



# 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

## 2018 Interim Report





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# Definitions

In this interim 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
“AMC(s)”	the four financial asset management companies approved by the State Council, including our Company, China Huarong Asset Management Co., Ltd., China Great Wall Asset Management Co., Ltd. and China Orient Asset Management Co., Ltd.
“Articles”	the current articles of association of China Cinda Asset Management Co., Ltd.
“Board”	the board of directors of the Company
“Board of Supervisors”	the board of supervisors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission
“CBRC”	China Banking Regulatory Commission
“China” or “Mainland” or “the PRC”	the People’s Republic of China excluding, for the purpose of this interim report, Hong Kong, Macao and Taiwan region
“Cinda Capital”	Cinda Capital Management Co., Ltd., a subsidiary of the Company
“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 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 P&C”	Cinda Property and Casualty Insurance Co., Ltd. (which has changed its name to Guoren Property and Casualty Insurance Co., Ltd.), previously a subsidiary of the Company. As approved by the 2016 second extraordinary general meeting of the Company and China Insurance Regulatory Commission, the Company has completed to transfer 1.23 billion shares held in Cinda P&C and the Company currently still holds 10% of its equity interests
“Cinda Real Estate”	Cinda Real Estate Co., Ltd., a subsidiary of the Company (a company listed on Shanghai Stock Exchange, stock code: 600657)
“Cinda Securities”	Cinda Securities Co., Ltd., a subsidiary of the Company
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary share(s) with nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as fully paid in Renminbi
“First State Cinda Fund”	First State Cinda Fund Management Co., Ltd., a subsidiary of the Company
“H Share(s)”	ordinary share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
“Happy Life”	Happy Life Insurance Co., Ltd., a subsidiary of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International Financial Reporting Standards issued by the International Accounting Standards Board

## Definitions

“IFRS9”	IFRS9 – Financial Instruments
“Jingu Trust”	China Jingu International Trust Co., Ltd., a subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Macao”	the Macao Special Administrative Region of the PRC
“MOF”	the Ministry of Finance of the PRC
“NCB China”	Nanyang Commercial Bank (China) Limited, a company incorporated 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” or “Nanyang Commercial Bank”	NCB Hong Kong and its subsidiaries
“NSSF”	National Council for Social Security Fund of the PRC
“Offshore Preference Shares”	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 Hong Kong Stock Exchange (stock code: 04607)
“PRC GAAP”	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by MOF, as well as other relevant regulations
“Previous Standards”	International Accounting Standard 39 – Financial Instruments
“Reporting Period”	the six months ended June 30, 2018

“Senior Management”	the senior management of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of RMB1.00 each, including Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of the Share(s)
“State Council”	the State Council of the PRC
“Subsidiary(ies)”	has the meanings ascribed to it under the Listing Rules
“Supervisor(s)”	supervisor(s) of the Company
“Transition Date”	the transition date of the beginning of the period of IFRS9, i.e. January 1, 2018
“Zhongrun Development”	Zhongrun Economic Development Co., Ltd., a subsidiary of the Company

# 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
Joint company secretaries	Ai Jiuchao, Ngai Wai Fung
Registered address	No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing, the PRC
Postal code of place of registration	100031
Website	<a href="http://www.cinda.com.cn">www.cinda.com.cn</a>
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 the H Share interim report	<a href="http://www.hkexnews.hk">www.hkexnews.hk</a>
Place for maintaining interim reports available for inspection	Board of Directors' Office of the Company
Place of listing of H Shares	Hong Kong Stock Exchange

Stock Short Name	China Cinda
Stock Code	01359
Place of listing of Offshore Preference Shares	Hong Kong Stock Exchange
Stock Short Name	CINDA 16USD_PREF
Stock Code	04607
Share Registrar	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	91110000710924945A
Registration number of Financial License	J0004H111000001
Legal advisors as to PRC Law	Haiwen & Partners Fangda Partner Zhong Lun Law Firm
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

# Financial Summary

The financial information contained in this interim 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 began adopting IFRS9. The Group did not restate the comparative information involving the financial instruments of 2017 within the scope of IFRS9, as the differences arising from the adoption of IFRS9 were directly reflected in equity on January 1, 2018. As at and for the six months ended June 30, 2018, the financial data was prepared according to IFRS9, while the data of prior years and periods was prepared according to the Previous Standards.

	As at and for the six months ended June 30,		As at and for the year ended December 31,			
	2018	2017	2017	2016	2015	2014
	(in millions of RMB)					
Income from distressed debt assets at amortized cost	9,109.3	-	-	-	-	-
Income from distressed debt assets classified as receivables	-	8,644.6	17,773.0	15,539.2	18,883.9	18,113.6
Fair value changes on distressed debt assets	5,478.2	4,169.9	8,266.4	5,716.2	4,420.1	4,077.5
Fair value changes on other financial instruments	11,724.3	2,001.7	2,582.2	2,656.3	1,971.2	2,180.5
Investment income	2,921.5	7,415.7	29,465.7	17,991.3	13,552.2	9,116.5
Net insurance premiums earned	6,727.9	17,514.3	19,266.9	16,635.8	12,912.2	7,443.0
Interest income	10,360.2	9,811.7	20,640.8	14,506.5	13,516.5	8,810.5
Revenue from sales of inventories	4,879.5	5,787.9	14,425.5	10,954.6	7,637.0	4,340.5
Other income and other net gains or losses	3,570.8	5,264.6	7,614.0	7,657.3	5,851.0	5,708.0
<b>Total income</b>	<b>54,771.7</b>	<b>60,610.3</b>	<b>120,034.6</b>	<b>91,657.2</b>	<b>78,744.1</b>	<b>59,790.1</b>
Impairment losses on assets	(3,164.6)	(3,941.6)	(11,404.7)	(4,813.7)	(4,376.5)	(5,438.1)
Interest expense	(23,036.9)	(15,635.3)	(35,911.1)	(23,223.8)	(20,185.3)	(15,961.1)
Insurance costs	(7,340.6)	(18,139.7)	(20,913.7)	(17,549.0)	(13,766.9)	(6,865.3)
Purchases and changes in inventories	(3,178.2)	(4,441.3)	(10,355.8)	(8,455.8)	(5,587.1)	(2,824.0)
Other costs and expenses	(6,966.1)	(6,517.2)	(15,651.5)	(14,315.4)	(13,285.6)	(10,945.1)
<b>Total costs and expenses</b>	<b>(43,686.3)</b>	<b>(48,675.1)</b>	<b>(94,236.7)</b>	<b>(68,357.7)</b>	<b>(57,201.4)</b>	<b>(42,033.6)</b>
Change in net assets attributable to other holders of consolidated structured entities	(320.5)	(777.3)	(1,284.7)	(2,331.7)	(2,557.0)	(1,909.9)
Share of results of associates and joint ventures	1,051.0	899.9	1,617.7	797.7	312.2	460.2
Profit before tax	11,815.9	12,057.8	26,130.8	21,765.5	19,297.9	16,306.7
Income tax expense	(3,323.0)	(3,495.3)	(7,373.0)	(5,783.5)	(4,594.0)	(4,164.0)
<b>Profit for the period/year</b>	<b>8,492.9</b>	<b>8,562.4</b>	<b>18,757.8</b>	<b>15,982.0</b>	<b>14,703.9</b>	<b>12,142.7</b>
Profit attributable to:						
– Equity holders of the Company	8,620.3	8,882.3	18,122.4	15,512.2	14,027.5	11,896.2
– Non-controlling interests	(127.4)	(319.9)	635.4	469.8	676.4	246.5

	As at and for the six months ended		As at and for the year ended December 31,			
	June 30,					
	2018	2017	2017	2016	2015	2014
	(in millions of RMB)					
<b>Assets</b>						
Cash and balances with central banks	12,926.2	14,261.6	21,511.1	17,368.0	46.8	3.3
Deposits with banks and financial institutions	79,414.0	87,608.0	54,429.2	75,801.3	64,590.9	49,033.1
Financial assets at fair value through profit or loss	442,407.5	164,740.0	213,795.9	149,045.5	117,287.4	57,220.5
Available-for-sale financial assets	–	254,153.1	273,182.7	212,495.9	120,604.3	85,794.6
Financial assets at fair value through other comprehensive income	89,983.5	–	–	–	–	–
Financial assets at amortized cost	574,818.2	–	–	–	–	–
Financial assets classified as receivables	–	214,583.7	234,226.9	198,787.2	181,058.3	180,913.1
Loans and advances to customers	–	296,340.4	312,117.5	294,936.6	104,738.5	80,224.7
Other assets	261,016.8	263,879.6	277,674.2	226,046.4	125,648.5	91,238.1
<b>Total assets</b>	<b>1,460,566.2</b>	<b>1,295,566.4</b>	<b>1,386,937.5</b>	<b>1,174,480.9</b>	<b>713,974.7</b>	<b>544,427.4</b>
<b>Liabilities</b>						
Borrowings from the central bank	986.1	986.1	986.1	986.1	986.1	986.1
Due to customers	231,762.2	211,044.8	226,220.8	204,629.0	–	–
Accounts payable to brokerage clients	12,336.0	14,411.1	12,393.8	16,272.1	21,533.2	11,663.3
Borrowings	584,924.0	512,316.0	580,352.1	450,514.8	317,070.7	263,452.4
Accounts payable	4,080.3	2,976.7	3,220.9	3,053.9	4,970.8	13,891.2
Bonds issued	250,864.4	200,057.2	206,482.6	152,497.6	111,773.4	43,694.9
Other liabilities	200,454.4	192,179.2	189,016.6	198,557.4	146,746.5	108,876.3
<b>Total liabilities</b>	<b>1,285,407.4</b>	<b>1,133,971.0</b>	<b>1,218,672.9</b>	<b>1,026,510.9</b>	<b>603,080.7</b>	<b>442,564.1</b>
<b>Equity</b>						
Equity attributable to equity holders of the Company	152,950.0	142,989.5	149,394.5	139,216.7	101,710.2	93,368.9
Non-controlling interests	22,208.9	18,605.9	18,870.2	8,753.3	9,183.7	8,494.4
<b>Total equity</b>	<b>175,158.8</b>	<b>161,595.4</b>	<b>168,264.7</b>	<b>147,970.0</b>	<b>110,893.9</b>	<b>101,863.3</b>
<b>Total equity and liabilities</b>	<b>1,460,566.2</b>	<b>1,295,566.4</b>	<b>1,386,937.5</b>	<b>1,174,480.9</b>	<b>713,974.7</b>	<b>544,427.4</b>

## Financial Summary

	As at and for the six months ended June 30,		As at and for the year ended December 31,			
	2018	2017	2017	2016	2015	2014
	(in millions of RMB)					
<b>Financial indicators</b>						
Return on average shareholders' equity <sup>(1)(3)</sup> (%)	13.27	14.83	13.88	14.12	14.4	14.0
Return on average assets <sup>(2)(3)</sup> (%)	1.19	1.39	1.46	1.69	2.34	2.62
Cost-to-income ratio <sup>(4)</sup> (%)	26.52	22.61	24.89	27.0	23.9	24.0
Earnings per share <sup>(5)</sup> (RMB)	0.23	0.23	0.45	0.43	0.39	0.33
Net assets per share <sup>(6)</sup> (RMB)	3.45	3.19	3.36	3.09	2.81	2.58

### Notes:

- (1) Represents the percentage of net profit 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) in the average balance of total assets as at the beginning and the end of the period.
- (3) Return on average shareholders' equity and return on average assets for the six months ended June 30 presented above have been annualized.
- (4) Represents the ratio of the sum of employee benefits, depreciation and amortization and other expenses to total income net of insurance costs, commission and fee expense, purchases and changes in inventories and interest expense.
- (5) Represents the net profit attributable to ordinary shareholders of the Company during the period divided by the weighted average number of ordinary shares in issue.
- (6) 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.

# Management Discussion and Analysis

## Economic and Regulatory Environment

In the first half of 2018, the expanding trend of global economy of 2017 continued. However, the uncertainties on continuous recovery of global economy brought by trade friction increased gradually. Different trends were revealed under the recovery of global economy. Economic recovery was steady in US, while the momentum of economic growth in Eurozone and Japan was weakened, and economic development of emerging economies faced challenges and shocks.

Under the complicated domestic and overseas economic conditions, the PRC Government adhered to the main principle of pursuing progress while ensuring stability and further promoted the supply-side structural reform. As a result, the PRC remained a steady economic growth. The GDP recorded a year-on-year growth of 6.8% in the first half of 2018. As the economic structure adjustment was further promoted, new industries, products, business forms and models emerged constantly and replacement of old growth drives with new ones was continued. The economy is steadily transforming towards high-quality development. Industry upgrades were accelerated, and trend of consumption structure upgrade was significant. The scope of opening-up continued to expand, and the business environment kept improving.

The external environment has undergone significant changes. China's economy has registered a stable but changing performance and faced some new problems and new challenges. In order to further promote the supply-side structural reform, win the "Three Tough Battles", accelerate the construction of modern economic systems and promote high-quality development, the PRC government proposed targeted measures. The first approach is to maintain stable macroeconomic policies. The fiscal and financial polices coordinated effectively. The proactive fiscal policy and prudent monetary policy with appropriate tightness were adhered to firmly. The second approach is to promote steady growth of the effective investment, implement the targets of bolstering areas of weakness, increasing the drivers of growth and improving living standards, boost the efforts to strengthen the weakness in the infrastructure sector and promote industrial upgrading, deepen the reform of "simplifying procedures, decentralizing powers, enhancing supervision" in the field of investment, and promote proactive investment of the private sector. The third approach is to combine preventing and resolving financial risks with better serving the real economy, strengthen the deleveraging works with appropriate efforts and rhythms, continue the implementation of strict financial regulatory policies, further rectify the chaos in the market, enhance the capability of financial sector to serve the real economy, shut down "zombie firms" and reduce ineffective capital occupation, continue to crack down on illegal financial institutions and activities and firmly holding the bottom line of non-occurrence of systemic risks.

Both the 19th National Congress of the CPC and the Central Economic Work Conference emphasized the importance of preventing and reducing financial risks. The relevant regulatory authorities cooperated to accelerate disposal of financial risks, created a new policy support for distressed assets operation. Firstly, commercial banks are required to strictly implement the classification standard of the loans and truly reflect the credit risks. Banks are encouraged to deal with non-performing loans by a combination of bad debt write-off, cash settlement and collection and batch transfer. Secondly, implementing the Measures for the Capital Management of Financial Asset Management Companies (for Trial Implementation), which guides financial asset management companies to focus on their main business of distressed asset and prevent diversified operational risks in accordance with the principles of "relative concentration, focusing on main business". Thirdly, relaxing the restrictions on market-oriented DES by adding non-bank debts into the scope of DES. The business model of distressed asset is further enriched.

## Management Discussion and Analysis

### Analysis of Financial Statements

#### Change of Accounting Policies

In July 2014, the International Accounting Standards Board issued the International Financial Reporting Standards No. 9 – Financial Instruments, which reflected all phases of the financial instruments projects and replaced IAS 39 Financial Instruments. MOF revised and promulgated four accounting standards related to financial instruments, namely the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Instruments, Accounting Standards for Business Enterprises No. 24 – Hedge Accounting and Accounting Standard No. 37 – Presentations of Financial Instruments (hereinafter referred to as the “New Financial Instrument Standards”). The above accounting standards provided new guidelines for the classification and measurement, impairment and hedging of financial instruments. The Group began to adopt the above New Financial Instrument Standards since January 1, 2018 as required.

This change in accounting policy made by the Company is to strictly enforce the New Financial Instrument Standards. According to the previous standards for financial instruments, the assets classified as available-for-sale financial assets, financial assets classified as receivables, loans and advances to customers, held-to-maturity investments, and financial assets at fair value through profit or loss were reclassified under the New Financial Instrument Standards to financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortized cost. Please refer to the sections named Summary of Financial Position of the Group and Interim Condensed Consolidated Financial Statements for the impact of the relevant reclassification amount on the Transition Date.

#### Operating Results of the Group

In the first half of 2018, under the complicated and changing domestic and overseas economic and financial environment, as well as an increasingly stringent financial regulatory environment, the Group used its endeavours on promoting business transformation, accelerated the strategic integration of internal resources and insisted on focusing on the main business. While ensuring capital adequacy and maintaining an appropriate gearing level of the Group as well as controllable risks, the Group enhanced business management capabilities and maintained stability as a whole in the operating results through actively expanded market opportunities and optimizing the asset structure.

In the first half of 2018, the net profit attributable to equity holders of the Company amounted to RMB8,620.3 million, representing a decrease of RMB262.0 million, or 2.9%, as compared to the same period of the last year. Annualized ROAE and ROAA were 13.27% and 1.19%, respectively.

