements with banks and financial institutions	–	–	19,697,613	211,892	–	–	–	19,909,505
Deposits with exchanges and others	1,946,984	–	–	–	–	–	–	1,946,984
Financial assets at fair value through profit or loss	316,870,573	10,494,878	3,368,488	7,819,567	27,768,489	79,913,578	681,101	446,916,674
Loans and advances to customers	4,835,240	21,456,317	6,771,545	28,846,395	87,002,193	153,401,520	51,143,087	353,456,297
Accounts receivable	459,266	1,208,722	247,350	197,000	731,895	411,177	–	3,255,410
Financial assets held under resale agreements	240,274	–	30,669,598	4,580,825	313,994	436,462	–	36,241,153
Financial assets at fair value through other comprehensive income	4,473,085	–	5,676,429	15,616,884	25,127,524	69,647,423	3,187,123	123,728,468
Financial assets at amortized cost	16,994,357	1,838,962	2,825,700	11,343,655	89,564,932	97,632,689	32,661	220,232,956
Other financial assets	3,172,323	3,801,919	1,127,062	45,170	1,311,393	1,307,054	1,766	10,766,687
Total financial assets	356,964,437	109,152,930	85,869,574	73,617,007	236,383,156	402,749,903	55,045,738	1,319,782,745
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(3,538,581)	(13,045,266)	–	–	–	–	(16,583,847)
Due to customers	–	(104,862,591)	(43,398,609)	(50,958,288)	(67,822,820)	(6,601,866)	–	(273,644,174)
Deposits from banks and financial institutions	–	(705,966)	(3,379,247)	(3,878,650)	(393,321)	(7,105,000)	(80,000)	(15,542,184)
Placements from banks and financial institutions	–	(218,872)	(3,894,405)	(7,398,027)	(2,533,030)	–	–	(14,044,334)
Financial liabilities at fair value through profit or loss	(12,243)	(73,468)	(2,132,973)	(2,452,077)	(2,173,593)	(419,984)	(12,571)	(7,276,909)
Financial assets sold under repurchase agreements	–	(1,683,280)	(8,875,256)	(3,948,122)	(1,484,020)	–	–	(15,990,678)
Borrowings	(504,059)	(32,800,248)	(33,776,825)	(57,783,285)	(355,787,720)	(73,495,718)	(2,764,293)	(556,912,148)
Bonds issued	–	–	(36,404)	(21,753,880)	(76,535,069)	(148,968,097)	(108,484,080)	(355,777,530)
Accounts payable	(82,353)	(4,601,137)	(63,263)	11,926	(127,814)	(24,052)	–	(4,886,693)
Other financial liabilities	(982,722)	(17,126,290)	(1,307,889)	(705,708)	(4,672,059)	(3,587,726)	(489,213)	(28,871,607)
Total financial liabilities	(2,567,435)	(165,610,433)	(109,910,137)	(148,866,111)	(511,529,446)	(240,202,443)	(111,830,157)	(1,290,516,162)
Net position	354,397,002	(56,457,503)	(24,040,563)	(75,249,104)	(275,146,290)	162,547,460	(56,784,419)	29,266,583

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (continued)

Group (continued)

	As at December 31, 2019							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	14,282,968	4,719,083	–	–	–	–	–	19,002,051
Deposits with banks and financial institutions	225,157	52,819,805	7,734,218	7,042,236	2,845,194	170,983	–	70,837,593
Placements with banks and financial institutions	–	–	9,196,767	1,177,215	778,318	–	–	11,152,300
Deposits with exchanges and others	1,323,359	–	–	–	–	–	–	1,323,359
Financial assets at fair value through profit or loss	308,932,315	6,718,282	2,740,196	3,446,859	11,633,424	77,756,863	936,644	412,164,583
Loans and advances to customers	2,789,490	21,037,238	12,279,822	23,689,184	73,428,974	155,886,832	48,747,524	337,859,064
Accounts receivable	1,253,545	553,021	30,112	150,401	14,705	400,941	–	2,402,725
Financial assets held under resale agreements	738,682	–	11,877,389	–	129,667	466,716	–	13,212,454
Financial assets at fair value through other comprehensive income	4,227,563	–	9,047,658	14,943,583	44,107,086	62,056,815	2,420,260	136,802,965
Financial assets at amortized cost	12,304,831	2,312,590	10,303,881	12,744,714	73,068,357	116,910,694	–	227,645,067
Assets held for sale	18,208,998	260,051	4,914,502	2,037,270	5,008,764	17,435,691	11,090,124	58,955,400
Other financial assets	5,455,473	1,905,655	3,194,443	3,847,532	360,071	95,993	238,588	15,097,755
Total financial assets	369,742,381	90,325,725	71,318,988	69,078,994	211,374,560	431,181,528	63,433,140	1,306,455,316
Borrowings from central bank	(986,058)	–	–	–	(24,802)	–	–	(1,010,860)
Accounts payable to brokerage clients	–	(3,086,905)	(11,233,439)	–	–	–	–	(14,320,344)
Due to customers	–	(93,941,836)	(41,405,382)	(53,517,292)	(78,641,877)	(7,389,881)	(309,498)	(275,205,766)
Deposits from banks and financial institutions	–	(978,458)	(502,550)	(6,429,782)	(3,090,727)	(3,150,835)	(4,776)	(14,157,128)
Placements from banks and financial institutions	–	–	(7,301,734)	(3,769,192)	(3,013,893)	–	–	(14,084,819)
Financial liabilities at fair value through profit or loss	(16,941)	(77,572)	(3,445,263)	(972,209)	(399,194)	(154,077)	–	(5,065,256)
Financial assets sold under repurchase agreements	–	(1,791,560)	(9,216,325)	(1,125,608)	(6,861,432)	(500,665)	–	(19,495,590)
Borrowings	–	–	(15,192,423)	(77,424,457)	(322,986,601)	(99,781,056)	(21,206,767)	(536,591,304)
Bonds issued	–	–	(102,137)	(10,879,118)	(70,407,570)	(113,752,923)	(109,707,818)	(304,849,566)
Accounts payable	(34,011)	(4,749,307)	(120,925)	(121,335)	(25,219)	–	–	(5,050,797)
Liabilities held for sale	(1,799,310)	–	–	(1,078)	(3,235)	(5,733,039)	(8,011,675)	(15,548,337)
Other financial liabilities	(3,772,588)	(12,930,919)	(9,643,807)	(189,011)	(4,997,731)	(3,142,732)	(612,205)	(35,288,993)
Total financial liabilities	(6,608,908)	(117,556,557)	(98,163,985)	(154,429,082)	(490,452,281)	(233,605,208)	(139,852,739)	(1,240,668,760)
Net position	363,133,473	(27,230,832)	(26,844,997)	(85,350,088)	(279,077,721)	197,576,320	(76,419,599)	65,786,556