## Management Discussion and Analysis

	For the six months ended June 30,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Income from distressed debt assets at amortized cost	9,109.3	–	N/A	N/A
Income from distressed debt assets classified as receivables	–	8,644.6	N/A	N/A
Fair value changes on distressed debt assets	5,478.2	4,169.9	1,308.3	31.4
Fair value changes on other financial instruments	11,724.3	2,001.7	9,722.6	485.7
Investment income	2,921.5	7,415.7	(4,494.2)	(60.6)
Net insurance premiums earned	6,727.9	17,514.3	(10,786.4)	(61.6)
Interest income	10,360.2	9,811.7	548.5	5.6
Revenue from sales of inventories	4,879.5	5,787.9	(908.4)	(15.7)
Commission and fee income	1,917.6	2,076.5	(158.9)	(7.7)
Net gains on disposal of subsidiaries, associates and joint ventures	745.0	3,485.7	(2,740.7)	(78.6)
Other income and other net gains or losses	908.2	(297.6)	1,205.8	405.2
<b>Total income</b>	<b>54,771.7</b>	<b>60,610.3</b>	<b>(5,838.6)</b>	<b>(9.6)</b>
Insurance costs	(7,340.6)	(18,139.7)	10,799.1	(59.5)
Commission and fee expense	(1,446.4)	(1,389.9)	(56.5)	4.1
Purchases and changes in inventories	(3,178.2)	(4,441.3)	1,263.1	(28.4)
Employee benefits	(3,181.9)	(2,541.0)	(640.9)	25.2
Impairment losses on assets	(3,164.6)	(3,941.6)	777.0	(19.7)
Interest expense	(23,036.9)	(15,635.3)	(7,401.6)	47.3
Other expenses	(2,337.8)	(2,586.3)	248.5	(9.6)
<b>Total costs and expenses</b>	<b>(43,686.3)</b>	<b>(48,675.1)</b>	<b>4,988.8</b>	<b>(10.2)</b>
Change in net assets attributable to other holders of consolidated structured entities	(320.5)	(777.3)	456.8	(58.8)
Share of results of associates and joint ventures	1,051.0	899.9	151.1	16.8
Profit before tax	11,815.9	12,057.8	(241.9)	(2.0)
Income tax expense	(3,323.0)	(3,495.3)	172.3	(4.9)
<b>Profit for the period</b>	<b>8,492.9</b>	<b>8,562.4</b>	<b>(69.5)</b>	<b>(0.8)</b>
Profit attributable to:				
– Equity holders of the Company	8,620.3	8,882.3	(262.0)	(2.9)
– Non-controlling interests	(127.4)	(319.9)	192.5	60.2

## Management Discussion and Analysis

### Total Income

In the first half of 2018, income structure of the Group became more optimized with slight fall in total income as compared to the same period of the last year. The total income decreased from RMB60,610.3 million in the first half of 2017 to RMB54,771.7 million in the first half of 2018, representing a year-on-year decrease of 9.6%, mainly due to the decrease in the net insurance premiums earned and net gains on disposal of subsidiaries, associates and joint ventures.

### *Income from Distressed Assets*

Distressed asset business is the core business of the Group. The income from distressed asset is classified on the basis of their nature, including: (1) income from distressed debt assets at amortized costs (during the first half of 2017 it was known as income from distressed debt assets classified as receivables), which was also known as income from Restructured Distressed Assets; (2) fair value changes on Acquisition-operation Distressed Assets, including realized gains or losses from disposal of Acquisition-operation Distressed Assets and unrealized fair value changes on such assets; (3) net profit or loss on DES Assets, including the gains or losses from the disposal of DES Assets classified as at fair value through profit or loss, dividend income and unrealized fair value changes, which is presented under as fair value changes on other financial instruments; the net gains from DES of associates and joint ventures, which is presented under net gains on disposal of associates and joint ventures and share of results of associates and joint ventures; dividend income from DES Assets at fair value through other comprehensive income, which is presented under investment income; the income of DES Assets at available-for-sale financial assets, including dividend income and net gains on disposal, is presented under investment income during the first half of 2017; (4) net gains on disposal of assets in satisfaction of debts; and (5) income generated from custody, liquidation and restructuring services for distressed entities and other distressed asset business.

## Management Discussion and Analysis

The table below sets out the principal components of the income from distressed assets for the periods indicated.

	For the six months ended June 30,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			
				(%)
Income from distressed debt assets at amortized costs	9,109.3	–	N/A	N/A
Income from distressed debt assets classified as receivables	–	8,644.6	N/A	N/A
Fair value changes on Acquisition-operation Distressed Assets	5,478.3	4,169.9	1,308.4	31.4
Net profit or loss from DES Assets				
Financial assets at fair value through profit or loss <sup>(1)</sup>	6,648.2	199.0	6,449.2	3,240.8
Interests in associates and joint ventures <sup>(2)</sup>	434.1	404.5	29.6	7.3
Available-for-sale financial assets <sup>(3)</sup>	–	2,379.4	N/A	N/A
Net gains on disposal of assets in satisfaction of debts <sup>(4)</sup>	68.5	55.8	12.7	22.8
<b>Total</b>	<b>21,738.4</b>	<b>15,853.2</b>	<b>5,885.2</b>	<b>37.1</b>

Notes:

- (1) Represents gains from equity assets at fair value through profit or loss included in distressed asset management segment, comprising net gains realized on disposal of such equity assets, dividend income and unrealized fair value changes from such equity assets.
- (2) Represents gains realized from DES Assets accrued in associates and joint ventures included in distressed asset management segment, comprising net gains realized from the disposal of such equity assets and the profit or loss arising from equity method calculations, and were presented in the consolidated statement of profit or loss under “net gains on disposal of subsidiaries, associates and joint ventures” and “share of results in associates and joint ventures”, respectively.
- (3) Under the Previous Standards, the net gains realized from DES Assets accrued in available-for-sale financial assets included in distressed asset management segment comprised the net gains realized from the disposal of such equity assets and dividend income, and were presented in the consolidated statement of profit or loss under “investment income”.
- (4) Included in the consolidated statement of profit or loss under “other income and other net gains or losses”.

The income from distressed assets of the Group increased by 37.1% from RMB15,853.2 million in the first half of 2017 to RMB21,738.4 million in the first half of 2018, accounting for 26.2% and 39.7% of the total income for the respective periods.

## Management Discussion and Analysis

*Income from Distressed Debt Assets at Amortized Costs (during the first half of 2017 it was known as Income from Distressed Debt Assets Classified as Receivables)*

On January 1, 2018, the Group began to implement IFRS9. On the Transition Date, distressed debt assets classified as receivables of the Group in the amount of RMB209,681.4 million were reclassified as financial assets at amortized cost. The income from distressed debt assets classified as receivables amounted to RMB8,644.6 million in the first half of 2017, while the income from distressed debt assets at amortized costs amounted to RMB9,109.3 million in the first half of 2018. Such income from distressed debt assets accounted for 14.3% and 16.6% of the total income for the respective periods. In the first half of 2018, the monthly average balance of the distressed debt assets at amortized costs was RMB224,235.3 million (the monthly average balance of the distressed debt assets classified as receivables was RMB198,601.7 million in the first half of 2017). The annualized monthly average return of the such distressed debt assets decreased from 8.7% in the first half of 2017 to 8.1% in the first half of 2018, mainly due to the Company's active adjustment of industry and customer structure.

*Fair Value Changes on Acquisition-operation Distressed Assets*

The fair value changes on Acquisition-operation Distressed Assets increased by 31.4% from RMB4,169.9 million in the first half of 2017 to RMB5,478.3 million in the first half of 2018, accounting for 6.9% and 10.0% of the total income for the respective periods. As at June 30, 2017 and 2018, the balance of Acquisition-operation Distressed Assets at fair value was RMB108,181.1 million and RMB177,224.7 million, respectively.

The table below sets out the components of fair value changes on Acquisition-operation Distressed Assets for the periods indicated.

	For the six months ended June 30,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			
				(%)
Realized fair value changes	5,528.4	3,216.1	2,312.3	71.9
Unrealized fair value changes	(50.1)	953.8	(1,003.9)	(105.3)
<b>Total</b>	<b>5,478.3</b>	<b>4,169.9</b>	<b>1,308.4</b>	<b>31.4</b>

The table below sets out the changes on Acquisition-operation Distressed Assets of the Group as at the dates and for the periods indicated.

	<b>For the six months ended June 30, (in millions of RMB)</b>
<b>As at December 31, 2016</b>	<b>94,458.6</b>
Acquisition during the period	26,414.4
Disposal during the period	(13,645.7)
Unrealized fair value changes	953.8
<b>As at June 30, 2017</b>	<b>108,181.1</b>
<b>As at December 31, 2017</b>	<b>148,790.1</b>
Acquisition during the period	45,980.0
Disposal during the period	(17,495.3)
Unrealized fair value changes	(50.1)
<b>As at June 30, 2018</b>	<b>177,224.7</b>

The fair value changes on Acquisition-operation Distressed Assets of the Group increased by 31.4% in the first half of 2018 as compared to the same period in 2017, primarily due to an increase in realized fair value changes, increasing by 71.9% from RMB3,216.1 million in the first half of 2017 to RMB5,528.4 million in the first half of 2018. Income from disposal was maximized mainly from the implementation of strategies deployment by the Company that insisted on focusing at the main business. Meanwhile more efforts were devoted to the Acquisition-operation Distressed Assets, which seized the market opportunities and grasped the pace of disposal. As compared to the same period of the last year, there was growth in both the acquisition amount and the disposal amount, changing from RMB26,414.4 million and RMB13,645.7 million in the first half of 2017 to RMB45,980.0 million and RMB17,495.3 million in the first half of 2018, respectively. The annualized return of Acquisition-operation Distressed Assets was higher than that of the same period of the last year and net gains on disposal continued to increase.

#### *Fair Value Changes on Other Financial Instruments*

On the Transition Date, financial assets of the Group (excluding distressed debt assets at fair value through profit or loss) in the amount of RMB229,254.2 million were reclassified as financial assets at fair value through profit or loss, of which available-for-sale financial assets under the previous classification amounted to RMB170,214.7 million. The profit or loss of the above financial assets was changed to be presented under fair value changes on other financial instruments accordingly.

## Management Discussion and Analysis

The fair value changes on other financial instruments of the Group included the gains or losses from the disposal of financial assets classified as at fair value through profit or loss (excluding the distressed debt assets at fair value through profit or loss), interest income, dividend income and unrealized fair value changes on such assets and the realized and unrealized fair value changes on financial liabilities at fair value through profit or loss. In the first half of 2018, the fair value changes on other financial instruments were RMB11,724.3 million, accounting for 21.4% of the total income for the respective period. Of which, the fair value changes on DES Assets were RMB6,648.2 million, accounting for 12.1% of the total income for the first half of 2018.

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 periods indicated.

	For the six months ended June 30,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			
				(%)
<b>Fair value changes on financial instruments at fair value through profit or loss</b>				
DES Assets of the Company <sup>(1)</sup>	5,769.3	2,001.7	N/A	N/A
Others	5,796.3	199.0	N/A	N/A
	(27.0)	1,802.7	N/A	N/A
<b>Interest income</b>	1,795.0	–	N/A	N/A
<b>Dividend income</b>	4,160.0	–	N/A	N/A
DES Assets of the Company	851.9	–	N/A	N/A
Principal equity investment of the Company and others	3,308.1	–	N/A	N/A
<b>Total</b>	<b>11,724.3</b>	<b>2,001.7</b>	<b>N/A</b>	<b>N/A</b>

Note:

- (1) Comprising the realized net gains on disposal of and the unrealized fair value changes on DES Assets classified as financial assets at fair value through profit or loss.

Affected by the transition of standards, financial assets at fair value through profit or loss for the first half of 2018 have a different scope of measurement from that of for the first half of 2017, available-for-sale financial assets under the classification of the Previous Standards were partially reclassified as financial assets at fair value through profit or loss, therefore the data of the two periods are not comparable.

## Management Discussion and Analysis

### Investment Income

In the first half of 2017 and the first half of 2018, the investment income of the Group was RMB7,415.7 million and RMB2,921.5 million, accounting for 12.2% and 5.3% of the total income for the respective periods.

The table below sets out the components of the investment income of the Group for the periods indicated.

	For the six months ended June 30,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
<b>Net realized gains from disposal of</b>				
Financial assets at fair value through other comprehensive income	(0.2)	–	N/A	N/A
Available-for-sale financial assets	–	2,505.9	N/A	N/A
<b>Interest income</b>				
Financial assets at fair value through other comprehensive income	1,658.3	–	N/A	N/A
Financial assets at amortized cost	763.1	–	N/A	N/A
Available-for-sale financial assets	–	1,342.6	N/A	N/A
Debt instruments classified as receivables	–	540.1	N/A	N/A
Held-to-maturity investments	–	310.0	N/A	N/A
<b>Dividend income</b>				
Financial assets at fair value through other comprehensive income	1.2	–	N/A	N/A
Available-for-sale financial assets	–	2,394.7	N/A	N/A
<b>Others</b>	499.1	322.4	176.7	54.8
<b>Total</b>	<b>2,921.5</b>	<b>7,415.7</b>	<b>(4,494.2)</b>	<b>(60.6)</b>

In the first half of 2018, the investment income of the Group amounted to RMB2,921.5 million, primarily including the realized net gains on disposal of financial assets at amortized cost and financial assets at fair value through other comprehensive income, interest income and dividend income; in the first half of 2017, the investment income amounted to RMB7,415.7 million. Affected by the transition of standards, in the first half of 2018, the realized net gains on disposal of financial assets at fair value through profit or loss which were reclassified from available-for-sale financial assets, interest income, dividend income and unrealized fair value changes are presented under fair value changes on other financial instruments and not included in the investment income.

## Management Discussion and Analysis

The table below sets out the components of the investment income from the available-for-sale financial assets of the Group for the periods indicated.

	For the six months ended June 30,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			
				(%)
<b>Net realized gains on disposal of available-for-sale financial assets</b>	–	<b>2,505.9</b>	<b>N/A</b>	<b>N/A</b>
DES Assets of the Company <sup>(1)</sup>	–	2,364.6	N/A	N/A
Others	–	141.3	N/A	N/A
<b>Interest income from available-for-sale financial assets</b>	–	<b>1,342.6</b>	<b>N/A</b>	<b>N/A</b>
<b>Dividend income from available-for-sale financial assets</b>	–	<b>2,394.7</b>	<b>N/A</b>	<b>N/A</b>
DES Assets of the Company	–	14.8	N/A	N/A
Principal equity investment of the Company and others	–	2,379.9	N/A	N/A
<b>Total</b>	<b>–</b>	<b>6,243.2</b>	<b>N/A</b>	<b>N/A</b>

Note:

- (1) Net realized gains on disposal of DES Assets under available-for-sale financial assets excluded the net realized gains on disposal of DES Assets attributable to interests in associates and joint ventures.

In the first half of 2017, investment income realized from available-for-sale financial assets amounted to RMB6,243.2 million. As at December 31, 2017, the balance of available-for-sale financial assets was RMB273,182.7 million, of which RMB170,214.7 million was reclassified to financial assets at fair value through profit or loss on the Transition Date, assets of RMB92,764.5 million was reclassified to financial assets at fair value through other comprehensive income and assets of RMB10,203.5 million was reclassified as financial assets at amortized cost.

## Management Discussion and Analysis

### Net Insurance Premiums Earned

The table below sets out the components of the net insurance premiums earned of the Group for the periods indicated.

	For the six months ended June 30,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Gross written premiums	6,791.1	17,575.5	(10,784.4)	(61.4)
Less: Premiums ceded to reinsurers	6.1	44.5	(38.4)	(86.3)
Withdrawal of unearned premium reserves	57.1	16.7	40.4	241.9
<b>Net insurance premiums earned</b>	<b>6,727.9</b>	<b>17,514.3</b>	<b>(10,786.4)</b>	<b>(61.6)</b>

The gross written premiums of the Group decreased by 61.4% from RMB17,575.5 million in the first half of 2017 to RMB6,791.1 million in the first half of 2018, primarily attributable to the year-on-year fall in insurance income of Happy Life in the first half of 2018. The gross written premiums decreased by 59.4% from RMB16,741.8 million in the first half of 2017 to RMB6,791.1 million in the first half of 2018.

The premiums ceded to reinsurers in the first half of 2018 experienced a year-on-year decrease, while the withdrawal of unearned premium reserves of the Group increased year-on-year. Of which, the withdrawal of unearned premium reserves increased by 241.9% from RMB16.7 million in the first half of 2017 to RMB57.1 million in the first half of 2018.

## Management Discussion and Analysis

### Commission and Fee Income

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

	For the six months ended June 30,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Securities and futures brokerage	424.0	518.6	(94.6)	(18.2)
Fund and asset management business	459.4	352.6	106.8	30.3
Consultancy and financial advisory services	102.9	252.2	(149.3)	(59.2)
Trustee services	169.1	188.8	(19.7)	(10.4)
Banking business	372.8	377.4	(4.6)	(1.2)
Securities underwriting	14.3	80.4	(66.1)	(82.2)
Agency business	306.2	266.8	39.4	14.8
Others	68.9	39.7	29.2	73.6
<b>Total</b>	<b>1,917.6</b>	<b>2,076.5</b>	<b>(158.9)</b>	<b>(7.7)</b>

The commission and fee income of the Group decreased by 7.7% from RMB2,076.5 million in the first half of 2017 to RMB1,917.6 million in the first half of 2018, mainly due to the decrease in commission income from consultancy and financial advisory services and securities and futures brokerage, which was partly offset by the growth in the income from fund and asset management business. Among which:

- (1) The commission and fee income from consultancy and financial advisory services decreased by 59.2% from RMB252.2 million in the first half of 2017 to RMB102.9 million in the first half of 2018, mainly due to the decrease in income from investment consultancy business of the Company and Cinda Hong Kong.
- (2) The commission and fee income from securities and futures brokerage was affected by the trading volume in brokerage business market and related factors, decreasing by 18.2% from RMB518.6 million in the first half of 2017 to RMB424.0 million in the first half of 2018.
- (3) The commission and fee income from fund and asset management business increased by 30.3% from RMB352.6 million in the first half of 2017 to RMB459.4 million in the first half of 2018, mainly due to the increase in the fund management fee income from the subsidiaries of Cinda Investment.

## Management Discussion and Analysis

### *Revenue From Sale of Inventories and Purchases and Changes in Inventories*

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

	For the six months ended June 30,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Revenue from sales of inventories	4,879.5	5,787.9	(908.4)	(15.7)
Purchases and changes in inventories	(3,178.2)	(4,441.3)	1,263.1	(28.4)
Including:				
Revenue from sales of properties held for sale	4,876.5	5,783.5	(907.0)	(15.7)
Purchases and changes in properties held for sale	(3,175.6)	(4,437.7)	1,262.1	(28.4)
Gross profit from sales of properties held for sale	1,700.9	1,345.8	355.1	26.4
Gross profit margin from sales of properties held for sale (%)	34.9	23.3	11.6	49.9

The revenue from sales of inventories of the Group decreased by 15.7% from RMB5,787.9 million in the first half of 2017 to RMB4,879.5 million in the first half of 2018 and the purchases and changes in inventories decreased by 28.4% from RMB4,441.3 million in the first half of 2017 to RMB3,178.2 million in the first half of 2018.

The revenue from sales of properties held for sale of the Group decreased by 15.7% from RMB5,783.5 million in the first half of 2017 to RMB4,876.5 million in the first half of 2018 while the purchases and changes in properties held for sale decreased by 28.4% from RMB4,437.7 million in the first half of 2017 to RMB3,175.6 million in the first half of 2018. The gross profit margin from sales of properties held for sale of the Group increased as compared to the same period of the last year, increasing by 11.6 percentage points from 23.3% in the first half of 2017 to 34.9% in the first half of 2018. In the first half of 2018, both the sales revenue and cost of real estate decreased as compared with the same period of last year, mainly due to the decrease in the carrying area of properties delivered by Cinda Real Estate during the period. The gross profit margin of the sales of real estate in the first half of 2018 increased as compared with the same period of the last year, mainly due to the difference in the structure of properties delivered by Cinda Real Estate during the period, the cost of properties carried forward was lower than the same period of the last year, and the sale price was higher than the same period of the last year.

## Management Discussion and Analysis

### Interest Income

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

	For the six months ended June 30,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			
				(%)
Loans and advances to customers	8,066.7	7,380.0	686.7	9.3
Financial assets held under resale agreements	1,031.5	1,039.4	(7.9)	(0.8)
Deposits with banks and financial institutions	688.6	992.3	(303.7)	(30.6)
Balances with central banks	86.7	76.4	10.3	13.5
Placements with banks and financial institutions	334.0	227.9	106.1	46.6
Accounts receivable	24.4	17.9	6.5	36.3
Others <sup>(1)</sup>	128.3	77.9	50.4	64.7
<b>Total</b>	<b>10,360.2</b>	<b>9,811.7</b>	<b>548.5</b>	<b>5.6</b>

Note:

(1) Primarily consists of interest income from deposits with stock exchanges, including deposits held on behalf of the clients.

The interest income of the Group increased by 5.6% from RMB9,811.7 million in the first half of 2017 to RMB10,360.2 million in the first half of 2018, primarily due to the increase in interest income from loans and advances to customers and placements with banks and financial institutions and was partially offset by the decrease of interest income from deposits with banks and financial institutions.

- (1) The interest income from loans and advances to customers increased by 9.3% from RMB7,380.0 million in the first half of 2017 to RMB8,066.7 million in the first half of 2018. The interest income from loans and advances to customers includes interest income from corporate and personal loans and advances, loans to margin clients and finance lease receivables. The increase in interest income was mainly due to the increase in the amount of loans of NCB.
- (2) The interest income from placements with banks and financial institutions increased by 46.6% from RMB227.9 million in the first half of 2017 to RMB334.0 million in the first half of 2018, mainly due to the increase in the interbank borrowing business of the Group.
- (3) The interest income of the Group's deposits with banks and financial institutions decreased by 30.6% from RMB992.3 million in the first half of 2017 to RMB688.6 million in the first half of 2018, mainly due to the year-on-year decrease in the average balance of the Group's time deposits with banks and financial institutions.

*Net Gains on Disposal of Subsidiaries, Associates and Joint Ventures*

Net gains on disposal of subsidiaries, associates and joint ventures of the Group decreased by 78.6% from RMB3,485.7 million in the first half of 2017 to RMB745.0 million in the first half of 2018, mainly due to the recognition of net gain on the Company's equity transfer in a subsidiary, Cinda P&C, in April 2017 of RMB3.37 billion. The equity transfer in Cinda P&C was completed in the first half of 2017. Upon completion, the Company still holds 10% of Cinda P&C's equity and Cinda P&C was no longer incorporated into the consolidated financial statements as a subsidiary of the Company.

*Other Income and Other Net Gains or Losses*

The table below sets out the components of the other income and other net gains or losses of the Group for the periods indicated.

	For the six months ended June 30,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			
				(%)
Revenue from hotel operation	256.4	251.9	4.5	1.8
Rental income	213.7	178.6	35.1	19.7
Revenue from property management business	124.6	88.6	36.0	40.6
Government grants and compensation	89.2	51.4	37.8	73.5
Net gains on disposal of other assets	68.5	55.8	12.7	22.8
Net losses on exchange differences	(23.5)	(1,091.5)	1,068.0	97.8
Others	179.2	167.5	11.7	7.0
<b>Total</b>	<b>908.2</b>	<b>(297.6)</b>	<b>1,205.8</b>	<b>405.2</b>

The other income and other net gains or losses of the Group increased by 405.2% from net loss of RMB297.6 million in the first half of 2017 to net gain of RMB908.2 million in the first half of 2018, mainly due to a decrease in net losses on exchange differences from RMB1,091.5 million in the first half of 2017 to RMB23.5 million in the first half of 2018. The impact of exchange rate changes in the Offshore Preference Shares of USD3.2 billion issued by the Company in 2016 and H Shares of HKD6.2 billion issued under the general mandate were recognized as other comprehensive income, while the changes in the exchange rate of the foreign currency assets were included in the net gains or losses on exchange differences. Due to the depreciation of the Renminbi exchange rate in 2018, the net exchange loss of the assets decreased.

## Management Discussion and Analysis

### Total Costs and Expenses

Costs and expenses of the Group experienced a moderate decrease as compared to the first half of 2017, which was in line with the fall in income of the Group.

The table below sets out the components of the total costs and expenses of the Group for the periods indicated.

	For the six months ended June 30,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			
				(%)
Insurance costs	(7,340.6)	(18,139.7)	10,799.1	(59.5)
Commission and fee expense	(1,446.4)	(1,389.9)	(56.5)	4.1
Purchases and changes in inventories	(3,178.2)	(4,441.3)	1,263.1	(28.4)
Employee benefits	(3,181.9)	(2,541.0)	(640.9)	25.2
Tax and surcharges	(277.3)	(378.8)	101.5	(26.8)
Business depreciation and amortization	(471.3)	(468.4)	(2.9)	0.6
Impairment losses on assets	(3,164.6)	(3,941.6)	777.0	(19.7)
Interest expense	(23,036.9)	(15,635.3)	(7,401.6)	47.3
Other expenses	(1,589.1)	(1,739.1)	150.0	(8.6)
<b>Total</b>	<b>(43,686.3)</b>	<b>(48,675.1)</b>	<b>4,988.8</b>	<b>(10.2)</b>

The total costs and expenses of the Group decreased by 10.2% from RMB48,675.1 million in the first half of 2017 to RMB43,686.3 million in the first half of 2018, mainly due to decrease in insurance costs, purchases and changes in inventories and impairment losses on assets, partially offset by the increase in interest expense.

## Management Discussion and Analysis

### Insurance Costs

The table below sets out the components of the insurance costs of the Group for the periods indicated.

	For the six months ended June 30,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Reserves/(reverses) for insurance contracts	3,175.1	(10,490.3)	13,665.4	(130.3)
Interests credited and policyholder dividends	(623.5)	(755.3)	131.8	(17.5)
Refund of reinsurance premiums	0.9	29.4	(28.5)	(96.9)
Other insurance expenses <sup>(1)</sup>	(9,893.2)	(6,923.5)	(2,969.7)	42.9
<b>Total</b>	<b>(7,340.6)</b>	<b>(18,139.7)</b>	<b>10,799.1</b>	<b>(59.5)</b>

Note:

(1) Consists primarily of claims incurred, surrender payments and general and administrative expenses.

The insurance costs of the Group decreased by 59.5% from RMB18,139.7 million in the first half of 2017 to RMB7,340.6 million in the first half of 2018, primarily due to the decline in the scale of the insurance business of Happy Life and the increase in policy maturity and surrender, resulting in a year-on-year decrease in the corresponding reserves for insurance contracts.

## Management Discussion and Analysis

### Impairment Losses on Assets

The table below sets out the components of the impairment losses on assets for the periods indicated.

	For the six months ended June 30,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			
				(%)
Financial assets at amortized cost				
Including: Distressed debt assets	(1,807.1)	–	N/A	N/A
Loans and advances				
to customers	(889.1)	–	N/A	N/A
Other debt investments	(63.3)	–	N/A	N/A
Financial assets at fair value through				
other comprehensive income	(14.2)	–	N/A	N/A
Distressed debt assets classified				
as receivables	–	(2,223.5)	N/A	N/A
Available-for-sale financial assets	–	(830.6)	N/A	N/A
Loans and advances to customers	–	(834.6)	N/A	N/A
Accounts receivable	(354.2)	(1.2)	(353.0)	29,416.7
Other assets	(36.7)	(51.7)	15.0	(29.0)
<b>Total</b>	<b>(3,164.6)</b>	<b>(3,941.6)</b>	<b>777.0</b>	<b>(19.7)</b>

The impairment losses on assets decreased by 19.7% from RMB3,941.6 million in the first half of 2017 to RMB3,164.6 million in the first half of 2018.

During the first half of 2018, among the financial assets at amortized cost, the impairment losses on distressed debt assets were RMB1,807.1 million, while during the first half of 2017, the impairment losses on distressed debt assets classified as receivables were RMB2,223.5 million. During the first half of 2018, among the financial assets at amortized cost, the impairment losses on loans and advances to customers were RMB889.1 million, while during the first half of 2017, the impairment losses on loans and advances to customers were RMB834.6 million.

During the first half of 2017, the impairment losses on available-for-sale financial assets were RMB830.6 million, primarily due to the change in the stock price held by the Group. During the first half of 2018, the Group adopted IFRS9. The equity assets which were previously classified as available-for-sale financial assets were reclassified to financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, according to the requirements of the standard, no impairment allowance was provided any more.

## Management Discussion and Analysis

### Interest Expense

The table below sets out the principal components of the interest expense for the periods indicated.

	For the six months ended June 30,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Borrowings	(15,502.2)	(9,833.3)	(5,668.9)	57.7
Bonds issued	(4,979.6)	(3,642.6)	(1,337.0)	36.7
Financial assets sold under repurchase agreements	(124.6)	(124.8)	0.2	(0.2)
Accounts payable to brokerage clients	(19.8)	(25.9)	6.1	(23.6)
Due to customers	(1,442.0)	(1,184.7)	(257.3)	21.7
Others	(968.8)	(824.0)	(144.8)	17.6
<b>Total</b>	<b>(23,036.9)</b>	<b>(15,635.3)</b>	<b>(7,401.6)</b>	<b>47.3</b>

The interest expense increased by 47.3% from RMB15,635.3 million in the first half of 2017 to RMB23,036.9 million in the first half of 2018, primarily due to the increase in borrowings and bonds issued resulted from the increase in financing needs of the Group for the core business development and the rise in cost of funds and together thereby the increase in interest expense.

The interest expenses on the borrowings increased by 57.7% from RMB9,833.3 million in the first half of 2017 to RMB15,502.2 million in the first half of 2018, primarily caused by both of the increase in borrowings for the development of distressed asset management by the Company and the rise in cost of funds.

The interest expense on bonds issued increased by 36.7% from RMB3,642.6 million in the first half of 2017 to RMB4,979.6 million in the first half of 2018, primarily because the Company and Cinda Hong Kong and its subsidiaries seized the financing opportunities in the market and increased the bonds issuance resulting in the increase in interest expenses on bonds issued.

## Management Discussion and Analysis

### Income Tax Expense

The table below sets out the income tax expense of the Group for the periods indicated.

	For the six months ended June 30,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			
Profit before tax	11,815.9	12,057.8	(241.9)	(2.0)
Income tax expense	(3,323.0)	(3,495.3)	172.3	(4.9)
Effective tax rate (%)	28.1	29.0	(0.9)	(3.0)

The income tax expense of the Group decreased by 4.9% from RMB3,495.3 million in the first half of 2017 to RMB3,323.0 million in the first half of 2018, primarily due to a decrease in the taxable income. In the first half of 2017 and 2018, the effective tax rates were 29.0% and 28.1%, respectively.

### Segment Results of Operations

We report the financial results in three 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) operation, management and disposal of DES Assets; and (iii) restructuring, custody, liquidation and special opportunity business related to distressed assets and distressed entities through collaborative and integrated operation within the Group.
- (2) Financial investment and asset management business, which includes principal investment, asset management and consulting and financial advisory services.
- (3) Financial services business, which primarily includes banking, securities, futures, fund management, trusts, financial leasing and insurance.

## Management Discussion and Analysis

The following table sets forth the segment financial results and positions of each of our business segments as at the dates and for the periods indicated.

	For the six months ended June 30,											
	2018		2017		2018		2017		2018		2017	
	Distressed asset management		Financial investment and asset management		Financial services		Elimination		Consolidation			
	(in millions of RMB)											
Total income	24,685.4	17,596.9	13,659.9	16,055.2	17,406.0	27,936.2	(979.7)	(977.9)	54,771.7	60,610.3		
Percentage of total (%)	45.1	29.0	24.9	26.5	31.8	46.1						
Total costs and expenses	(17,791.8)	(12,109.4)	(10,353.6)	(9,725.0)	(16,380.2)	(27,477.5)	839.3	636.8	(43,686.3)	(48,675.1)		
Profit before tax	7,560.1	5,557.7	3,477.1	6,561.7	919.1	279.5	(140.4)	(341.1)	11,815.9	12,057.8		
Percentage of total (%)	64.0	46.1	29.4	54.4	7.8	2.3						
Profit margin (%)	30.6	31.6	25.5	40.9	5.3	1.0			21.6	19.9		
Return on net assets before tax <sup>(1)</sup> (%)	17.3	14.4	14.3	26.0	4.5	1.7			13.8	15.6		

	As at		As at		As at		As at		As at		As at	
	June 30,		December 31,		June 30,		December 31,		June 30,		December 31,	
	2018		2017		2018		2017		2018		2017	
	(in millions of RMB)											
Total assets	635,612.4	593,061.6	329,102.2	301,566.3	537,059.8	545,215.7	(41,208.2)	(52,906.2)	1,460,566.2	1,386,937.5		
Percentage of total (%)	43.5	42.8	22.5	21.7	36.8	39.3						
Net assets	86,294.2	88,268.4	51,018.7	46,557.3	41,502.6	40,315.5	(3,656.7)	(6,876.5)	175,158.8	168,264.7		
Percentage of total (%)	49.3	52.5	29.1	27.7	23.7	24.0						

Notes:

- Refers to the annualized percentage calculated by dividing the profit before tax by the average of net assets at the beginning and end of the period.
- Represents primarily income tax payable and deferred tax assets and liabilities which were not allocated to each business segment.

## Management Discussion and Analysis

Distressed asset management is our core business and one of our principal income contributors. In the first half of 2017 and 2018, the income generated from distressed asset management accounted for 29.0% and 45.1% of our total income, respectively, and the profit before tax generated from distressed asset management accounted for 46.1% and 64.0% of our total profit before tax, respectively. As at December 31, 2017 and June 30, 2018, the total assets of our distressed asset management accounted for 42.8% and 43.5% of our total assets and the net assets of our distressed asset management accounted for 52.5% and 49.3% of our net assets, respectively.

Financial investment and asset management services are extension of the core business of distressed asset management and also an important functional platform of providing financial service for the maximization of distressed asset management value, accounting for 54.4% and 29.4% of the profit before tax in the first half of 2017 and the first half of 2018, respectively. In the first half of 2017 and 2018, the profit margin before tax of this segment accounted for 40.9% and 25.5%, respectively, and average annualized return on net asset before tax were 26.0% and 14.3%, respectively. In the first half of 2018, profit contribution from financial investment and asset management business decreased, mainly due to the recognition of net gain of RMB3.37 billion from equity transfer of Cinda P&C by the Group during the first half of 2017.

As a key component of the business of the Group and an important cross-selling driver, the financial services segment benefited from our synergistic and diversified operations and management strategies. The total income of the financial services segment in the first half of 2018 decreased by 37.7%, as compared to the same period of 2017, mainly due to the significant decrease in premium income earned from insurance business of Happy Life.

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

### Summary of Financial Position of the Group

In the first half of 2018, the Group's assets, liabilities and equity maintained steady growth. As at December 31, 2017 and June 30, 2018, the total assets of the Group amounted to RMB1,386,937.5 million and RMB1,460,566.2 million, respectively, representing an increase of 5.3%; total liabilities of the Group amounted to RMB1,218,672.9 million and RMB1,285,407.4 million, respectively, representing an increase of 5.5%; total equity amounted to RMB168,264.7 million and RMB175,158.8 million, respectively, representing an increase of 4.1%.