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (continued)

Company

	As at December 31, 2020							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,667	–	–	–	–	–	2,667
Deposits with banks and financial institutions	–	14,617,312	3,925,849	5,198,792	4,582,752	–	–	28,324,705
Financial assets at fair value through profit or loss	265,714,407	1,803,909	2,207,570	3,390,675	10,147,922	63,693,233	582,818	347,540,534
Accounts receivable	1,605	219,501	199,951	–	–	384,360	–	805,417
Financial assets held under resale agreements	–	–	29,630,807	4,481,695	–	–	–	34,112,502
Amounts due from subsidiaries	4,673	3,588,296	6,472,486	4,022,829	4,907,647	8,335,300	–	27,331,231
Financial assets at fair value through other comprehensive income	3,443,371	–	499,291	2,565,011	–	9,889	1,496,756	8,014,318
Financial assets at amortized cost	13,711,586	–	2,824,853	11,077,677	74,176,797	80,745,580	32,661	182,569,154
Interests in consolidated structured entities	3,911,626	–	131,184	191,269	2,552,948	20,986,607	562,232	28,335,866
Other financial assets	2,354,428	463,269	600	13,137	1,224,834	142,470	–	4,198,738
Total financial assets	289,141,696	20,694,954	45,892,591	30,941,085	97,592,900	174,297,439	2,674,467	661,235,132
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(204,201)	–	(204,201)
Borrowings	–	–	(29,061,288)	(50,694,412)	(313,242,670)	(50,969,974)	–	(443,968,344)
Bonds issued	–	–	–	(15,929,821)	(65,615,531)	(45,965,324)	(72,363,649)	(199,874,325)
Accounts payable	–	–	–	–	(1,000)	–	–	(1,000)
Other financial liabilities	(715,173)	(5,140,607)	–	–	(14,525)	–	–	(5,870,305)
Total financial liabilities	(1,701,231)	(5,140,607)	(29,061,288)	(66,624,233)	(378,873,726)	(97,139,499)	(72,363,649)	(650,904,233)
Net position	287,440,465	15,554,347	16,831,303	(35,683,148)	(281,280,826)	77,157,940	(69,689,182)	10,330,899

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (continued)

Company (continued)

	As at December 31, 2019							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,798	–	–	–	–	–	2,798
Deposits with banks and financial institutions	–	10,957,760	–	1,061,168	–	–	–	12,018,928
Financial assets at fair value through profit or loss	259,452,145	1,020,855	–	153,667	2,733,090	59,647,247	501,429	323,508,433
Accounts receivable	1,605	1,200	–	150,000	–	400,000	–	552,805
Financial assets held under resale agreements	–	–	10,479,747	–	–	–	–	10,479,747
Amounts due from subsidiaries	4,673	1,665,229	1,660,974	12,555,309	16,183,089	11,527,458	–	43,596,732
Financial assets at fair value through other comprehensive income	4,199,647	–	–	–	–	–	–	4,199,647
Financial assets at amortized cost	8,964,002	–	10,243,254	11,820,799	67,451,294	88,886,542	–	187,365,891
Interests in consolidated structured entities	3,571,236	–	–	1,205,059	1,190,735	11,878,497	545,467	18,390,994
Other financial assets	2,781,205	798,838	35,200	46,800	92,762	–	237,392	3,992,197
Total financial assets	278,974,513	14,446,680	22,419,175	26,992,802	87,650,970	172,339,744	1,284,288	604,108,172
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	(106,876)	(267,978)	(343,123)	–	(717,977)
Borrowings	–	–	(14,108,225)	(66,928,875)	(279,905,632)	(65,144,193)	–	(426,086,925)
Bonds issued	–	–	–	(1,270,857)	(53,067,368)	(38,688,619)	(61,889,972)	(154,916,816)
Other financial liabilities	(536,971)	(5,559,592)	–	–	(211,500)	–	–	(6,308,063)
Total financial liabilities	(1,523,029)	(5,559,592)	(14,108,225)	(68,306,608)	(333,452,478)	(104,175,935)	(61,889,972)	(589,015,839)
Net position	277,451,484	8,887,088	8,310,950	(41,313,806)	(245,801,508)	68,163,809	(60,605,684)	15,092,333

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.4 Risk management of distressed assets

(i) Overview

Risk of distressed assets represents the potential loss that may arise from counterparty's failure to meet its obligation or changes in market conditions that lead to decline in asset value. Risk of distressed assets can also arise from operational failures due to unauthorized or inappropriate purchase, disposal or management activities, which result in the recoverable amount of the distressed assets lower than their carrying amounts.

Such distressed assets include acquisition-operation distressed assets, restructured distressed assets and equity instruments obtained through debt-to-equity swap.

(ii) Risk management of distressed debt assets

The Group exercises standardized management procedures, including project initiation, due diligence investigation, design and approval of recovery plan and continuous monitoring and management. The Group enhances its risk management by strengthening investigation, review and approval procedures before the recovery of distressed assets, and monitoring measures after the recovery of distressed assets; enhancing risk mitigation effect through collateral; and continuously upgrading the management system of distressed assets.

Specifically, the risks to which distressed debts financial assets at fair value through profit or loss mainly comprise valuation risk, legal title risk and to certain extent credit risk; while the risks to which distressed debts at amortized cost mainly comprise credit risk.

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.4 Risk management of distressed assets (continued)

(ii) Risk management of distressed debt assets (continued)

(1) Valuation risk

Valuation risk is the risk of negative impact arising from the difference between actual results and value estimations that the Group would use in its management of distressed debt assets at fair value through profit or loss, due to variance in factors such as future cash flows, collection period, discount rate, and disposal cost. Measures the Group takes to minimize the valuation risk include:

- Perform investigation strictly on the parties involved in the transaction (including the debtors and the guarantors), collateral provided, repayment sources, etc.; and

- Adopt conservative estimation on incurrence rate, discount rate, and disposal cost when performing valuation and review the difference between actual results and estimation after the completion of the disposal of distressed assets to improve the accuracy of future estimations.

(2) Legal title risk

Legal title risk is the risk of loss, arising from the decrease of recoverable amount when the legal rights to claim was partially or entirely lost due to inappropriate daily management of distressed assets such as expiry of claim period without taking proper legal actions on time. Measures the Group takes to minimize the legal title risk include:

- Set up alert management system to ensure the expiry of legal claim periods related to distressed assets is managed effectively;

- Set up periodic revisiting mechanism to interview debtors and monitor the conditions of collateral. Maintain regular investigation report properly to ensure the Group has access to the most updated information; and

- Set up reporting mechanism of significant events to ensure immediate recovery action be taken when certain risk elements emerge.

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.4 Risk management of distressed assets (continued)

(ii) Risk management of distressed debt assets (continued)

(3) Credit risk

In addition to distressed debt assets at amortized cost, certain distressed debt assets at fair value through profit or loss may be subject to credit risk. Depending on the status of the obligor of distressed debt assets as at fair value through profit or loss, the Group may decide to pursue repayment from the obligor instead of disposing it to third party, credit risk arises in such situation. Credit risk represents the potential loss that may arise from the failure of a customer or counterparty's failure to meet its obligation. Characters of the credit risk management system of the Group include:

- Applying centralized policy and procedures throughout the Group;
- Enforce strict management system on the credentials of authorized supervisors; and
- Apply more stringent risk management rules and procedures, which include customer investigation, project evaluation, investigation and approval, project execution and post-event management for distressed assets at amortized cost.

Measures the Group takes to minimize the credit risk of distressed assets include:

- Manage the creditworthiness of counterparties using independent credit rating on the counterparties as reference;
- Select counterparties with appropriate creditworthiness and repayment capability; and
- Require counterparties to provide collateral which fully covers the credit exposure.

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.4 Risk management of distressed assets (continued)

(iii) Risk management of assets obtained through debt-to-equity swap

Risk related to these equity instruments is the risk of loss arising from movements in the value of equity shares due to price changes or decline in value of the investees.

The measures the Group takes to minimize the risk related to these equity instruments include:

- Strengthen continuous monitoring, analysis and management of equity values;
- Gain better understanding of macro-economic policies reinforced by the government and assess their impact on the equity investments; and
- Track the value changes dynamically and identify the appropriate timing for disposal to realize the maximum value of equity shares.

(iv) Determination of fair value

The Group uses valuation techniques for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, Comparable listed company method, option pricing models or other valuation methods as appropriate. In practical applications, only observable data are used in the models. However, areas such as credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of the financial instruments.

(v) Impairment assessment

The Group performs impairment assessment on distressed debt assets at amortized cost. Assessment procedures for distressed debt assets at amortized cost are similar to those set out in Note VI.71.1 Credit Risk.

VI. EXPLANATORY NOTES (continued)

71. Financial risk management (continued)

71.5 Capital management

The Group's objectives on capital management are as follows:

- Ensure compliance with regulatory requirements;
- Optimize capital allocation among the Group entities;
- Improve efficiency of capital employment;
- Safeguard the Group's ability to continue as a going concern to support the Group's development.

In accordance with the requirements of Consolidated Supervision Guidelines on Financial Asset Management Companies (Provisional) (Yinjianfa [2011] No. 20), issued by the CBIRC in 2011, the Group manages its capital based on required minimum capital. Compliance with the requirement of minimum capital is the primary goal of capital management of the Group.

Minimum capital of the Group is the total of minimum capital of the Company and its subsidiaries after taking into account of the percentage of shareholding and making deduction as required by relevant rules and regulations. The Group is required to meet this minimum capital requirement stipulated by the CBIRC.

In accordance with the requirements of Off-site Supervision Reporting Index System on Financial Asset Management Companies (Yinjianbanfa [2016] No. 38), issued by the CBIRC in 2016, the Company is required to maintain a minimum core Tier I, common Tier I and Tier II Capital Adequacy Ratio ("CAR") at 9%, 10% and 12.5% respectively. CAR is calculated by dividing the corresponding qualified capital of the Company by its risk-weighted assets. As at December 31, 2020 and 2019, the Company complied with the regulatory requirements on the minimum CAR.