## Management Discussion and Analysis

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 June 30, 2018		As at December 31, 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
	(in millions of RMB)			
<b>Assets</b>				
Cash and balances with central banks	12,926.2	0.9	21,511.1	1.6
Deposits with banks and financial institutions	79,414.0	5.4	54,429.2	3.9
Financial assets at fair value through profit or loss	442,407.5	30.3	213,795.9	15.4
Available-for-sale financial assets	–	–	273,182.7	19.7
Financial assets at fair value through other comprehensive income	89,983.5	6.2	–	–
Financial assets at amortized cost	574,818.2	39.4	–	–
Financial assets classified as receivables	–	–	234,226.9	16.9
Loans and advances to customers	–	–	312,117.5	22.5
Other assets	261,016.8	17.8	277,674.2	20.0
<b>Total assets</b>	<b>1,460,566.2</b>	<b>100.0</b>	<b>1,386,937.5</b>	<b>100.0</b>
<b>Liabilities</b>				
Borrowings from the central bank	986.1	0.1	986.1	0.1
Accounts payable to brokerage clients	12,336.0	1.0	12,393.8	1.0
Due to customers	231,762.2	18.0	226,220.8	18.6
Borrowings	584,924.0	45.5	580,352.1	47.6
Accounts payable	4,080.3	0.3	3,220.9	0.3
Bonds issued	250,864.4	19.5	206,482.6	16.9
Other liabilities	200,454.4	15.6	189,016.6	15.5
<b>Total liabilities</b>	<b>1,285,407.4</b>	<b>100.0</b>	<b>1,218,672.9</b>	<b>100.0</b>
<b>Equity</b>				
Equity attributable to equity holders of the Company	152,950.0	87.3	149,394.5	88.8
Non-controlling interests	22,208.9	12.7	18,870.2	11.2
<b>Total equity</b>	<b>175,158.8</b>	<b>100.0</b>	<b>168,264.7</b>	<b>100.0</b>
<b>Total equity and liabilities</b>	<b>1,460,566.2</b>		<b>1,386,937.5</b>	

## Management Discussion and Analysis

### Assets

#### Monetary Capital

Monetary capital primarily consists of cash, principal deposits, balances with central banks and clearing settlement funds and deposits that Cinda Securities holds on behalf of its customers in the securities brokerage business with banks and other financial institutions. As at December 31, 2017 and June 30, 2018, monetary capital amounted to RMB75,940.3 million and RMB92,340.2 million, respectively, representing an increase of 21.6%, mainly due to an increase in bank deposits and balances with interbank deposits.

#### Financial Assets at Fair Value through Profit or Loss

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

	As at June 30, 2018	As at December 31, 2017	Change	Change in Percentage (%)
(in millions of RMB)				
<b>Held-for-trading financial assets and other financial assets at fair value through profit or loss</b>				
<b>Listed investments</b>				
Debt securities	9,575.1	12,703.0	(3,127.9)	(24.6)
Equity investments	9,652.4	6,546.2	3,106.2	47.5
Funds	2,289.2	873.7	1,415.5	162.0
Corporate convertible bonds	104.2	–	N/A	N/A
<b>Unlisted investments</b>				
Distressed debt assets	177,224.7	–	N/A	N/A
Funds	113,203.5	5,242.6	107,960.9	2,059.3
Equity investments	58,582.5	–	N/A	N/A
Trust plans and asset management plans	44,302.1	–	N/A	N/A
Debt instruments	19,915.0	–	N/A	N/A
Security investments	4,218.0	1,337.3	2,880.7	215.4
Wealth management products	2,556.6	–	N/A	N/A
Derivative financial assets	677.1	381.3	295.8	77.6
Others	107.0	–	N/A	N/A
<b>Subtotal</b>	<b>442,407.5</b>	<b>27,084.0</b>	<b>415,323.5</b>	<b>1,533.5</b>

## Management Discussion and Analysis

	As at June 30, 2018	As at December 31, 2017	Change	Change in Percentage (%)
(in millions of RMB)				
<b>Financial assets designated as at fair value through profit or loss</b>				
<b>Listed investments</b>				
Corporate convertible bonds	–	309.2	N/A	N/A
<b>Unlisted investments</b>				
Distressed debt assets	–	148,790.1	N/A	N/A
Equity investments	–	28,933.5	N/A	N/A
Funds	–	4,339.5	N/A	N/A
Wealth management products	–	1,878.3	N/A	N/A
Asset management plans	–	411.1	N/A	N/A
Embedded derivatives debts	–	404.3	N/A	N/A
Corporate convertible bonds	–	386.5	N/A	N/A
Asset-backed securities	–	54.6	N/A	N/A
Others	–	1,204.6	N/A	N/A
<b>Subtotal</b>	<b>–</b>	<b>186,711.8</b>	<b>N/A</b>	<b>N/A</b>
<b>Total</b>	<b>442,407.5</b>	<b>213,795.9</b>	<b>228,611.6</b>	<b>106.9</b>

As at December 31, 2017 and June 30, 2018, financial assets at fair value through profit or loss were RMB213,795.9 million and RMB442,407.5 million, respectively, increasing by 106.9%, mainly due to the transition of standards.

On the Transition Date, financial assets reclassified as at fair value through profit or loss amounted to RMB378,044.4 million, among which amount of RMB181,663.4 were previously designated as financial assets at fair value through profit or loss and amount of RMB170,214.7 million were previously classified as available-for-sale financial assets. As at December 31, 2017 and June 30, 2018, distressed debt assets at fair value through profit or loss amounted to RMB148,790.1 million and RMB177,224.7 million, respectively, increasing by RMB28,434.6 million or 19.1%, mainly due to the fact that the Company focused on its main business and continued to increase its efforts in acquiring Acquisition-operation Distressed Assets business.

## Management Discussion and Analysis

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

	As at June 30, 2018	As at December 31, 2017	Change	Change in Percentage (%)
(in millions of RMB)				
<b>The Group</b>				
Listed	9,652.4	6,546.2	N/A	N/A
Unlisted	58,582.5	28,933.5	N/A	N/A
<b>Total</b>	<b>68,234.9</b>	<b>35,479.7</b>	<b>N/A</b>	<b>N/A</b>
<b>The Company</b>				
Listed	3,097.7	1,501.8	N/A	N/A
Unlisted	34,932.4	5,548.4	N/A	N/A
<b>Subtotal</b>	<b>38,030.1</b>	<b>7,050.2</b>	<b>N/A</b>	<b>N/A</b>
Including:				
DES Assets <sup>(1)</sup>	35,627.1	855.8	N/A	N/A
Financial equity investments <sup>(2)</sup>	2,403.0	6,194.4	N/A	N/A
<b>Subtotal</b>	<b>38,030.1</b>	<b>7,050.2</b>	<b>N/A</b>	<b>N/A</b>

Notes:

- (1) Represents DES Assets held by the Company under the financial assets at fair value through profit or loss, which are included under the distressed asset management segment.
- (2) Represents equity assets held by the Company through its principal investment under the financial assets at fair value through profit or loss, which are included under the financial investment and asset management segment.

Affected by the transition of standards, the scope of measurement of financial assets at fair value through profit or loss was different as at December 31, 2017 and June 30, 2018, assets which were classified as available-for-sale financial assets under the Previous Standards were partially reclassified as financial assets at fair value through profit or loss on the Transition Date, therefore data of the two periods are not comparable.

## Management Discussion and Analysis

### Available-for-sale Financial Assets

The table below sets forth the principal components of available-for-sale financial assets as at the dates indicated.

	<b>As at June 30, 2018</b>	<b>As at December 31, 2017</b>	<b>Change</b>	<b>Change in Percentage</b>
(in millions of RMB)				
(%)				
Debt securities	–	65,774.8	N/A	N/A
Equity investments	–	29,602.4	N/A	N/A
Certificates of deposit	–	27,929.4	N/A	N/A
Funds	–	101,151.6	N/A	N/A
Trust products and rights to trust assets	–	20,613.0	N/A	N/A
Asset management plans	–	14,304.6	N/A	N/A
Wealth management products	–	11,820.0	N/A	N/A
Asset-backed securities	–	1,031.2	N/A	N/A
Others	–	955.8	N/A	N/A
<b>Total</b>	<b>–</b>	<b>273,182.7</b>	<b>N/A</b>	<b>N/A</b>

## Management Discussion and Analysis

The table below sets forth the principal components of equity investments in available-for-sale financial assets by type of investment and listing status as at the dates indicated.

	As at June 30, 2018	As at December 31, 2017	Change	Change in Percentage (%)
(in millions of RMB)				
<b>The Group</b>				
Listed	–	4,741.1	N/A	N/A
Unlisted	–	24,861.3	N/A	N/A
<b>Total</b>	–	<b>29,602.4</b>	<b>N/A</b>	<b>N/A</b>
<b>The Company</b>				
Listed	–	2,109.4	N/A	N/A
Unlisted	–	21,819.6	N/A	N/A
<b>Subtotal</b>	–	<b>23,929.0</b>	<b>N/A</b>	<b>N/A</b>
Including:				
DES Assets <sup>(1)</sup>	–	21,984.7	N/A	N/A
Financial equity investments <sup>(2)</sup>	–	1,944.3	N/A	N/A
<b>Subtotal</b>	–	<b>23,929.0</b>	<b>N/A</b>	<b>N/A</b>

Notes:

- (1) Represents DES Assets held by the Company under the available-for-sale financial assets, which are recorded under the distressed asset management segment.
- (2) Represents equity assets held by the Company through its principal investment under the available-for-sale financial assets, which are recorded under the financial investment and asset management segment.

The Group assessed the impairment of the available-for-sale financial assets and accrued provisions for the impairment and recognized the impairment losses of such assets.

## Management Discussion and Analysis

The table below sets forth the changes in the Group's allowance for impairment losses of available-for-sale financial assets as at the dates and for the periods indicated.

	<b>For the six months ended June 30, (in millions of RMB)</b>
<b>As at December 31, 2016</b>	<b>(4,946.5)</b>
Provisions for impairment	(830.6)
Reversal of impairment	0.1
Disposal	168.2
<b>As at June 30, 2017</b>	<b>(5,608.8)</b>

In the first half of 2017, provisions for impairment of available-for-sale financial assets of the Group amounted to RMB830.6 million, mainly due to the decrease in the price of the stocks held by the Group. Subsequent to the transition of standards, equity instruments are classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are not subject to impairment provision according to the requirements of the standards.

### *Financial Assets at Fair Value through Other Comprehensive Income*

The financial assets at fair value through other comprehensive income held by the Group meet the conditions that the contractual terms of debt instruments give rise on specific dates to cash flow which are solely payments of principal and interest on the principal outstanding, while with a business model which 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.

## Management Discussion and Analysis

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

	As at June 30, 2018	As at December 31, 2017	Change	Change in Percentage
(in millions of RMB)				
				(%)
Bonds	87,027.9	–	N/A	N/A
Equity instruments	2,947.4	–	N/A	N/A
Asset-backed securities	8.2	–	N/A	N/A
<b>Total</b>	<b>89,983.5</b>	<b>–</b>	<b>N/A</b>	<b>N/A</b>

On the Transition Date, financial assets of RMB97,812.9 million were reclassified as financial assets at fair value through other comprehensive income, of which RMB92,764.5 million were previously classified as available-for-sale financial assets.

### *Financial Assets at Amortized Cost*

The financial assets at amortized cost are debt instruments held by the Group, which meet both of the following conditions: (1) the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and (2) 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.

## Management Discussion and Analysis

The table below sets forth the principal components of financial assets at amortized cost as at the dates indicated.

	As at June 30, 2018	As at December 31, 2017	Change	Change in Percentage (%)
(in millions of RMB)				
<b>Distressed debt assets</b>				
Loans acquired from financial institutions	19,914.1	–	N/A	N/A
Accounts receivable from non-financial institutions	205,673.9	–	N/A	N/A
<b>Subtotal</b>	<b>225,588.0</b>	<b>–</b>	<b>N/A</b>	<b>N/A</b>
Allowance for impairment losses	(10,575.4)	–	N/A	N/A
<b>Net balance</b>	<b>215,012.6</b>	<b>–</b>	<b>N/A</b>	<b>N/A</b>
<b>Loans and advances to customers</b>				
Corporate and personal loans and advances	284,987.1	–	N/A	N/A
Loans to margin clients	7,586.8	–	N/A	N/A
Finance lease receivables	46,551.9	–	N/A	N/A
<b>Subtotal</b>	<b>339,125.7</b>	<b>–</b>	<b>N/A</b>	<b>N/A</b>
Allowance for impairment losses	(7,858.9)	–	N/A	N/A
<b>Net balance</b>	<b>331,266.8</b>	<b>–</b>	<b>N/A</b>	<b>N/A</b>
<b>Other financial assets classified as at amortized cost</b>				
Trust plans and asset management plans	15,384.2	–	N/A	N/A
Securities investments	13,271.9	–	N/A	N/A
Others	1,475.2	–	N/A	N/A
<b>Subtotal</b>	<b>30,131.3</b>	<b>–</b>	<b>N/A</b>	<b>N/A</b>
Allowance for impairment losses	(1,592.6)	–	N/A	N/A
<b>Net balance</b>	<b>28,538.8</b>	<b>–</b>	<b>N/A</b>	<b>N/A</b>
<b>Total</b>	<b>574,818.2</b>	<b>–</b>	<b>N/A</b>	<b>N/A</b>

## Management Discussion and Analysis

On the Transition Date, financial assets of RMB545,103.3 million were reclassified as financial assets as at amortized cost, primarily include assets of RMB308,182.8 million previously classified as loans and advances to customers and debt assets of RMB212,268.4 million previously classified as financial assets classified as receivables.

As at June 30, 2018, the balance of distressed debt assets at amortized cost was RMB215,012.6 million, all of which are Restructured Distressed Assets and the balance of distressed debt assets classified as receivables as at the end of 2017 was RMB215,163.7 million. As at June 30, 2018, the balance of loans and advances to customers at amortized cost was RMB331,266.8 million, and the balance of loans and advances to customers as at the end of 2017 was RMB312,117.5 million. As at June 30, 2018, other financial assets at amortized cost was RMB28,538.8 million, increasing by 49.7% as compared to the balance of other financial assets classified as receivables as at the end of 2017, mainly due to the impact of the transition of standards.

As at June 30, 2018, the impaired distressed debt assets at amortized cost of the Company were RMB5,016.8 million, accounting for 2.23% of the total distressed debt assets at amortized cost. As at June 30, 2018, the allowance for impairment losses on distressed debt assets at amortized cost of the Company was RMB10,547.1 million, the coverage ratio of the impaired distressed debt assets at amortized cost was 210.2%, and the coverage ratio of allowance to total distressed debt assets at amortized cost was 4.68%.

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

	As at June 30, 2018	As at December 31, 2017	Change	Change in Percentage
(in millions of RMB)				
(%)				
<b>By security type</b>				
Mortgaged	84,952.4	86,609.6	(1,657.2)	(1.9)
Pledged	82,318.8	71,976.5	10,342.3	14.4
Guaranteed	40,045.8	41,002.6	(956.8)	(2.3)
Unsecured	131,808.7	119,446.7	12,362.0	10.3
<b>Total</b>	<b>339,125.7</b>	<b>319,035.5</b>	<b>20,090.2</b>	<b>6.3</b>

## Management Discussion and Analysis

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 June 30, 2018	As at December 31, 2017	Change	Change in Percentage
(in millions of RMB)				
(%)				
<b>Corporate loans and advances</b>				
Loans and advances	247,896.0	230,037.6	17,858.4	7.8
Discounted bills	823.1	949.2	(126.1)	(13.3)
<b>Subtotal</b>	<b>248,719.1</b>	<b>230,986.8</b>	<b>17,732.3</b>	<b>7.7</b>
<b>Personal loans and advances</b>				
Mortgage loans	25,041.6	24,699.2	342.4	1.4
Personal consumption loans	11,226.4	10,069.1	1,157.3	11.5
<b>Subtotal</b>	<b>36,268.0</b>	<b>34,768.3</b>	<b>1,499.7</b>	<b>4.3</b>
<b>Total</b>	<b>284,987.1</b>	<b>265,755.1</b>	<b>19,232.0</b>	<b>7.2</b>

The table below sets forth the principal components of the Group's finance lease receivables to be settled within the periods indicated, as at the dates indicated.

	As at June 30, 2018	As at December 31, 2017	Change	Change in Percentage
(in millions of RMB)				
(%)				
Gross amount of finance leases receivables				
Within 1 year (inclusive)	22,303.1	22,354.6	(51.5)	(0.2)
1 year to 5 years (inclusive)	26,860.9	26,187.2	673.7	2.6
Over 5 years	1,923.5	1,228.2	695.3	56.6
Less: Unearned finance income	4,535.6	4,198.1	337.5	8.0
<b>Net amount of finance leases receivables</b>	<b>46,551.9</b>	<b>45,571.9</b>	<b>980.0</b>	<b>2.2</b>
Allowance for impairment losses	(1,704.3)	(1,373.1)	(331.2)	24.1
<b>Carrying amount of finance lease receivables</b>	<b>44,847.6</b>	<b>44,198.8</b>	<b>648.8</b>	<b>1.5</b>

## Management Discussion and Analysis

Affected by the transition of standards, as at December 31, 2017, the balance of loans and advances to customers were RMB312,117.5 million, among which RMB308,182.8 million were reclassified as financial assets at amortized cost on the Transition Date.

### *Financial Assets Classified as Receivables*

The table below sets forth the principal components of the Group's the financial assets classified as receivables as at the dates indicated.