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments

Assets and liabilities measured at fair value are classified into the following three levels based on the degree of fair value observability:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Valuation techniques using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly, including bond prices, equity and stock prices, interest rates, foreign exchange rates; and

Level 3: The management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including the discounted cash flow analysis, net asset value, and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have a significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as level 3. The unobservable inputs which may have an impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio, etc.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.1 Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

Group

	As at December 31			
	2020		2019	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	**176,506,416**	**170,475,461**	186,435,373	181,988,931
– Other debt investments	**43,726,540**	**43,565,315**	41,209,694	41,185,327
Accounts receivable	**3,255,410**	**3,216,272**	2,402,725	2,368,981
Total	**223,488,366**	**217,257,048**	230,047,792	225,543,239
Financial liabilities				
Borrowings	**(556,912,148)**	**(557,444,973)**	(536,591,304)	(536,982,325)
Bonds issued	**(355,777,530)**	**(358,033,552)**	(304,849,566)	(310,212,174)
Total	**(912,689,678)**	**(915,478,525)**	(841,440,870)	(847,194,499)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.1 Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis (continued)

Group (continued)

	As at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	–	–	170,475,461	170,475,461
– Other debt investments	576,158	–	42,989,157	43,565,315
Accounts receivable	–	–	3,216,272	3,216,272
Total	576,158	–	216,680,890	217,257,048
Financial liabilities				
Borrowings	–	–	(557,444,973)	(557,444,973)
Bonds issued	–	(254,681,290)	(103,352,262)	(358,033,552)
Total	–	(254,681,290)	(660,797,235)	(915,478,525)

	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	–	–	181,988,931	181,988,931
– Other debt investments	2,791,417	545,262	37,848,648	41,185,327
Accounts receivable	–	–	2,368,981	2,368,981
Total	2,791,417	545,262	222,206,560	225,543,239
Financial liabilities				
Borrowings	–	–	(536,982,325)	(536,982,325)
Bonds issued	–	(216,832,097)	(93,380,077)	(310,212,174)
Total	–	(216,832,097)	(630,362,402)	(847,194,499)

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined, including their fair value hierarchy, valuation technique(s) and key inputs used.

Group

Financial assets/ financial liabilities	Fair value as at December 31 2020	2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Financial assets classified as at fair value through profit or loss	**446,916,674**	412,164,583				
Debt securities	**13,804,996**	11,566,108				
– Traded in stock exchanges	**4,820,544**	3,208,331	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	328,674	–	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
	9,622	–	Level 3	• Default rates of recovery.	• Expected recoverable amounts.	• The higher the expected recoverable amounts the higher the fair value.
– Traded in the inter-bank markets	**19,422**	–	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	1,927,621	1,871,434	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	**5,468,774**	5,968,207				
– Traded in inactive markets	**1,230,339**	518,136	Level 3	• Discounted cash flows for the debt component and binomial option pricing model for the option component.	• Discount rates that correspond to the expected risk level.	• The lower the discount rates, the higher the fair value.
				• Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of the counterparty.	• Risk-free rates that are specific to the market. • Volatility rates that are in line with those of similar products.	• The lower the risk-free rate, the higher the fair value. • The higher the volatility rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31 2020	2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity investments listed or traded on exchanges	**13,561,934**	9,565,812				
Unrestricted listed equity investments	**9,992,025**	6,962,603				
– Manufacturing	**3,118,215**	2,734,171	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	1,128,098	–	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier. • Discount for lack of marketability (DLOM).	• The higher the market multiplier, the higher the fair value. • The lower the DLOM, the higher the fair value.
– Finance	**868,338**	1,056,873	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Leasing and commercial services	**239,052**	111,172	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Mining	**1,749,933**	566,009	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Transportation, warehousing and postal services	**791,012**	523,789	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Information transmission, software and information technology services	**162,828**	37,521	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Culture, sports and entertainment	**229,371**	491,174	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Scientific research, technical services and geological prospecting industry	**709,347**	–	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Health and social security industry	**96,721**	351,561	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Real estate	**153,207**	255,868	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Others	**745,903**	834,465	Level 1	• Quoted bid prices in an active market.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31 2020	2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Restricted listed equity investments	**3,569,909**	2,603,209	Level 3	• Option Pricing Model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Manufacturing	**654,607**	56,387				
– Culture, sports and entertainment	**4,253**	12,090				
– Mining	**2,443,368**	1,922,423				
– Others	**467,681**	612,309				
Equity investments in unlisted companies	**49,474,894**	55,791,190				
	45,988,513	52,281,069	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier.	• The higher the market multiplier, the higher the fair value.
					• Discount for lack of marketability (DLOM).	• The lower the DLOM, the higher the fair value.
	3,486,381	3,510,121	Level 3	• Income approach.	• Expected future cash flow.	• The higher the future cash flow, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31 2020	2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Mutual funds	**108,997,761**	91,214,796				
– Mutual fund with open or active quotations	**9,293,021**	4,709,575	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	9,361,671	8,367,469	Level 2	• Quoted market prices from dealers or independent pricing service vendors	N/A	N/A
– Investing in debt instruments	**59,016,549**	62,133,128	Level 3	• Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.
– Investing in unrestricted listed equity	**592,870**	–	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Investing in restricted listed equity	**–**	531,089	Level 3	• Option Pricing Model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Investing in other equity instruments	**30,733,650**	15,473,535	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier. • Discount for lack of marketability (DLOM).	• The higher the market multiplier, the higher the fair value. • The lower the DLOM, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31 2020	2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Debt instruments	**31,674,575**	28,148,647				
– Other debt instruments	**30,836,483**	27,403,982	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts.	• The higher the recoverable amounts, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rates, the higher the fair value.
– Embedded derivatives debts	**838,092**	744,665	Level 3	• Discounted cash flows for the debt component and binomial option pricing model for the option component.	• Expected future cash flows.	• The higher the future cash flow, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.
					• Stock price volatility.	• The higher stock price volatility, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31 2020	2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Derivative financial assets	**2,416,116**	619,316				
	225,262	483,894	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	577,530	135,422	Level 2	• Valuation techniques based on market data including interest rates and foreign exchange rates.	N/A	N/A
	1,613,324	–	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.[i]	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.
Interbank negotiate certificate of deposit	**–**	59,162	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Distressed debt assets	**198,746,185**	197,621,332	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