	As at June 30, 2018	As at December 31, 2017	Change	Change in Percentage
(in millions of RMB)				
(%)				
<b>Distressed debt assets</b>				
Loans acquired from financial institutions	–	26,552.6	N/A	N/A
Accounts receivable acquired from non-financial institutions	–	197,404.9	N/A	N/A
<b>Subtotal</b>	–	<b>223,957.5</b>	<b>N/A</b>	<b>N/A</b>
Allowance for impairment losses	–	(8,793.8)	N/A	N/A
<b>Net balance</b>	–	<b>215,163.7</b>	<b>N/A</b>	<b>N/A</b>
<b>Other financial assets classified as receivables</b>				
Trust products	–	15,275.2	N/A	N/A
Asset management plans	–	2,942.5	N/A	N/A
Structured debt arrangements	–	386.0	N/A	N/A
Other debt instruments	–	531.5	N/A	N/A
<b>Subtotal</b>	–	<b>19,135.2</b>	<b>N/A</b>	<b>N/A</b>
Allowance for impairment losses	–	(72.0)	N/A	N/A
<b>Net balance</b>	–	<b>19,063.2</b>	<b>N/A</b>	<b>N/A</b>
<b>Total</b>	–	<b>234,226.9</b>	<b>N/A</b>	<b>N/A</b>

As at December 31, 2017, the impaired distressed debt assets classified as receivables of the Company were RMB4,221.0 million, accounting for 1.88% of the total distressed debt assets classified as receivables. As at December 31, 2017, the allowance for impairment losses on distressed debt assets classified as receivables of the Company was RMB8,802.0 million, the coverage ratio of the impaired distressed debt assets classified as receivables was 208.5%, and the coverage ratio of allowance to total distressed debt assets classified as receivables was 3.93%.

## Management Discussion and Analysis

### Loans and Advances to Customers

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

	As at June 30, 2018	As at December 31, 2017	Change	Change in Percentage (%)
(in millions of RMB)				
<b>By business type</b>				
Corporate and personal loans and advances	–	265,755.1	N/A	N/A
Loans to margin clients	–	7,708.4	N/A	N/A
Finance lease receivables	–	45,571.9	N/A	N/A
<b>Subtotal</b>	<b>–</b>	<b>319,035.5</b>	<b>N/A</b>	<b>N/A</b>
<b>By security type</b>				
Mortgaged	–	86,609.6	N/A	N/A
Pledged	–	71,976.5	N/A	N/A
Guaranteed	–	41,002.6	N/A	N/A
Unsecured	–	119,446.7	N/A	N/A
<b>Subtotal</b>	<b>–</b>	<b>319,035.5</b>	<b>N/A</b>	<b>N/A</b>
Allowance for impairment losses	–	(6,917.9)	N/A	N/A
<b>Net balance</b>	<b>–</b>	<b>312,117.5</b>	<b>N/A</b>	<b>N/A</b>

## Management Discussion and Analysis

### Liabilities

Liabilities of the Group mainly consist of borrowings, due to customers and bonds issued, accounting for 45.5%, 18.0% and 19.5% of the total liabilities of the Group as at June 30, 2018, respectively.

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

	As at June 30, 2018		As at December 31, 2017	
	Amount	Percentage (%)	Amount	Percentage (%)
	(in millions of RMB)			
Borrowings	584,924.0	52.1	580,352.1	54.4
Due to customers	231,762.2	20.7	226,220.8	21.2
Deposits from banks and financial institutions	24,632.4	2.2	19,259.3	1.8
Accounts payable to brokerage clients	12,336.0	1.1	12,393.8	1.2
Financial assets sold under repurchase agreements	7,135.5	0.6	6,630.3	0.6
Placements from banks and financial institutions	10,382.2	0.9	16,431.6	1.5
Bonds issued	250,864.4	22.4	206,482.6	19.3
<b>Total</b>	<b>1,122,036.7</b>	<b>100.0</b>	<b>1,067,770.5</b>	<b>100.0</b>

### *Borrowings*

As at December 31, 2017 and June 30, 2018, the balance of borrowings of the Group amounted to RMB580,352.1 million and RMB584,924.0 million, increased by 0.8%. In line with the business development, the balance of borrowings remained steady.

### *Due to Customers*

As at December 31, 2017 and June 30, 2018, the balance of due to customers of the Group amounted to RMB226,220.8 million and RMB231,762.2 million, respectively. Due to customers of the Group came from NCB.

## Management Discussion and Analysis

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

	As at June 30, 2018	As at December 31, 2017	Change	Change in Percentage
(in millions of RMB)				
<b>Demand Deposits</b>	<b>88,430.1</b>	<b>87,805.9</b>	<b>624.2</b>	<b>0.7</b>
Corporate	50,347.5	48,909.3	1,438.2	2.9
Individual	38,082.6	38,896.6	(814.0)	(2.1)
<b>Time Deposits</b>	<b>131,775.9</b>	<b>128,327.4</b>	<b>3,448.5</b>	<b>2.7</b>
Corporate	70,439.9	78,804.6	(8,364.7)	(10.6)
Individual	61,336.0	49,522.8	11,813.2	23.9
<b>Guarantee Deposits</b>	<b>11,556.2</b>	<b>10,087.5</b>	<b>1,468.7</b>	<b>14.6</b>
<b>Total</b>	<b>231,762.2</b>	<b>226,220.8</b>	<b>5,541.4</b>	<b>2.4</b>

### Bonds Issued

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

	As at June 30, 2018	As at December 31, 2017
(in millions of RMB)		
Subordinated bonds	6,097.1	12,530.4
Tier-2 capital bonds	9,994.9	10,176.1
HKD bonds	73.3	74.8
Corporate bonds	25,860.5	26,427.3
Financial bonds	101,487.8	86,096.5
USD guaranteed senior notes	73,367.8	56,038.3
Beneficiary certificates	2,619.0	2,034.8
Certificates of deposit	2,800.7	2,567.1
Mid-term notes	3,075.7	3,067.9
Capital supplement bonds	3,061.0	3,001.0
Asset-backed securities	22,426.6	4,468.4
<b>Total</b>	<b>250,864.4</b>	<b>206,482.6</b>

## Management Discussion and Analysis

As at December 31, 2017 and June 30, 2018, the balance of bonds issued by the Group amounted to RMB206,482.6 million and RMB250,864.4 million, respectively. Bonds issued in the first half of 2018 further increased mainly because the Group continuously refined the structure of assets and liabilities by carrying out direct financing with focus on bond financing while reinforcing the inter-bank financing business. Bonds issued in the first half of 2018 mainly consist of (1) financial bonds of RMB26.0 billion issued by the Company; (2) guaranteed senior notes of USD2.5 billion issued by a subsidiary of Cinda Hong Kong; and (3) certificates of deposit of RMB2.75 billion issued by NCB China.

### 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 provision, 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, 2017 and June 30, 2018, the claim amounts of pending litigation of which the Group was defendant were RMB1,904.8 million and RMB2,125.5 million, respectively, and provisions of RMB128.7 million and RMB118.1 million for the Group were made based on court judgments or the advice of legal counsel, respectively. The Company believe that the final result of these lawsuits will not have material impacts on the financial position or operations of the Group.

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

There is no difference on the net profit and shareholders' equity for the Reporting Period between interim condensed consolidated financial statements prepared by the Company under the PRC GAAP and IFRS, respectively.

### Business Overview

The principal business segments of our Group include (1) distressed asset management business, including distressed debt asset management, management of DES Assets, and restructuring, custody, liquidation of distressed entities and special opportunity business; (2) financial investment and asset management business, including principal investment, asset management and consulting and financial advisory services; and (3) financial services business including banking, securities, futures, fund management, trusts, financial leasing and insurance.

## Management Discussion and Analysis

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

	For the six months ended June 30,			
	2018		2017	
	Total income	% of total	Total income	% of total
	(in millions of RMB)			
Distressed asset management	24,685.4	45.1	17,596.9	29.0
Financial investment and asset management	13,659.9	24.9	16,055.2	26.5
Financial services	17,406.0	31.8	27,936.2	46.1
Elimination	(979.7)	(1.8)	(977.9)	(1.6)
<b>Total</b>	<b>54,771.7</b>	<b>100.0</b>	<b>60,610.3</b>	<b>100.0</b>

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

	For the six months ended June 30,			
	2018		2017	
	Profit before tax	% of total	Profit before tax	% of total
	(in millions of RMB)			
Distressed asset management	7,560.1	64.0	5,557.7	46.1
Financial investment and asset management	3,477.1	29.4	6,561.7	54.4
Financial services	919.1	7.8	279.5	2.3
Elimination	(140.4)	(1.2)	(341.1)	(2.8)
<b>Total</b>	<b>11,815.9</b>	<b>100.0</b>	<b>12,057.8</b>	<b>100.0</b>

In first half of 2018, the income from distressed asset management, financial investment and asset management and financial services represented 45.1%, 24.9% and 31.8% of the total income of the Group, respectively, and the profit before tax represented 64.0%, 29.4% and 7.8% of the total profit before tax of the Group, respectively.

## Management Discussion and Analysis

### Distressed asset management

The Group's distressed asset management business includes (1) management and disposal of distressed debt assets acquired from financial institutions and non-financial enterprises, (2) operation, management and disposal of DES Assets, and (3) restructuring, custody, liquidation and special opportunity business related to distressed assets and distressed entities through collaboration within the Group.

Distressed asset management is the main business and the primary source of income and profit of the Group. In the first half of 2017 and the first half of 2018, the income from distressed asset management business accounted for 29.0% and 45.1% of the total income of the Group, respectively, and the profit before tax from the distressed asset management business accounted for 46.1% and 64.0% of the total 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 periods indicated.

	<b>As at June 30, 2018</b>	<b>As at December 31, 2017</b>
<b>(in millions of RMB)</b>		
Net balance of distressed debt assets <sup>(1)</sup>	392,443.4	363,984.9
Book value of DES Assets	73,029.9	62,381.0
	<b>For the six months ended June 30, 2018</b>	<b>2017</b>
<b>(in millions of RMB)</b>		
<b>Acquisition and disposal of distressed debt assets</b>		
Acquisition cost of distressed debt assets	94,767.6	72,851.3
Income from distressed debt assets <sup>(2)</sup>	14,508.7	12,856.8
<b>Management and disposal of DES Assets</b>		
Gains on fair value changes <sup>(3)</sup>	6,648.2	199.0
Gains on other equity <sup>(4)</sup>	434.1	2,783.9

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 interim condensed consolidated financial statements.
- (2) Equivalent to the sum of the Company's "fair value changes on distressed debt assets", and "income on distressed debt assets at amortized cost", as presented in the interim condensed consolidated financial statements.
- (3) Income of the DES Assets at fair value through profit or loss attributed to distressed assets segment including the net gains on disposal of DES Assets, dividend income, interest income and unrealized fair value changes.
- (4) Income from DES Assets accrued in associates and joint ventures attributed to distressed assets segment; dividend income from DES Assets at fair value through other comprehensive income and income from DES Assets at available-for-sale financial assets, if any.

#### The 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) non-performing loans and other distressed debt assets of banks and distressed debt assets of non-bank financial institutions ("FI Distressed Assets") and (2) receivables of non-financial enterprises ("NFE Distressed Assets").

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 periods indicated.

	As at June 30, 2018		As at December 31, 2017	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
<b>Net balance of distressed debt assets <sup>(1)</sup></b>				
FI Distressed Assets	188,752.1	48.1	168,265.2	46.2
NFE Distressed Assets	203,691.3	51.9	195,719.7	53.8
<b>Total</b>	<b>392,443.4</b>	<b>100.0</b>	<b>363,984.9</b>	<b>100.0</b>

## Management Discussion and Analysis

	For the six months ended June 30,			
	2018		2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
<b>Acquisition cost of distressed debt assets <sup>(2)</sup></b>				
FI Distressed Assets	45,450.8	48.0	28,092.3	38.6
NFE Distressed Assets	49,316.8	52.0	44,759.0	61.4
<b>Total</b>	<b>94,767.6</b>	<b>100.0</b>	<b>72,851.3</b>	<b>100.0</b>
<b>Income from distressed debt assets <sup>(3)</sup></b>				
FI Distressed Assets	6,272.0	43.2	5,287.3	41.1
NFE Distressed Assets	8,236.7	56.8	7,569.5	58.9
<b>Total</b>	<b>14,508.7</b>	<b>100.0</b>	<b>12,856.8</b>	<b>100.0</b>

Notes:

- (1) Equivalent to the Company's "distressed debt assets at fair value through profit or loss", and "distressed debt assets at amortized cost", as presented in the interim condensed consolidated financial statements.
- (2) Represents the carrying amounts of distressed debt assets acquired during the period indicated.
- (3) Equivalent to the Company's "fair value changes on distressed debt assets", and "income on distressed debt assets at amortized cost", as presented in the interim condensed 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 and city and rural commercial banks. We also acquire distressed debt assets from non-bank financial institutions.

## Management Discussion and Analysis

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

	For the six months ended June 30,			
	2018		2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Large commercial banks	16,120.6	35.5	15,808.8	56.3
Joint-stock commercial banks	15,204.1	33.5	5,911.5	21.0
City and rural commercial banks	8,335.2	18.3	128.9	0.5
Other banks <sup>(1)</sup>	3,308.8	7.3	–	–
Non-bank financial institutions <sup>(2)</sup>	2,482.1	5.4	6,243.1	22.2
<b>Total</b>	<b>45,450.8</b>	<b>100.0</b>	<b>28,092.3</b>	<b>100.0</b>

Note:

- (1) Include policy banks, the Postal Savings Bank of China and foreign banks.  
 (2) Mainly include non-banking financial institutions such as 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.

## Management Discussion and Analysis

### The 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 the Acquisition-operation Model and the Restructuring Model as at the dates and for the periods indicated.

	As at June 30, 2018		As at December 31, 2017	
	Amount	% of total (in millions of RMB)	Amount	% of total
<b>Net balance of distressed debt assets</b>				
Acquisition-operation distressed assets <sup>(1)</sup>	177,524.3	45.2	148,802.0	40.9
Restructured distressed assets <sup>(2)</sup>	214,919.1	54.8	215,182.9	59.1
<b>Total</b>	<b>392,443.4</b>	<b>100.0</b>	<b>363,984.9</b>	<b>100.0</b>

	For the six months ended June 30,			
	2018		2017	
	Amount	% of total (in millions of RMB)	Amount	% of total
<b>Acquisition cost of distressed debt assets</b>				
Acquisition-operation distressed assets	45,873.7	48.4	26,414.4	36.3
Restructured distressed assets	48,893.9	51.6	46,436.9	63.7
<b>Total</b>	<b>94,767.6</b>	<b>100.0</b>	<b>72,851.3</b>	<b>100.0</b>
<b>Income from distressed debt assets</b>				
Acquisition-operation distressed assets <sup>(3)</sup>	5,402.0	37.2	4,212.3	32.8
Restructured distressed assets <sup>(4)</sup>	9,106.7	62.8	8,644.5	67.2
<b>Total</b>	<b>14,508.7</b>	<b>100.0</b>	<b>12,856.8</b>	<b>100.0</b>

Notes:

- (1) Equivalent to the Company's "distressed debt assets at fair value through profit or loss" as presented in the interim condensed consolidated financial statements.
- (2) Equivalent to the Company's "distressed debt assets at amortized cost" minus identified allowance for impairment losses as presented in the interim condensed consolidated financial statements.
- (3) Equivalent to the Company's realized and unrealized "fair value changes on distressed debt assets" as presented in the interim condensed consolidated financial statements.
- (4) Equivalent to the Company's "income from distressed debt assets at amortized cost" as presented in the interim condensed consolidated financial statements.

*Acquisition-operation Distressed Assets*

The primary sources of the Company's Acquisition-operation Distressed Assets are banks. The Company acquires distressed debt assets from banks through competitive biddings, public auctions, blind auctions or negotiated acquisitions. Based on the characteristics of the distressed debt assets, the Company forms corresponding management strategies to maximize the value of assets to achieve cash recovery by various disposal methods, including debt restructuring, debt-to-equity swap, asset swap, receipt of equity in satisfaction of debt, litigation recovery and sale, 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 periods indicated.

	<b>As at June 30, 2018</b>	<b>As at December 31, 2017</b>
<b>(in millions of RMB)</b>		
Net balance of Acquisition-operation Distressed Assets	177,524.3	148,802.0

## Management Discussion and Analysis

	For the six months ended June 30,	
	2018	2017
(in millions of RMB)		
Acquisition cost of Acquisition-operation Distressed Assets	45,873.7	26,414.4
Carrying amount of Acquisition-operation Distressed Assets disposed <sup>(1)</sup>	16,892.9	13,304.2
Unrealized fair value changes	(5.7)	1,072.2
Net income from Acquisition-operation Distressed Assets	5,402.0	4,212.3
Internal rate of return <sup>(2)</sup> (%)	17.4	16.7

### 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 the first half of 2018, the Company coped with the new changes in the distressed asset market flexibly and accelerated the promotion of core business operations. In terms of asset acquisition, the Company accurately grasped the opportunities to dispose the non-performing assets for banks and other financial institutions, stepped up innovation and pioneering efforts, and made full use of professional advantages on valuation and pricing of distressed assets for bidding and quotation actively and reasonably, to maintain a leading position in public market. In terms of asset disposal, by enhancing the classification of assets, the Company accelerated asset turnover and improved asset disposal efficiency. For assets with value-added potential, the company tailored innovative disposal methods at an appropriate timing in a favorable condition to dispose. The distressed asset business model was promoted and upgraded, as well as net income from the disposal of distressed assets, which increased by 28.2% compared with the same period of last year.

### *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. Concurrent to the debts acquisition, we, the debtor and its related parties also enter into a restructuring agreement that details a series of arrangement 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.

## Management Discussion and Analysis

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

	<b>As at June 30, 2018</b>	<b>As at December 31, 2017</b>
<b>(in millions of RMB)</b>		
Net balance of Restructured Distressed Assets	214,919.1	215,182.9
Balance of impaired Restructured Distressed Assets	5,016.8	4,221.0
Impaired Restructured Distressed Assets ratio <sup>(1)</sup> (%)	2.23	1.88
Allowance for impairment losses	10,547.1	8,802.0
Impaired Restructured Distressed Assets coverage ratio <sup>(2)</sup> (%)	210.2	208.5

	<b>For the six months ended June 30, 2018</b>	<b>2017</b>
<b>(in millions of RMB)</b>		
Acquisition cost of Restructured Distressed Assets	48,893.9	46,436.9
Income from Restructured Distressed Assets	9,106.7	8,644.5
Annualized return on monthly average balance <sup>(3)</sup> (%)	8.1	8.7

Notes:

- (1) Equals impaired Restructured Distressed Assets divided by gross balance of Restructured Distressed Assets.
- (2) Balance of allowance for impairment losses divided by balance of impaired Restructured Distressed Assets.
- (3) Equals income from Restructured Distressed Assets divided by monthly average balance of Restructured Distressed Assets.

## Management Discussion and Analysis

In the first half of 2018, by centering on the core position of “preventing and mitigating risks and serving the real economy”, grounding on “distressed entities and distressed assets”, and making full use of our unique restructure advantage of “revitalizing stock resources and optimizing resource allocation”, the Company actively adapted to the changes in the business trend, provided comprehensive financial service solutions for debt risk mitigation and industrial restructuring, and opened up a steady and developing situation of such business. Firstly, the Company increased efforts in business innovation, enriched types of acquisition targets, and expanded source of clients, and formed several new models, such as “Revitalizing Unfinished Real Estate projects” and “Separation of Secondary Business from Principal Business” gradually, resulting in a stable increase in the asset scale, and achieving remarkable results of business transformation and upgrading. Secondly, mining the value of key clients and cooperating with outstanding industrial investors, the Company applied multiple financial instruments and channels within the Group through the synergy based on restructuring business, to solve the problem of complex resource integration, and enhanced professional advantages continuously. Thirdly, the Company strengthened risk management and internal control, accelerating the mitigation of impaired distressed assets and continuously improving the quality of new acquired distressed assets.

### DES Assets Management

The Company has obtained a significant amount of DES Assets primarily through debt-to-equity swap, receipt of equity in satisfaction of debt and other distressed assets related transactions. The Company classified our DES Assets as unlisted shares of DES Companies (“Unlisted DES Assets”) and listed shares of DES Companies (“Listed DES Assets”). As at December 31, 2017 and June 30, 2018, the total book value of our Unlisted DES Assets in 153 and 154 DES Companies amounted to RMB46,117.1 million and RMB54,239.8 million, respectively, and Listed DES Assets in 17 and 23 DES Companies, with total book value of RMB16,263.9 million and RMB18,790.1 million, respectively.

The table below sets forth details of the Unlisted DES Assets and Listed DES Assets of the Company as at the periods indicated.

	As at June 30, 2018	As at December 31, 2017
(in millions of RMB, except number of DES Companies)		
<b>Number of DES Companies</b>	177	170
Unlisted	154	153
Listed	23	17
<b>Total book value</b>	73,029.9	62,381.0
Unlisted	54,239.8	46,117.1
Listed	18,790.1	16,263.9

*DES Assets Income*

In the first half of 2017 and the first half of 2018, the Company realized gains on fair value changes of DES Assets of RMB199.0 million and RMB6,648.2 million, respectively, realizing gains on other equity of RMB2,783.9 million and RMB434.1 million, respectively.

The table below sets forth details of the income on DES Assets of the Company as at the periods indicated.

	For the six months ended June 30,	
	2018	2017
(in millions of RMB)		
Gains on fair value changes <sup>(1)</sup>	6,648.2	199.0
Gains on other equity <sup>(2)</sup>	434.1	2,783.9

Note:

- (1) Income generated from the DES Assets at fair value through profit or loss attributed to distressed assets segment. Included the net gains on disposal of DES Assets, dividend income, interest income and unrealized fair value changes.
- (2) Income from DES Assets accrued in associates and joint ventures attributed to distressed assets segment; dividend income from DES Assets at fair value through other comprehensive income and income from DES Assets measured at available-for-sale financial assets, if any.

In first half of 2018, the Company grasped the opportunities arising on the supply-side structural reform, mixed ownership reform of state-owned enterprises and market-oriented business of DES and other policies to expand equity asset business proactively. Firstly, we continued to adopt the operation method of “One policy for one company” on the existing DES, supporting the development of DES companies with various financial measures to enhance the value of DES Assets, which have resulted in good returns. Secondly, we seized opportunities to develop market-oriented DES business actively. As at the end of first half of 2018, the Company implemented market-oriented DES projects successfully and the total amount of such projects were RMB13.93 billion, which achieved satisfied results and built up our professional brand.

## Management Discussion and Analysis

### Restructuring, Custody and Liquidation Services for Distressed Entities and Special Opportunity Business

The Group provides restructuring, custody and liquidation and entrusted management services to distressed assets and entities under the engagement of government departments, enterprises and financial institutions. Among those, the custody and liquidation and restructuring business was mainly conducted through Zhongrun Development. As at December 31, 2017 and June 30, 2018, the balance of the distressed assets of Zhongrun Development amounted to RMB465.7 million and RMB433.4 million, respectively. The entrusted distressed asset management business was mainly conducted by the Company. As at December 31, 2017 and June 30, 2018, the balance of the entrusted distressed assets amounted to RMB15.15 billion and RMB15.82 million, respectively.

With the in-depth development of the distressed asset management business, the Group seized the business opportunities occurred during the process of economic transformation and upgrading and structural reform of PRC, relied on our solid client base, constructed strategic planning to conduct the special situation investment business through various means of management, which mainly included (1) substantial restructuring service, which is reallocating factors of distressed entities such as funds, assets, talents, technologies and management models, in order to help them to get rid of business and financial difficulties and restore their production and operating capabilities and debt repayment ability, with the goal of recreating and increase their corporate value; (2) additional investments on distressed asset management business to explore and enhance the value of existing assets; (3) comprehensive services for strategic clients in participating the mixed-ownership reform of state-owned enterprises and the separation of secondary business from principal business. The special opportunity business was mainly conducted by the Company. As at June 30, 2018, the balance of the assets involved in the substantial restructuring, additional investment and integrated management business for strategic clients of the Group was RMB35.97 billion; and (4) exploration of the innovation of products in the distressed asset segment by launching the investment fund for enterprise in difficulty to capture the special investment opportunities during the process of bankruptcy reorganization.

### Financial Investment and Asset Management Business

The financial investment and asset management business is conducted by the Company and its subsidiaries including Cinda Investment, Cinda Hong Kong, Zhongrun Development and Cinda Capital, which primarily includes self-owned principal investment, asset management, and other businesses.

In the first half of 2017 and the first half of 2018, the income from financial investment and asset management business accounted for 26.5% and 24.9% of the total income, respectively, and the profit before tax accounted for 54.4% and 29.4% of the profit before tax of the Group, respectively.

In the first half of 2018, in terms of self-owned principal investment, the Group continued to play the core strengths of distressed assets business, focusing on distressed entities and distressed assets, building special opportunities investment brand, reasonable allocating the medium and long-term equity asset and adjusting and optimizing the assets and income structure of the Group. In terms of asset management business, the Group continued to develop the business of fund asset management with fixed income steadily, and increased efforts to raise funds from third parties, which improved the value of asset management services.

#### Principal Investment

Our Group's principal investment business primarily includes (1) equity investment related to the distressed asset management business; (2) real estate investment and development related to the distressed asset management business; and (3) other investments, including investments in funds, debt securities, trust products and wealth management products. As at December 31, 2017 and June 30, 2018, the balance of the principal investment of the Group amounted RMB193.33 billion and RMB204.90 billion, respectively. In the first half of 2017 and the first half of 2018, the income from the principal investment of the Group, primarily including investment income under the financial investment and asset management business segment, net income from investment properties and hotel operation revenue, amounted RMB8.18 billion and RMB8.08 billion, respectively.

The table below sets forth details of the principal investment of the Group as at the dates indicated.

	As at June 30, 2018		As at December 31, 2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Balance of principal investments				
– by investment entities				
The Company	112,548.5	54.9	120,066.2	62.1
Cinda Investment	43,004.0	21.0	35,626.8	18.4
Cinda Hong Kong	52,604.1	25.7	43,433.6	22.5
Zhongrun Development	895.5	0.4	1,037.2	0.5
(Elimination)	(4,156.0)	(2.0)	(6,831.0)	(3.5)
<b>Total</b>	<b>204,896.1</b>	<b>100.0</b>	<b>193,332.8</b>	<b>100.0</b>

## Management Discussion and Analysis

### *Principal Investment of the Company*

The investment business of the Company refers to the business in which the Company uses its own funds to invest in specific targets with the primary purpose of obtaining short-to-mid term return. It includes financial equity investment and non-standard product investment, wherein financial equity investment refers to the equity investment directly made by the Company, with the primary purpose of obtaining financial income from disposal, without seeking control of such equity investments, including the non-listed equity investment and the listed equity investment (initial public offering, placing, rights issue, issuing additional shares, etc.). Non-standard product investment includes the investment as a limited partner in private funds (mainly in the form of limited partnership and limited liability company), trust plans, asset management plans, etc. which are managed by entities outside of the Company. As at December 31, 2017 and June 30, 2018, the balance of principal investment of the Company amounted to RMB120.07 billion and RMB112.55 billion, respectively.

	As at June 30, 2018		As at December 31, 2017	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Balance of principal investments				
– the Company				
Equity investments <sup>(1)</sup>	2,130.5	1.9	2,613.9	2.2
Debt securities investments	685.7	0.6	500.9	0.4
Trust products investments	16,584.9	14.7	13,566.0	11.3
Real estate investments <sup>(2)</sup>	438.8	0.4	277.0	0.2
Fund investments	88,934.8	79.0	83,429.2	69.5
Other investments <sup>(3)</sup>	3,773.8	3.4	19,679.2	16.4
<b>Total</b>	<b>112,548.5</b>	<b>100.0</b>	<b>120,066.2</b>	<b>100.0</b>

Notes:

- (1) Included in the Interim Condensed Consolidated Financial Statements, as the equity investment which classified under "financial assets at fair value through profit or loss", "financial assets at fair value through other comprehensive income", "available-for-sale financial assets" and "attributable to interests in associates and joint ventures" of the financial investment and assets management business segment, if any.
- (2) Included in "investment properties" as presented in the interim condensed consolidated financial statements.
- (3) Including asset management plans, large interbank deposits, asset-backed securities and embedded derivatives debts.

*Principal Investment of Cinda Investment*

As the domestic investment and asset management platform of the Group, Cinda Investment adheres to the main business of the distressed assets operation of the Group, grounds in the capital market, focuses on equity investment, supports the merger and restructuring, transforming and upgrading of enterprises, as well as the industrial investment business within the capital market. Cinda Real Estate (its subsidiary) is principally engaged in real estate development and investment business and Cinda Capital (its subsidiary) is principally engaged in asset management business.

As at December 31, 2017 and June 30, 2018, the balance of principal investment of Cinda Investment amounted to RMB35.63 billion and RMB43.00 billion, respectively. In the first half of 2017 and the first half of 2018, Cinda Real Estate achieved real estate sales income of RMB5.78 billion and RMB2.41 billion, respectively in its real estate development business.

	As at June 30, 2018		As at December 31, 2017	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Balance of principal investments				
– Cinda Investment				
Equity investments <sup>(1)</sup>	6,223.0	14.5	8,585.5	24.1
Debt securities investments	50.0	0.1	–	–
Wealth management products	2,023.1	4.7	2,081.1	5.8
Trust products investments	10,652.9	24.8	6,323.6	17.8
Real estate investments <sup>(2)</sup>	3,766.9	8.8	2,709.7	7.6
Fund investments	16,493.1	38.4	12,314.6	34.6
Other investments <sup>(3)</sup>	3,795.0	8.7	3,612.3	10.1
<b>Total</b>	<b>43,004.0</b>	<b>100.0</b>	<b>35,626.8</b>	<b>100.0</b>

Notes:

- (1) Included in the Interim Condensed Consolidated Financial Statements, as the equity investment which classified under “financial assets at fair value through profit or loss”, “financial assets at fair value through other comprehensive income”, “available-for-sale financial assets” and “attributable to interests in associates and joint ventures” of the financial investment and assets management business segment, if any.
- (2) Included in “investment properties” as presented in the interim condensed consolidated financial statements.
- (3) Including asset management plans, large interbank deposits, asset-backed securities and embedded derivatives debts.

## Management Discussion and Analysis

### *Principal Investment of Cinda Hong Kong*

Cinda Hong Kong focuses on the main business of distressed assets, by strengthening cooperation with the Group headquarters and domestic branches and subsidiaries, it focuses on the development of reorganization or liquidation projects of domestic distressed assets and distressed entities which have overseas structures or need to arrange overseas settlement in form of “share plus debt”. It also participates 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.

As at December 31, 2017 and June 30, 2018, the balance of principal investment of Cinda Hong Kong amounted to RMB43.43 billion and RMB52.60 billion, respectively.

	As at June 30, 2018		As at December 31, 2017	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Balance of principal investments				
– Cinda Hong Kong				
Equity investments <sup>(1)</sup>	26,565.2	50.5	28,911.7	66.6
Debt securities investments	4,663.8	8.9	4,086.6	9.4
Wealth management products	737.3	1.4	–	–
Real estate investments <sup>(2)</sup>	86.6	0.2	93.3	0.2
Fund investments	19,140.7	36.4	9,027.3	20.8
Other investments <sup>(3)</sup>	1,410.5	2.6	1,314.7	3.0
<b>Total</b>	<b>52,604.1</b>	<b>100.0</b>	<b>43,433.6</b>	<b>100.0</b>

Notes:

- (1) Included in the Interim Condensed Consolidated Financial Statements, as the equity investment which classified under “financial assets at fair value through profit or loss”, “financial assets at fair value through other comprehensive income”, “available-for-sale financial assets” and “attributable to interests in associates and joint ventures” of the financial investment and assets management business segment, if any.
- (2) Included in “investment properties” as presented in the interim condensed consolidated financial statements.
- (3) Including asset management plans, large interbank deposits, asset-backed securities and embedded derivations debts.

### *Principal Investment of Zhongrun Development*

As at December 31, 2017 and June 30, 2018, the balance of principal investment of Zhongrun Development amounted to RMB1.04 billion and RMB0.9 billion, respectively. In the first half of 2017 and the first half of 2018, the income on principal investment of Zhongrun Development amounted to RMB60.0 million and RMB40.0 million, respectively.

### Asset Management Business

The asset management business of the Group consists of (1) asset management business, which is mainly private equity funds; (3) mutual fund and wealth management plans business.

The group asset management business, which is mainly private equity funds, refers to the business in which the Company's subsidiaries act as managers, adopt special purpose vehicles, such as private funds (mainly in the form of limited partnerships and limited liability companies) and trust product plans, mainly based on self-owned funds, and raise external funds for co-investment, in order to earn management fees income and share of excess revenue.

As at December 31, 2017 and June 30, 2018, the assets under management of the Group, mainly private equity, amounted to RMB357.25 billion and RMB386.83 billion, respectively, among which the balance of third-party investment amounted to RMB271.25 billion and RMB303.68 billion, respectively. In the first half of 2017 and the first half of 2018, management fees income of the Group amounted to RMB0.57 billion and RMB0.50 billion, respectively.

### Other Businesses

In the first half of 2017 and the first half of 2018, the income from consulting and advisory services business by the Company, Cinda Investment and Cinda Hong Kong amounted RMB180 million and RMB60 million, respectively.

### Financial Services Business

The Group has focused on the development of financial services business which can provide services and support to the development of distressed assets business and asset management business according to its strategic plan. It established a diversified and synergistic financial services platform covering banking, securities, futures, fund management, trusts, financial leasing and insurance business. The Group is committed to providing customized financial services and comprehensive solutions to customers.

In the first half of 2017 and the first half of 2018, income from financial services represented 46.1% and 31.8% of the total income of the Group, respectively, while the profit before tax from financial services accounted for 2.3% and 7.8% of the total profit before tax of the Group, respectively.

## Management Discussion and Analysis

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

	For the six months ended June 30,							
	2018		2017		As at June 30, 2018		As at December 31, 2017	
	Profit		Profit		Total	Net	Total	Net
	Income	before tax	Income	before tax	assets	assets	assets	assets
(in millions of RMB)								
NCB	6,617.5	2,261.7	5,453.5	1,619.2	367,689.9	44,548.7	363,102.0	43,048.1
Securities, Futures and Fund Management <sup>(1)</sup>	1,722.4	157.0	1,819.4	159.1	46,218.4	9,818.2	55,114.4	9,699.2
Jingu Trust	218.2	135.6	240.9	112.7	5,134.8	3,941.2	4,106.6	3,845.3
Cinda Leasing	1,323.2	49.1	1,255.7	412.9	50,458.0	7,191.9	48,124.8	7,186.3
Happy Life	7,385.5	(1,082.5)	18,318.7	(1,082.7)	65,558.5	7,286.8	72,853.9	8,233.6

Note:

(1) Includes Cinda Securities, Cinda Futures, First State Cinda Fund and Cinda International.

### Banking Business

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

The Company paid special attention to the business development of NCB and proposed to develop NCB into a platform for group account management, cross-selling and integrated financial service, as well as a new platform of group collaboration, transformation and a new growth point, which will promote the development of the entire financial services sector. Guided by such development object and functional position, NCB effectively utilized its highly complementary products and customer channels with the Group, fully implemented the transformation strategy, actively promoted multi-coordination, continued to strengthen risk prevention and control, which has realized improved performance and achieved sustainable and stable development.

Business strategy: Firstly, taking the advantages of the solid foundation in enterprise financial business and strong synergy effect, NCB provided targeted and comprehensive solutions for customers to gradually and effectively enhance their capacity of professional services and market competitiveness. Secondly, NCB has focused on wealth management and has provided mid-to-high end customers with personalized, customized and comprehensive wealth management solutions according to their asset allocation needs. Thirdly, with the effective use of the characteristics of cross-border business, NCB has expanded sustainable partners and created a platform of comprehensive financial services in cross-border business.