(i) The fair values of the option contracts were calculated based on the difference between the put values as of the exercise date adjusted by the time value of money and the credit valuation adjustment; and the carrying values of the investment of the Group. The fair values of the forward contracts were calculated based on the difference between the forward settlement price, adjusted by the time value of money and the credit valuation adjustment; and the carrying values of the investment of the Group.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31 2020	2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Wealth management products	**2,344,900**	1,475,898	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flows. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
Asset management plans	**1,351,141**	2,371,544				
– Investing in the portfolio with open or active quotations	**377,082**	597,354	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**257,196**	495,159	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flows. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flows, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
– Investing in equity instruments	**716,863**	1,279,031	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier. • Discount for lack of marketability (DLOM).	• The higher the market multiplier, the higher the fair value. • The lower the DLOM, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31 2020	2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Asset-backed securities	**756,174**	564,133	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flows. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flows, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
Trust products and rights to trust assets	**23,732,087**	13,088,236				
– Investing in the portfolio with open or active market quotations	**215,366**	104,716	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**20,867,860**	11,862,077	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flows. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flows, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
– Investing in equity instruments	**2,648,861**	1,121,443	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier. • Discount for lack of marketability (DLOM).	• The higher the market multiplier, the higher the fair value. • The lower the DLOM, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31 2020	2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Others	**55,911**	78,409				
– Investing in the portfolio with open or active market quotations	**7,732**	8,229	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**48,179**	70,180	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flows. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flows, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
2) Loans and advances to customers at fair value through profit or loss						
– Loans and advances	**19,546,738**	15,007,348	Level 3	• Discounted cash flows with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31 2020	Fair value as at December 31 2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
3) Financial assets at fair value through other comprehensive income	**123,728,468**	136,802,965				
Debt investments at fair value through other comprehensive income	**119,255,383**	132,575,402				
Debt securities	**108,661,273**	114,934,931				
– Traded on stock exchanges	**21,737,439**	18,278,609	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inter-bank markets	**35,141,914**	32,854,503	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	**51,781,920**	63,801,819				
Interbank negotiate certificate of deposit	**10,594,110**	17,640,471	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Equity instruments designated as at fair value through other comprehensive income	**4,473,085**	4,227,563				
Restricted listed equity investments	**4,427,545**	4,199,647				
– Manufacturing	**3,443,371**	4,199,647	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Financial service	**984,174**	–	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31 2020	2019	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Unlisted equity instruments	**45,540**	27,916				
– Financial service	**45,540**	27,916	Level 3	• Income approach.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value.
4) Financial liabilities at fair value through profit or loss	**(7,276,909)**	(5,065,256)	Level 2	• Calculated based on the quoted prices or similar assets traded in an active market.	N/A	N/A
– The OTC derivative financial liabilities	**(1,616,565)**	(542,857)				
– Short positions in exchange fund bills and notes	**(5,597,737)**	(4,522,399)				
– Financing payables linked to stock index	**(62,607)**	–				

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

The following tables provide a summary of financial instruments that are measured at fair value subsequent to initial recognition, grouped into three levels:

Group

	As at December 31, 2020			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	23,815,046	18,264,450	404,837,178	446,916,674
Loans and advances to customers	–	–	19,546,738	19,546,738
Financial assets at fair value through other comprehensive income	21,737,439	97,517,944	4,473,085	123,728,468
Total assets	45,552,485	115,782,394	428,857,001	590,191,880
Financial liabilities at fair value through profit or loss	–	(7,276,909)	–	(7,276,909)
Total liabilities	–	(7,276,909)	–	(7,276,909)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	15,364,403	17,111,993	379,688,187	412,164,583
Loans and advances to customers	–	–	15,007,348	15,007,348
Financial assets at fair value through other comprehensive income	18,278,609	114,296,793	4,227,563	136,802,965
Total assets	33,643,012	131,408,786	398,923,098	563,974,896
Financial liabilities at fair value through profit or loss	–	(5,065,256)	–	(5,065,256)
Total liabilities	–	(5,065,256)	–	(5,065,256)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

There were no transfers between Level 1 and 2 for the financial assets and the financial liabilities measured at fair value during the year.

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the future cash flows and discount rates that reflect the credit risk of counterparties.

72.3 Reconciliation of Level 3 fair value measurements

Group

	Financial assets at FVTPL	Financial assets at FVOCI	Financial liabilities at FVTPL
As at January 1, 2020	379,688,187	4,227,563	–
Recognized in profit or loss	(1,968,615)	–	–
Recognized in other comprehensive income	–	(738,652)	–
Purchases	98,797,969	984,174	–
Settlements/disposals at cost	(68,073,771)	–	–
Transfer in Level 3	500	–	–
Transfer out from Level 3	(3,607,092)	–	–
As at December 31, 2020	404,837,178	4,473,085	–
Changes in unrealized gains or losses for the year included in profit or loss for assets held at the end of the year	(451,885)	–	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Fair values of financial instruments (continued)

72.3 Reconciliation of Level 3 fair value measurements (continued)

Group (continued)

	Financial assets at FVTPL	Financial assets at FVOCI	Financial liabilities at FVTPL
As at January 1, 2019	391,312,050	3,407,026	–
Recognized in profit or loss	5,894,746	–	–
Recognized in other comprehensive income	–	820,537	–
Purchases	103,129,638	–	–
Settlements/disposals at cost	(120,111,571)	–	–
Transfer out from Level 3	(536,676)	–	–
As at December 31, 2019	379,688,187	4,227,563	–
Changes in unrealized gains or losses for the year included in profit or loss for assets held at the end of the year	3,013,414	–	–

During the year ended December 31, 2020, certain restricted equity investments became tradable and quoted prices were available in active markets, these equity investments were transferred from Level 3 to Level 1 of the fair value hierarchy at the reporting period.

Total gains or losses for the years ended December 31, 2020 and 2019 included in the statement of profit or loss as well as total gains or losses included in the statement of profit or loss relating to financial instruments held as at December 31, 2020 and 2019 are presented in “unrealized gains are included in fair value changes on distressed debt assets”, “fair value changes on other financial assets”, “impairment losses on assets” depending on the nature or category of the related financial instruments.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Acquisition of subsidiaries

During the year, the Group acquired some subsidiaries. None of these acquisitions were individually significant, and their aggregated information is set out below:

Consideration paid:

	Year ended December 31 2020
Cash consideration paid	**1,856**

Analysis of assets and liabilities of the subsidiaries acquired:

	Year ended December 31 2020
Current assets	**2**
Current liabilities	**590**

Net cash flows arising on acquisition:

	Year ended December 31 2020
Cash consideration paid	**1,856**
Cash and cash equivalents balances acquired	**2**
Net cash outflow	**1,854**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

74. Disposal of subsidiaries

During the year, the Group disposed some subsidiaries. Apart from the disposal of Happy Life (Note VI.75), none of these disposals was considered individually significant to the Group's operating results and cash flows. The aggregated information of those individually insignificant disposals is set out below:

Consideration received:

	Year ended December 31 2020
Cash consideration received	**60,361**

Analysis of assets and liabilities of the subsidiaries disposed of:

	Year ended December 31 2020
Current assets	**1,194,946**
Current liabilities	**1,497,370**

Net cash flows arising on disposal:

	Year ended December 31 2020
Cash consideration received	**60,361**
Less: Cash and cash equivalents balances disposed of	**261**
Net cash inflow	**60,100**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

75. Discontinued operation

On 13 December 2019, the Company entered into a Sale and Purchase Agreement with Champion Property & Casualty Insurance Co., Ltd. and Dongguan Communications Investment Group Co., Ltd.. The Company sold 50.995% of the equity interests held in Happy Life for RMB7.5 billion. The disposal was completed in July 2020 in accordance with the terms and conditions of the Sale and Purchase Agreement. Upon the completion, Happy Life ceased to be included in the consolidated financial statements as a subsidiary of the Group.

75.1 The results of the discontinued operation for the year

	Year ended December 31	
	2020	2019
Fair value changes on other financial instruments	**1,117,448**	2,475,453
Investment income	**226,146**	17,661
Net insurance premiums earned	**6,805,485**	8,205,596
Interest income	**525,766**	913,090
Commission and fee income	**29,519**	36,882
Other income and other net gains or losses	**10,660**	(14,814)
Total	**8,715,024**	11,633,868
Interest expense	**(144,048)**	(322,114)
Insurance costs	**(7,200,861)**	(9,015,980)
Commission and fee expense	**(653,089)**	(987,951)
Employee benefits	**(344,139)**	(653,977)
Taxes and surcharges	**(3,816)**	(7,105)
Depreciation and amortization expenses	**(4,913)**	(93,520)
Other expenses	**(110,044)**	(268,503)
Impairment losses on assets	**(1,440)**	(38,525)
Total	**(8,462,350)**	(11,387,675)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

75. Discontinued operation (continued)

75.1 The results of the discontinued operation for the year (continued)

	Year ended December 31	
	2020	2019
Change in net assets attributable to other holders of consolidated structured entities	**–**	298
Profit before share of results of associates and joint ventures and tax	**252,674**	246,491
Share of results of associates and joint ventures	**12,947**	26,733
Profit before tax	**265,621**	273,224
Income tax (expense)/credit (1)	**(20,391)**	1,227,175
Profit for the year	**245,230**	1,500,399
Gain on disposal of the discontinued operation	**3,506,800**	–
Profit after tax for the year from the discontinued operation	**3,752,030**	1,500,399
Earnings per share attributable to equity holders of the Company from the discontinued operation (Expressed in RMB Yuan per share)		
– Basic	**0.10**	0.03
– Diluted	**0.10**	0.03

(1) In 2019, Happy Life was classified as held for sale, and the Group recognized deferred tax asset of approximately RMB1.2 billion due to deductible temporary difference resulted from cumulative losses of Happy Life.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

75. Discontinued operation (continued)

75.2 Net cash flows from the discontinued operation

	Year ended December 31,	
	2020	2019
Operating	**(3,671,225)**	(4,099,742)
Investing	**3,591,476**	8,590,617
Financing	**(3,717)**	(4,533,478)
Net cash outflow	**(83,466)**	(42,603)

75.3 Gain on disposal of the discontinued operation

	Year ended December 31, 2020
Total consideration	**7,500,000**
Less: Net assets disposed of	**2,557,453**
Cumulative other comprehensive income reclassified to the statement of profit or loss	**235,640**
Tax effect of a discontinued operation	**1,200,107**
Gain on disposal of the discontinued operation	**3,506,800**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

75. Discontinued operation (continued)

75.4 Net assets of Happy Life at the date of disposal

	At the date of disposal
Cash and balances with central banks	43
Deposits with banks and financial institutions	1,291,122
Deposits with exchanges and others	728
Financial assets at fair value through profit or loss	34,613,629
Financial assets held under resale agreements	1,174,743
Financial assets at fair value through other comprehensive income	13,241,266
Financial assets at amortized cost	6,651,337
Accounts receivable	337,022
Investment properties	124,399
Interests in associates and joint ventures	811,499
Property and equipment	118,973
Other intangible assets	44,192
Deferred tax assets	52,553
Other assets	2,248,297
Less: Accounts payable	36,490
Investment contract liabilities for policyholders	8,442,736
Insurance contract liabilities	38,864,239
Bonds issued	6,139,988
Deferred tax liabilities	48,320
Other liabilities	2,162,924
Net assets	5,015,106
Attributable to:	
Equity holders of the Company	2,557,453
Non-controlling interests	2,457,653

75.5 Net cash flows from the disposal of the discontinued operation

	Year ended December 31, 2020
Cash consideration received from disposal	7,500,000
Less: cash and cash equivalents balances disposed of	1,330,241
Net cash inflow from disposal	6,169,759

VII. EVENTS AFTER THE REPORTING PERIOD

1. Pursuant to the meeting of the Board of Directors on March 26, 2021, the proposal of the profit appropriations of the Company for the year ended December 31, 2020 is set out as follows:

   (1) An appropriation of RMB438,775 thousand to the statutory surplus reserve;

   (2) An appropriation of RMB477,137 thousand to the general reserve basing on risk assets as at December 31, 2020; and

   (3) A cash dividend distribution of RMB1.041 per 10 shares (tax inclusive), which is RMB3.973 billion in total in respect of the year.