## Management Discussion and Analysis

Risk management and control: The risk management of NCB is an important part of the risk management system of the Group. Through the establishment of risk information reporting mechanism, adoption of the risk assessment indicator system for regular testing and evaluation and through field inspection, risk inspection, management meetings and others, global linkage and full coverage of the risk management with NCB were achieved.

### NCB

NCB principally 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. It also 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 periods indicated.

	As at June 30, 2018	As at December 31, 2017
(in billions of RMB)		
Total assets	367.69	363.10
Total loans	220.08	196.25
Total deposit	280.57	271.51
<b>Asset quality indicators (%)</b>		
Non-performing loan ratio <sup>(1)</sup>	0.51	0.48
<b>Capital adequacy ratio indicators (%)</b>		
Total debt-to-capital ratio <sup>(2)</sup>	18.02	18.49
Tier-1 capital ratio <sup>(3)</sup>	16.29	16.74
Tier-1 capital ratio of common equities <sup>(4)</sup>	12.84	13.10
<b>Other indicators (%)</b>		
Liquidity coverage ratio <sup>(5)</sup>	136.13	159.33

## Management Discussion and Analysis

	For the six months ended June 30,	
	2018	2017
(in billions of RMB)		
Net interest income	2.61	2.48
Net commission and fee income	0.71	0.76
<b>Profitability indicators (%)</b>		
Annualized return on average assets <sup>(6)</sup>	1.05	0.82
Annualized return on average shareholder's equity <sup>(7)</sup>	10.49	7.78
Net interest margin <sup>(8)</sup>	1.66	1.55
Cost-to-income ratio <sup>(9)</sup>	34.10	35.42

### 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 tier-1 capital of common equities divided by net risk-weighted assets.
- (5) 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.
- (6) Equals profit after tax for the period divided by the average of assets as at the beginning and the end of the period, which is annualized.
- (7) 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, which is annualized.
- (8) Equals net interest income divided by daily average balance of interest-generating assets, which is annualized.
- (9) Equals operating expenses divided by operating income.

## Management Discussion and Analysis

### NCB Hong Kong

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

	<b>As at June 30, 2018</b>	<b>As at December 31, 2017</b>
<b>(in millions of RMB)</b>		

Balance of retail deposits

92,621.4

80,635.9

Balance of retail loans

21,312.2

20,310.0

	<b>For the six months ended June 30, 2018</b>	<b>2017</b>
<b>(in millions of RMB)</b>		

Net interest income from retail customers

346.3

288.2

Net commission and fee income

293.6

257.6

	<b>As at June 30, 2018</b>	<b>As at December 31, 2017</b>
<b>(in millions of RMB)</b>		

Balance of corporate deposits

86,740.5

93,250.7

Balance of corporate loans

123,675.8

109,980.0

	<b>For the six months ended June 30, 2018</b>	<b>2017</b>
<b>(in millions of RMB)</b>		

Net interest income from corporate customers

1,002.8

919.7

Net commission and fee income

182.5

280.1

## Management Discussion and Analysis

In respect of the treasury business, NCB Hong Kong continues to develop various treasury 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 pledge-style repurchase in Mainland China, with an aim to diversify the sources of RMB denominated funds and decrease interest expense.

### NCB China

As of June 30, 2018, the main operating indicators of NCB China were better than the average level of foreign banks in Shanghai where it is located.

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

	As at June 30, 2018	As at December 31, 2017
(in billions of RMB)		
Total assets	144.66	145.54
Total loans	74.49	63.84
Total deposits	92.02	94.17
<b>Asset quality indicators (%)</b>		
Non-performing loan ratio	0.81	1.01
Provision coverage ratio	276.11	180.08
<b>Capital Adequacy ratio indicators (%)</b>		
Core tier-1 capital adequacy ratio	14.69	15.93
Tier-1 capital adequacy ratio	14.69	15.93
Capital adequacy ratio	15.86	16.59

	For the six months ended June 30th 2018	2017
(in billions of RMB)		
Net interest income	0.97	0.69
Net commission and fee income	0.23	0.23
<b>Profitability indicators (%)</b>		
Annualized return on average assets	0.88	0.44
Annualized return on average shareholder's equity	10.07	6.07

According to the different types of products and services, the business units of NCB China include corporate banking business, personal banking business and capital business.

	<b>As at June 30, 2018</b>	<b>As at December 31, 2017</b>
<b>(in billions of RMB)</b>		
The balance of corporate loans	59.44	49.32
Its proportion in the total balance of loans (%)	79.8	77.3
The balance of retail loans	15.05	14.52
Its proportion in the total balance of loans (%)	20.2	22.7
The balance of corporate deposits	84.66	86.27
Its proportion in the total balance of deposits (%)	92.0	91.6
The balance of retail loans	7.36	7.90
Its proportion in the total balance of deposits (%)	8.0	8.4

The corporate banking business of NCB China mainly includes deposits, loans, settlement, trade-related products and other banking services for corporate customers. 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. The capital business of NCB China mainly includes: (1) foreign exchange market business, which primarily consists of spot, forward and swap foreign exchange transactions; (2) money market business, which primarily consists of interbank deposit, lending and loans as well as positive and negative repurchase business; (3) derivatives business, which primarily consists of interest rate swap business and agent structured financial services; (4) constant return market business, which primarily consists of bond business (including large transferable certificates of deposit); (5) commodity business, which primarily consists of gold and silver deferred business, gold forward and gold swap business.

#### Securities, Futures and Fund Management

The Group conducts securities and futures businesses in Mainland China through Cinda Securities and Cinda Futures. The Group also conducts mutual fund management business and other asset management business in Mainland China through First State Cinda Fund and cross-border securities brokerage, financial product trading, investment banking and asset management business in Hong Kong through Cinda International. In the first half of 2017 and 2018, the revenue of Cinda Securities amounted to RMB807.8 million and RMB805.5 million.

## Management Discussion and Analysis

### *Cinda Securities*

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

	For the six months ended June 30,			
	2018		2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Securities brokerage	275.3	34.2	415.5	51.4
Investment banking	243.2	30.2	249.3	30.9
Asset management	46.3	5.7	77.8	9.6
Futures	83.1	10.3	103.9	12.9
Other business	157.6	19.6	(38.7)	(4.8)
<b>Total</b>	<b>805.5</b>	<b>100.0</b>	<b>807.8</b>	<b>100.0</b>

**Securities brokerage:** As at December 31, 2017 and June 30, 2018, the number of clients of Cinda Securities' securities brokerage business amounted to 1.577 million and 1.606 million, the total value of its AUM amounted to RMB170.47 billion and RMB157.10 billion, respectively. In the first half of 2017 and the first half of 2018, the total transaction volume of Cinda Securities' securities brokerage business amounted to RMB794.07 billion and RMB704.93 billion, respectively.

**Investment banking:** In the first half of 2017 and the first half of 2018, Cinda Securities' underwriting fee and commission income amounted to RMB225.6 million and RMB156.6 million, respectively.

**Asset management:** As at December 31, 2017 and June 30, 2018, the AUM balance of Cinda Securities amounted to RMB68.85 billion and RMB78.75 billion, respectively. In the first half of 2017 and the first half of 2018, commission and fee income from Cinda Securities' asset management business from trust clients amounted to RMB77.8 million and RMB46.3 million, respectively.

**Other businesses:** They were mainly investment business and credit business. Of which, as at December 31, 2017 and June 30, 2018, the gains and investment loss realized from the securities investment from investment business of Cinda Securities amounted to RMB24.6 million and RMB18.0 million, respectively.

As at December 31, 2017 and June 30, 2018, the turnover of margin financing business of the Cinda Securities amounted to RMB7.49 billion and RMB7.37 billion, respectively. The turnover of securities lending amounted to RMB6.74 billion and RMB5.64 billion, respectively.

#### *Cinda Futures*

In the first half of 2017 and the first half of 2018, income from the futures business of Cinda Futures amounted to RMB103.9 million and RMB83.0 million, respectively, and the operating profit realized amounted to RMB56.1 million and RMB38.8 million, respectively.

#### *First State Cinda Fund*

The Group conducts mutual fund business through First State Cinda Fund and those mutual funds are classified into monetary funds, equity funds, bond funds and hybrid funds, which invest in equity assets and fixed income assets mainly. As at December 31, 2017 and June 30, 2018, the Group had 17 and 20 mutual securities investment funds with the total assets under management of public funds and asset management plans amounted to RMB56.97 billion and RMB41.41 billion, respectively. In the first half of 2017 and the first half of 2018, management fee income from such funds amounted to RMB73.8 million and RMB67.9 million, respectively.

#### *Cinda International*

In the first half of 2017 and the first half of 2018, Cinda International generated revenue of RMB106.8 million and RMB102.7 million, respectively.

#### *Trusts*

The Group conducts trust business through Jingu Trust. As at December 31, 2017 and June 30, 2018, the existing trust AUM amounted to RMB116.20 billion and RMB152.61 billion, respectively, and the Group managed 185 and 177 existing trust projects, respectively. In the first half of 2017 and the first half of 2018, the fees and commission incomes generated from trust business were RMB0.19 billion and RMB0.18 billion, respectively, accounting for 87.3% and 82.4% of Jingu Trust's total revenue in respective periods.

## Management Discussion and Analysis

### Products

The trust products of the Group can be classified as individual trusts and collective trusts depending on the types of clients.

The table below sets forth the balance of the individual and collective trust schemes as at the dates indicated.

	As at June 30, 2018		As at December 31, 2017	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Individual trust schemes	107,047.0	70.1	57,693.0	49.6
Collective trust schemes	45,558.0	29.9	58,516.0	50.4
<b>Total</b>	<b>152,605.0</b>	<b>100.0</b>	<b>116,209.0</b>	<b>100.0</b>

The trust products of the Group can also be classified into financing, investment and non-discretionary products by investment approaches.

The table below sets forth the balance of the trust products of each type as at the dates indicated.

	As at June 30, 2018		As at December 31, 2017	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Financing	17,938.0	11.7	18,812.0	16.2
Investment	21,189.0	13.8	26,442.0	22.8
Non-discretionary	113,478.0	74.5	70,955.0	61.0
<b>Total</b>	<b>152,605.0</b>	<b>100.0</b>	<b>116,209.0</b>	<b>100.0</b>

## Management Discussion and Analysis

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

	As at June 30, 2018		As at December 31, 2017	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Infrastructure	15,805.0	10.3	16,814.0	14.5
Real estate	13,215.0	8.7	15,185.0	13.1
Securities markets	11,008.0	7.2	14,047.0	12.1
Industry and commerce	10,176.0	6.7	13,410.0	11.5
Financial institutions	2,171.0	1.4	6,543.0	5.6
Asset-backed securitization	76,774.0	50.3	21,242.0	18.3
Others	23,456.0	15.4	28,968.0	24.9
<b>Total</b>	<b>152,605.0</b>	<b>100.0</b>	<b>116,209.0</b>	<b>100.0</b>

### Financial Leasing

The Group conducts financial leasing business through Cinda Leasing. In the first half of 2018, through restructuring the profit model and promoting business innovation, Cinda Leasing achieved breakthroughs in aircraft leasing and new energy sectors. As at December 31, 2017 and June 30, 2018, the net finance lease receivables of the Group was RMB44.20 billion and RMB44.85 billion, respectively. In the first half of 2017 and the first half of 2018, the net revenue generated by the financial leasing business was RMB671.1 million and RMB532.8 million, respectively, and the net profit generated from the financial leasing business of the Group was RMB309.6 million and RMB122.0 million, respectively.

### Products

In the first half of 2018, the total income from specialized products and non-specialized products was RMB67.7 million and RMB1,188.1 million, respectively, representing 5.4% and 94.6%, respectively, of Cinda Leasing's total income for the period.

## Management Discussion and Analysis

### 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 June 30, 2018		As at December 31, 2017	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Manufacturing	15,849.1	34.0	16,648.7	36.5
Mining	2,904.7	6.2	3,553.2	7.8
Water conservancy, environment and public utilities management	6,406.1	13.8	6,949.7	15.2
Construction	99.7	0.2	120.9	0.3
Transportation, logistics and postal services	4,197.2	9.0	2,626.5	5.8
Others	17,095.1	36.8	15,672.9	34.4
<b>Total</b>	<b>46,551.9</b>	<b>100.0</b>	<b>45,571.9</b>	<b>100.0</b>

### Insurance Business

The Group engages in insurance business through Happy Life. Happy Life mainly offers various types of life and health insurance, accident insurance as well as reinsurance.

## Management Discussion and Analysis

The table below sets forth the details of original premium incomes of the main types of life insurance products and their respective percentage of the total income for the periods indicated.

	For the six months ended June 30,			
	2018		2017	
	Amount	% of total (in millions of RMB)	Amount	% of total
Life insurance	6,075.6	89.5	16,159.5	96.5
Ordinary life insurance	5,009.7	73.8	14,976.2	89.5
Participating life insurance	1,058.7	15.6	1,176.3	6.9
Others	7.2	0.1	7.0	0.1
Health insurance	592.9	8.7	460.5	2.8
Accidental injury insurance	122.6	1.8	121.8	0.7
<b>Total</b>	<b>6,791.1</b>	<b>100.0</b>	<b>16,741.8</b>	<b>100.0</b>

### Business Synergy

In the first half of 2018, depending on the advantage of the distressed asset management business, the Group continued to promote the Group's synergy, established and perfected the incentive mechanism, implemented further in the main business and various platforms.

In the development of business synergy, the branches act as the main channel for the Group to carry out regional operations. The convenience of being close to clients was fully deployed to explore the needs of clients, so as to provide differentiated and characteristic services. As a product supplier of comprehensive financial services, the subsidiaries actively mainly on the functional advantages of the sector, and delivered resources and services to the development of the main business. As such, the sound position on sharing of client lists, products and benefits by the group headquarters, branches and subsidiaries was formed.

In the first half of 2018, through business cooperation among its subsidiaries and branch companies, the Group recorded revenue from cross-selling of RMB1.91 billion from 2,289 customers in relation to 1,622 projects, with an aggregate business scale of RMB236.19 billion.

In the first half of 2018, collaborative operating income with NCB amounted to RMB670 million. The amount of deposits and loans with NCB continued to increase. As at June 30, 2018, the balance of collaborative deposits with NCB Hong Kong was HKD29.17 billion and the balance of collaborative loans was HKD8.46 billion. The balance of collaborative deposits with NCB China was HKD33.54 billion and the balance of collaborative loans was HKD11.28 billion. In the first half of 2018, there were 27 clients recorded from the cross selling and collaborative business with Cinda Securities involving 112 projects, which realized revenue of

## Management Discussion and Analysis

RMB250 million. In the first half of 2018, the collaborative business from Cinda leasing amounted to RMB17.090 billion, involving 103 projects and 88 clients, which realized revenue of RMB180 million. Cinda Real Estate gave play to its professional advantages and provided professional consultation and project regulatory services for the Group. In the first half of 2018, the number of cooperation projects amounted to 44, which realized revenue of RMB140 million. In the first half of 2018, Cinda Hong Kong actively provided collaborative services for customers within the Group to conduct domestic and overseas business, with a turnover of RMB13.96 billion and revenue of RMB0.17 billion.

### Material Investment and Acquisition

During the Reporting Period, the Company did not have any significant investment and acquisition subject to disclosure requirement pursuant to the Listing Rules.

### Human Resources Management

In the first half of 2018, the Company closely adhered to the main line of understanding and upholding and implementing the spirit of the Central Economic Work Conference, followed the Company's business strategy of "differentiated, distinctive and professional" operation, and organized the promotion of development of a cadre talent team and management of human resource. The Company optimized employee hierarchy structure and built the multi-channel development system for our staff. With intensive exchange trainings for cadres, the Company accelerated the process of nurturing young talents. The development of training system by category and grade was also facilitated by focusing on occupational and professional training. The Company adhered to the requirements of "practice, hard-work and efficiency", strived to create a new atmosphere for the human resources work, and provided strong team support and competitive talents to facilitate the continued development of the Company.

#### Employees

As of June 30, 2018, the Group had 17,168 employees (excluding the dispatch of labour), of which 15,471 were in Mainland China and 1,697 were in Hong Kong and Macao. Within the Company and its tier-one subsidiaries (headquarters), employees with postgraduate degrees or above, and with undergraduate degrees accounted for 64% and 28% of the total employees, respectively. In order to maintain long-term steady development for the Company, relationship with all employees are valued, and its business and financial condition do not rely on any individual employee.

#### Remuneration Policy

The Company continued to enhance its resources allocation efficiency by focusing on its main business and promoting growth of the Company's economic benefits with adjustments to the remuneration policy. A differentiated salary distribution mechanism was built gradually to widen the gap of salary according to positions and performance. The remuneration policy is beneficial to the Company's development in terms of providing incentives to employees and enhancing its competitiveness.

## No Material Changes

Saved as disclosed in this interim report, there are no material changes affecting the Company's performance that are required to be disclosed under Appendix 16 to the Listing Rules since the publication of the 2017 annual report.

## Risk Management

### Framework of Comprehensive Risk Management

The comprehensive risk management is a continuous process, including the participation of the Board, Senior Management and all levels of employees in which various kinds of risks are identified and the extents of risk impacts are forecasted in strategy setting and normal operations, as well as effective management of the Company's risks in different environments within the sphere of the Company's risk preference.