   As at December 31, 2020, the statutory surplus reserve had been recognized as appropriation. The general reserve and the dividend will be recognized on the Company's and the Group's financial statements after the approval by shareholders in the forthcoming general meeting.

VIII. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorized by the Board of Directors on March 26, 2021.

17. Branches and Major Subsidiaries

1. Head Office

China Cinda Asset Management Co., Ltd.
Address: No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing
Postal code: 100031
Tel. No.: 86-10-63080000
Fax No.: 86-10-83329210
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2. Subsidiaries

▲China Cinda Asset Management Co., Ltd. Beijing Branch
Address: F17-18, Tower E, Global Trade Center, 36 North Third Ring Road East, Dongcheng District, Beijing
Postal code: 100013
Tel. No.: (010) 59025069
Fax No.: (010) 59025004

▲China Cinda Asset Management Co., Ltd. Tianjin Branch
Address: No. 901, Tower B3, Junlong Plaza, 2 Xi'an Road, Heping District, Tianjin
Postal code: 300050
Tel. No.: (022) 83122696
Fax No.: (022) 23947732

▲China Cinda Asset Management Co., Ltd. Hebei Branch
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Tel. No.: (0311) 89166199
Fax No.: (0311) 89169100

▲China Cinda Asset Management Co., Ltd. Shanxi Branch
Address: 43 and 44/F, Cinda International Financial Center, 86 Yingze West Street, Wanbolin District, Taiyuan, Shanxi
Postal code: 030024
Tel. No.: (0351) 6068316
Fax No.: (0351) 6068211

▲China Cinda Asset Management Co., Ltd. Inner Mongolia Autonomous Region Branch
Address: 59 Xinhua Avenue, Xincheng District, Hohhot, Inner Mongolia Autonomous Region
Postal code: 010010
Tel. No.: (0471) 5618253
Fax No.: (0471) 3602789

▲China Cinda Asset Management Co., Ltd. Liaoning Branch
Address: Room 601-620, 6/F and Part of 7/F, 3 Ying Pan North Street, Hunnan District, Shenyang, Liaoning
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Fax No.: (024) 22518921

▲China Cinda Asset Management Co., Ltd. Jilin Branch
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Fax No.: (0431) 88922428

▲China Cinda Asset Management Co., Ltd. Heilongjiang Branch
Address: Makewei Building, 16-1 Zhongxuan Street, Nangang District, Harbin, Heilongjiang
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Fax No.: (0451) 82665080

▲China Cinda Asset Management Co., Ltd. Shanghai Branch
Address: 24-25/F, Cinda Building, 1399 Beijing West Road, Jing'an District, Shanghai
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Fax No.: (021) 52000990

▲China Cinda Asset Management Co., Ltd. Shanghai Pilot Free Trade Zone Branch
Address: Unit 03 and 04, 12/F, 2 Building, 759 Yang Gao South Road, Pudong New Area, Shanghai
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Tel. No.: (021) 68581597

▲China Cinda Asset Management Co., Ltd. Jiangsu Branch
Address: 18-20/F, Building 10, 377 Middle Jiangdong Road, Jianye District, Nanjing, Jiangsu
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17. Branches and Major Subsidiaries

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Fax No.: (0571) 85774800, 85774656

▲China Cinda Asset Management Co., Ltd. Anhui Branch
Address: 16-17/F, Building 2, China Cinda (Hefei) Disaster Recovery and Backup Base, 2599 Hangzhou Road, Binhu New District, Hefei, Anhui
Postal code: 230091
Tel. No.: (0551) 65803012
Fax No.: (0551) 65803092

▲China Cinda Asset Management Co., Ltd. Fujian Branch
Address: 10-11/F, Sino International Plaza, 137 Wusi Road, Gulou District, Fuzhou, Fujian
Postal code: 350003
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Fax No.: (0591) 87805150

▲China Cinda Asset Management Co., Ltd. Jiangxi Branch
Address: 7-10/F, Cinda Building, 15 Yongshu Road, Nanchang, Jiangxi
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Fax No.: (0791) 86387011

▲China Cinda Asset Management Co., Ltd. Shandong Branch
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Postal code: 250000
Tel. No.: (0531) 87080257
Fax No.: (0531) 87080356

▲China Cinda Asset Management Co., Ltd. Henan Branch
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Tel. No.: (0371) 63865600
Fax No.: (0371) 63865600

▲China Cinda Asset Management Co., Ltd. Hubei Branch
Address: 50-51/F, Office Building, Poly Plaza, 99 Zhongnan Road, Wuchang District, Wuhan, Hubei
Postal code: 430071
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Fax No.: (027) 87813704

▲China Cinda Asset Management Co., Ltd. Hunan Branch
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Fax No.: (0731) 84121860

▲China Cinda Asset Management Co., Ltd. Guangdong Branch
Address: 25/F, Jianhe Centre, 111 Tiyu West Road, Tianhe District, Guangzhou, Guangdong
Postal code: 510620
Tel. No.: (020) 38791778
Fax No.: (020) 38791820

▲China Cinda Asset Management Co., Ltd. Shenzhen Branch
Address: 20-21/F, Block A, Greater China International Finance Centre (The Malls At Oriental Plaza), 1003 Shennan Road, Futian District, Shenzhen, Guangdong
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Tel. No.: (0755) 82900004
Fax No.: (0755) 82910608

▲China Cinda Asset Management Co., Ltd. Guangxi Zhuang Autonomous Region Branch
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Fax No.: (0771) 5758600

▲China Cinda Asset Management Co., Ltd. Hainan Branch
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Postal code: 570105
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Fax No.: (0898) 68666962

17. Branches and Major Subsidiaries

▲China Cinda Asset Management Co., Ltd. Chongqing Branch
Address: 21&22/F, Block 1, Cinda International Office Building, 67 Huangshan Avenue Middle, Yubei District, Chongqing
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▲China Cinda Asset Management Co., Ltd. Sichuan Branch
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Fax No.: (028) 65009818

▲China Cinda Asset Management Co., Ltd. Guizhou Branch
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Tel. No.: (0851) 85252839, 85254513
Fax No.: (0851) 85251483

▲China Cinda Asset Management Co., Ltd. Yunnan Branch
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Tel. No.: (0871) 63638666, 63643951
Fax No.: (0871) 63638666

▲China Cinda Asset Management Co., Ltd. Shaanxi Branch
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Fax No.: (029) 87266917

▲China Cinda Asset Management Co., Ltd. Ningxia Hui Autonomous Region Branch
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Fax No.: (0951) 6021407

▲China Cinda Asset Management Co., Ltd. Gansu Branch
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Fax No.: (0931) 8869100

▲China Cinda Asset Management Co., Ltd. Qinghai Branch
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Tel. No.: (0971) 8123904, 8123905
Fax No.: (0971) 8229375

▲China Cinda Asset Management Co., Ltd. Xinjiang Uygur Autonomous Region Branch
Address: 127 Xiheba Front Street, Tianshan District, Urumqi, Xinjiang Uygur Autonomous Region
Postal code: 830004
Tel. No.: (0991) 2311766
Fax No.: (0991) 2325171

▲China Cinda Asset Management Co., Ltd. Hefei Operation Support Center
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Postal code: 230091
Tel. No.: (0551) 65802025
Fax No.: (0551) 65802012

3. Platforms for Financial Service and Asset Management Businesses

▲Nanyang Commercial Bank, Limited
Address: 151 Des Voeux Road, Central, Hong Kong
Tel. No.: (00852) 28520888
Fax No.: (00852) 28153333
Website: www.ncb.com.hk

• Nanyang Commercial Bank (China) Limited
Address: Nanyang Commercial Bank Building, No. 800 Century Avenue, Pudong New Area, Shanghai
Tel. No.: (021) 38566666
Fax No.: (021) 68879800
Postal code: 200120

17. Branches and Major Subsidiaries

▲Cinda Securities Co., Ltd.
Address: No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing
Postal code: 100031
National customer service hotline: 95321, 400-800-8899
Tel. No.: (010) 63080906
Fax No.: (010) 63080953
Website: www.cindasc.com

• Cinda Futures Co., Ltd.
Address: 19-20/F, Tian Ren Building, 188 Liyi Road, Ningwei Street, Xiaoshan District, Hangzhou, Zhejiang
Postal code: 311215
National customer service hotline: 4006-728-728
Tel. No.: (0571) 28132666
Fax No.: (0571) 28132560
Website: www.cindaqh.com

• First State Cinda Fund Management Co., Ltd.
Address: 8 and 9/F, Tower 1, Alibaba Building, No. 3331 of Keyuan South Road (Shenzhen Bay), Nanshan District, Shenzhen, Guangdong
Postal code: 518054
National customer service hotline: 400-8888-118, 86-755-83160160
Tel. No.: (0755) 83172666
Fax No.: (0755) 83196151
Website: www.fscinda.com

• Cinda Innovation Investment Co., Ltd.
Address: Building 1, Court 9, Naoshikou Street, Xicheng District, Beijing
Postal code: 100031
Tel. No.: (010) 63081248

• Xinfeng Investment Management Co., Ltd.
Address: 22/F, Dacheng Tower, Xuanwumen West Street Jia No.127, Xicheng District, Beijing
Postal code: 100031
Tel. No.: (010) 83326940
Fax No.: (010) 83326944

• Cinda International Holdings Limited
Address: 45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong
Tel. No.: (00852) 22357888
Fax No.: (00852) 22357878
Website: www.cinda.com.hk

▲China Jingu International Trust Co., Ltd.
Address: 10 and 11/F, Block C, Tong Tai Building, 33 Financial Street, Xicheng District, Beijing
Postal code: 100033
Tel. No.: (010) 88086816, 88088223
Fax No.: (010) 88086546
Website: www.jingutrust.com

▲Cinda Financial Leasing Co., Ltd.
Address: 2/F, Tower B, East Gate Plaza, 29 Dongzhong Street, Dongcheng District, Beijing
Postal code: 100027
Tel. No.: (010) 64198100
Fax No.: (010) 64159400

▲China Cinda (HK) Holdings Company Limited
Address: 12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong
Tel. No.: (00852) 25276686
Fax No.: (00852) 28042135
Website: www.cindahk.com

▲Cinda Investment Co., Ltd.
Address: 16-19/F, Block C, Beijing International Building, A18 Zhongguancun South Street, Haidian District, Beijing
Postal code: 100081
Tel. No.: (010) 62157302
Fax No.: (010) 62157301

17. Branches and Major Subsidiaries

• Cinda Real Estate Co., Ltd.
Address: 8-10/F, Block A, Beijing International Building, A18 Zhongguancun South Street, Haidian District, Beijing
Postal code: 100081
Tel. No.: (010) 82190995
Fax No.: (010) 82190933

• Cinda Capital Management Co., Ltd.
Address: 4 and 6/F, Tower B, East Gate Plaza, 29 Dongzhong Street, Dongcheng District, Beijing
Postal code: 100027
Tel. No.: (010) 86376800
Fax No.: (010) 86376999

▲Zhongrun Economic Development Co., Ltd.
Address: 9/F, China Commerce Tower, 5 Sanlihe East Road, Xicheng District, Beijing
Postal code: 100045
Tel. No.: (010) 68535376
Fax No.: (010) 68535110

Note: "▲" represents a branch or a tier-one subsidiary and "•" represents a subsidiary of a tier-one subsidiary

China Cinda Asset Management Co., Ltd.
Address: No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing
Postal code: 100031
Tel. No.: 86-10-63080000
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Website: www.cinda.com.cn