In the first half of 2018, facing the complicated and ever-changing conditions of internal and external risk prevention, the Company complied with the general requirement of "attaching more importance to risk prevention", adhered to the risk management concept of "protecting the bottom-line by managing risks proactively" and facilitated the development of a comprehensive risk management system. The Company kept pushing forward the implementation and transmission of the risk appetite system of the Group, optimized the responsibility and duty of risk management departments, fulfilled the daily management of risks in a solid manner, strengthened the mitigation efforts of risk in key areas, and maintained the stability of asset quality by keeping the principal line of "preventing new risks and reducing existing risks". The Company continuously enhanced the market risk management, deepened operational risk management constantly, and refined the risk management accountability and performance assessment mechanism. Thus the effectiveness of risk management of the Group was improving.

In the first half of 2018, the Risk Management Committee of the Board convened three meetings to consider various resolutions and reports, such as Risk Appetite Statement of the Group and the risk management report. The Connected Transaction Control Committee of the Board convened one meeting to consider the connected transaction management report and intra-group transaction management report of the Group. The Risk Management Committee of the Senior Management convened three meetings to consider various resolutions and reports, such as the comprehensive risk management self-evaluation report of the Company and the concentration management proposal of the Group.

## Management Discussion and Analysis

### Risk Appetite

Risk appetite presents the types and levels of risks acceptable to the Company as determined by the Board, which depends on the expectations and constraints of the Company's major stakeholders, external operating environment and the conditions of the Company, in order to achieve business development targets on the premise of keeping the risks under control. In the first half of 2018, China Cinda's Risk Appetite Statement of the Group (2018) was issued and implemented upon the approval of the Board. After overall consideration at the group level, the Risk Appetite Statement included the operating subsidiaries and overseas branches of the Company, with the addition of new types of risks such as information technology risk, optimized risk quantification indicator, improved the transmission mechanism of risk appetite, and gave full play to the guiding role of risk management and operation management of the Group. Meanwhile, the Company further improved the risk appetite management framework, supervised the implementation of the risk appetite quantification indicators on a monthly basis, and timely optimized and adjusted the risk appetite quantification indicators and qualitative statement.

The overall risk appetite 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 alignment of business size, 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 endogenous growth of capital, 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 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 optimize the risk-adjusted returns of risks within the planned risk tolerance.

### Risk Management Organizational Structure

The Company continued to promote the establishment of a risk management organizational system. The Board assumed the ultimate responsibility for comprehensive risk management, and exercised functions in relation to risk management, considered major issues of risk management, and supervised and evaluated the establishment of risk management system and risk level of the whole group through the Risk Management Committee, Audit Committee and Connected Transaction Control Committee. The Board of Supervisors assumed the responsibility for monitoring comprehensive risk management, and is responsible for supervising and inspecting the performance of the Board and the Senior Management in risk management, thereby supervising their rectification. The Senior Management fulfilled specific responsibilities of comprehensive risk management in accordance to the authorization of the Board, and is accountable to the Board in respect to the effectiveness of the risk management system. The Risk Management Committee under the Senior Management exercised part of the risk management duties of the Senior Management in accordance to the authorization.

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

In the first half of 2018, the Company further improved the risk management structure, enhanced the comprehensive risk management and management of major risks such as credit risks, market risks and operational risks, resulting in the continuous strengthening of professional management mode of various major risks. By regularly carrying out performance assessment on the responsible persons in charge of risk management of its branches and subsidiaries and the responsible persons in charge of the risk management department, the Company continuously improved the efficiency and professionalism of its risk management. The Company kept on developing a professional team for risk management, and strived to achieve continuous improvement in the performance and competence of the group-wide risk management personnel through job rotation, special training programme, qualification verification and expertise tests.

### Risk Management Policy

In the first half of 2018, on the basis of the policy system streamlining of “Compliance Year” in 2017, the Company issued and implemented eighteen risk management systems including the Comprehensive Risk Management Regulation, the Risk Appetite Management Measures of the Group and the Risk Inspection Work Measures, further improving the comprehensive risk management system. In addition, the Company has also formulated and issued rules on risk monitoring and evaluation and concentration management so as to provide effective guidance on daily risk management.

### Risk Management Tools and System

The Company strengthened the monitoring, analysis and risk alert of key areas, industries and customer risks by establishing a risk management operation and transmission mechanism with balance in capital, risk and income, and by utilizing various risk management tools such as economic capital, risk limit, rating classification, impairment provision, stress test and risk assessment, the risk identification, measurement, monitoring and control capabilities were overall enhanced.

In the first half of 2018, the Company actively adjusted its business strategy and business structure according to the regulatory requirements and market changes, to ensure that the risk of concentration such as customers, industries and regions was under control. The Company also adjusted the management and control methods on a timely basis and issued control command based on changes in risk exposure, so as to ensure the effectiveness and timeliness of concentration management. With economic capital management at the 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.

## Management Discussion and Analysis

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 is in the process of upgrading its market risk and liquidity risk management system, whereas the operational risk optimization project is also going into the stage of implementation. A more well-organized risk management information system will be jointly established by the above systems to lay a solid foundation for further achieving a refined and scientific risk management.

### Management of Credit Risk

Credit risk of the Group is primarily related to its distressed debt asset portfolio, the corporate and individual loans and fixed-income investment portfolio of its financial subsidiaries, 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 including relevant management guidelines on credit risks. Under the guidance of the Risk Management Committee of the Board and the Senior Management, the Company has optimized the policies and information system of credit risk management and focused on the risk control of major areas to implement the strategies of the Company and control and reduce credit risks.

In the first half of 2018, the Company continued to refine its credit risk management policies in active response to the changes in the macroeconomy and financial regulatory requirements. The Company focused on strengthening the management of concentration.

In the first half of 2018, the Company continued to enhance the level of risk measurement. The customer credit rating model and business rating model were optimized with the support of internal data in order to fully identify risk.

### Management of Market Risk

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 actively established a two-way structural transmission mechanism of assets and liabilities, made reasonable allocation between assets and liabilities to mitigate the risk of mismatch, and strengthened the forward-looking judgment on market condition to make timely adjustment to the assets and liabilities allocation strategy, thereby controlling the interest rate risk.

With respect to foreign exchange risk, based on the principle of using foreign currency for overseas projects and repaying overseas loans with foreign currency, the Group 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, the relevant investment assets are mainly denominated in USD, which effectively controlled the foreign exchange risk.

After two years of fluctuation and consolidation, A-share market showed sluggish trend in the first half of 2018 due to impact from external events and internal policy adjustment. The Company will closely monitor factors such as the trends of macroeconomy, tightness of market liquidity and the latest regulations and requirements that will affect the value of enterprises, increase its efforts in research and pre-judgment, reasonably formulate and adjust the investment management strategies of its equities in listed companies and endeavor to enhance the management effectiveness.

With respect to market risks of its subsidiaries, the Group has established market risk management systems at its banking, insurance, securities and financial leasing business segments in accordance with regulatory requirements and industry practices. In addition, these subsidiaries report their market risk management to the risk management department of the head office on a regular basis.

### Management of Liquidity Risk

According to the relevant requirements of the regulatory authorities, the Group strengthened its overall management and control of liquidity and procured all segments to work closely together to implement liquidity management in each process. The Group also strengthened the management and control of debt and liquidity of its subsidiaries, strengthened their financing capacity initiatives and improved the pre-judgment on liquidity management of its subsidiaries. The Group actively facilitated the informatization of its liquidity risk management and formulated liquidity risk contingency plan to ensure adequate liquidity of the Group.

The Group conscientiously conducted the liquidity management of assets and liabilities to ensure a reasonable growth in scale of assets and liabilities. According to the requirements of regulatory authorities, the Group paid close attention to the domestic and international macroeconomic situations, strengthened prospective market analysis, established a liquidity risk monitoring system, conducted regular liquidity stress tests and formulated liquidity risk contingency plan. The Group also closely monitored the collection and advancement to entities, planned and adjusted the exposure of asset-liability gap with different maturities and maintained dynamic supervision and control over the risks relating to the maturity mismatch. Based on the changes in the domestic and international environment, the Group adopted proactively liquidity management strategies, implemented appropriate liquidity reserve strategy, financing strategy and operating strategy to ensure adequate liquidity to meet the Group's needs for business development.

## Management Discussion and Analysis

The Group considerably emphasizes the maintenance and development of financing channels. Upon the basis of consolidating the medium and large-sized interbank borrowings, the Group emphasizes on the construction of financing channels for various types of organizations, proactively expanding financing channels such as financial bonds, corporate bonds, Tier-2 capital bonds and asset-backed securities, in order to enhance the long-term debt ratio, control the financing cost and constitute a stable, diversified and creative financing system.

The Group keeps enhancing the management of daily capital position and operation, maintains a suitable scale of liquidity reserve, and satisfies the needs of safety, liquidity and profitability through the layered and diverse allocation of liquidity portfolio.

### Management of Operational Risk

In the first half of 2018, the Company strengthened its control over operational risk and promoted the improvement of internal control system so as to further enhance its standard of operational risk management.

The Company amended and optimized the Administrative Measures for Risk Detection, and conducted risk detection on the Group according to the measures. The branches and subsidiaries of the Group has strictly analyzed and effectively rectified the identified risks and potential risks and thus eliminated some business and operational risks in time. Through risk detection and rectification, the branches and subsidiaries of the Group have further improvements in terms of risk awareness, risk responsiveness and qualities of risk inspectors. Moreover, regulation revision, process optimization and system construction on each business line were completed, thereby further strengthening control of operational risk.

In accordance with the requirements of the CBIRC on further rectifying the market chaos in the banking industry and its regulatory opinions, under the guidance of the Party Committee of the Company and the Board, the Company formulated and published Rules of Implementation on the Working Plans for Further Rectifying of Market Chaos to conduct deployments on the deepened market chaos rectification works. Separation of roles and job descriptions were clearly defined. Internal review was conducted to rectify the market chaos. More onsite inspections and rectification works were conducted at the branches and subsidiaries so as to assure that the rectifying of market chaos had been implemented steadily with progresses. The awareness of operation compliance was further strengthened within the Company, which had refined the effective construction of those long-term mechanisms.

### Management of Reputation Risk

The Company has kept on optimising the management of reputation risks. The Administrative Measures for Reputation Risk was amended by the Group and its subsidiaries in which contingency plans were formed and management process of reputation risks and events were regulated. The management of monitoring public opinions for the Group was strengthened so that responses to the negative public opinions, concerns of the media and positive promotion for the Group can be made and strengthened in time. The Company also organized focused training on promotion and public opinion management to enhance the professional standard of public opinion management work. During the Reporting Period, the Company steadily enhanced reputation risk management of the Company and safeguarded the Company's positive image and reputation.

### Anti-Money Laundering

The Company has strictly complied with the relevant anti-money laundering laws and regulations and diligently performed its obligations of anti-money laundering as well as promoted the capability and effectiveness of anti-money laundering continuously.

In the first half of 2018, the Company further improved the anti-money laundering system, specified the control requirements of anti-money laundering in related session and nodes, Through the optimization and facilitation of applications for the anti-money laundering information system, the time efficiency of anti-money laundering management was further enhanced. Through the enhancement in training and promotions of anti-money laundering, the awareness of anti-money laundering among the staff was enhanced, which had effectively controlled the compliance risks arising from anti-money laundering.

### Capital Management

The Company has fully drawn on the advanced experience of the industry and established the capital constraint oriented operation development model with reference to the relevant requirements and specific rules in respect of capital regulation by the regulatory authorities. In the process of business expansion, the awareness of capital cost has been continuously intensified. The Company has put emphasis on the return level of risk assets, promoted more efficient and high-quality resource allocation and strived for a more intensive operation model with less capital consumption, so as to create constant and stable value and returns for its shareholders.

## Management Discussion and Analysis

On December 29, 2017, the CBRC issued the Measures for the Capital Management of Financial Asset Management Companies (for Trial Implementation) (Yin Jian Fa [2017] No. 56), which came into effect on January 1, 2018. The measures made adjustments to the capital accounting approach of AMC's especially in the measurement of credit risks, some asset classes were newly added, and the risk rated ratios of some assets were adjusted. In accordance with such measures and the overall development strategy of the Group, the Company continued to promote the capital restraint-oriented business development mechanism, improved the efficiency of capital utilization, monitored the real-time capital changes of every business sector and every product line, and ensured that the stable capital situation was maintained, so as to support the development of high quality across the Company's businesses. The table below sets out the capital adequacy ratio, net capital and risk-weighted assets of the Company on the indicated dates.

	<b>As at June 30, 2018</b>	<b>As at December 31, 2017</b>
<b>(in millions of RMB)</b>		
Core tier-1 capital adequacy ratio (%)	9.67	10.65
Tier-1 capital adequacy ratio (%)	12.90	14.29
Capital adequacy ratio (%)	15.25	16.77
Net core tier-1 capital	63,634.0	62,338.0
Net tier-1 capital	84,915.2	83,619.2
Net capital	100,420.9	98,146.9
Risk-weighted assets	658,293.7	585,134.5

As at December 31, 2017 and June 30, 2018, the leverage ratio<sup>1</sup> of the Company was 6.3:1 and 6.4:1, respectively.

<sup>1</sup> It refers to the ratio of interest bearing liabilities to equity.

## Prospects

In the second half of 2018, the expansion trend of global economy is continuing, but there are still plenty of uncertain and unstable factors such as trade friction and constriction of monetary policies. The demand side pressure of domestic economy is gradually increasing, and the economic transformation and upgrading needs to be accelerated. The PRC government will maintain its strategic focus with a commitment to the general principle of pursuing progress while ensuring stability and maintain the economic operation within an appropriate range. It will make efforts to stabilize employment, finance, foreign trade, foreign fund, investment and expectations, and will continue to promote development of high quality and deepen structural reform on the supply side. In general, the domestic economic performance will remain stable, whilst financial risks is controllable, but the downward pressure on the economy should be taken seriously. With the advancement of the prevention and resolution of major risks, the focus of deleveraging will shift to structural deleveraging with faster releasing risks in key areas. The scale of non-performing loans of commercial banks and the risks in non-banking financial institutions has continued to increase. Risk exposures in financial markets such as the bond market, stock market, and asset management plans are increasingly emerging. The size of accounts receivable of real economy enterprises has continued to increase, and the risk of bad debts has risen. The deleveraging of local governments and state-owned enterprises, clearance of “zombie enterprises” and overcapacity, and rectification of market chaos will still generate distressed enterprises and distressed assets. In general, the Company’s main business related to distressed assets still faces good opportunities for development.

The Company will continue to follow the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era. We will fully implement the spirits of the 19th National Congress of the CPC, the Central Economic Work Conference and the National Financial Work Conference, and firmly grasp the opportunities brought about by serving the real economy, preventing and controlling financial risks and deepening financial reform. In accordance with the arrangements and requirements of the CBIRC, we will adhere to sound management, deepen reform and innovation. We will unswervingly take the the high-quality development road, and build the Company into the AMC whose quality and efficiency will be improved and stability and effectiveness will be strengthened. Firstly, the Company will highlight the main business of distressed asset management, continue to consolidate our leading position in the acquisition-operation of distressed asset market and create a competitive advantage in the full process of distressed assets, innovate solutions of distressed assets and distressed entities, and constantly enrich the content and extension of the distressed asset business. Secondly, the Company will focus on the main business to improve the ability and level of serving the real economy. With the service for supply side structural reform as the main line, and in line with the major national development strategies, we will actively participate in the market-oriented DES and state-owned enterprise reform, and vigorously support enterprise mergers and acquisitions and restructuring, and industrial transformation and upgrading. Thirdly, the Company will carry out “great collaboration” around the main business and build a professional brand of financial services. The Company will continue to promote the integration and transformation of financial services business. By relying on the transformation and upgrading of distressed assets business, we will develop professional advantages in the field of distressed assets and business advantages over full-featured financial services, providing more professional financial services for supply-side structural reform. Fourth, we must adhere to market-oriented reforms, improve business operation and running mechanism, and enhance total factor productivity.

## Management Discussion and Analysis

The Company will strengthen and promote the Party's overall leadership of the Company and provide strong political support for the Company's development; adhere to the professional, differentiated and characteristic development and comprehensively strengthen the establishment of the professional capacity of the Company; firmly hold the risk bottom line and comprehensively strengthen the Group's establishment of the risk management and control system; optimize the Group's capital and fund resources allocation, and improve the management level of capital and fund; promote the integration development of business and technology and speed up the construction of information technology; adapt to the development requirement of the main business, optimize the management of human resources, and study and explore the implementation of employee share option scheme according to the supervision requirements, so as to fully promote the enthusiasm and creativity of employees; shape the corporate culture and promote the corporate cultural transformation.

# Changes in Share Capital and Information of Substantial Shareholders

## Changes in Ordinary Share Capital

The ordinary share capital of the Company as at June 30, 2018 was 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
<b>Total</b>	<b>38,164,535,147</b>	<b>100.00</b>

## Substantial Shareholders and De Facto Controller

### Interests and Short Positions held by Substantial Shareholders and Other Persons

The Company had 1,686 registered Shareholders of Shares as at June 30, 2018. So far as the Directors' knowledge, the following persons had, or were deemed to have, an interest or short position in the Shares and underlying Shares as at June 30, 2018, such interest or short position was recorded in the register kept by the Company under the Section 336 of the 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 Shares (%)	Approximate percentage to the relevant class of Shares (%)
MOF	Beneficial owner	24,596,932,316		Domestic Shares	Long position	64.45	100.00
NSSF	Beneficial owner	2,901,006,093		H Shares	Long position	7.60	21.38
China COSCO Shipping Corporation Limited <sup>(1)</sup>	Interest of controlled corporation	1,907,845,112		H Shares	Long position	5.00	14.06

Note:

- (1) According to 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 owned by China COSCO Shipping Corporation Limited, for the purpose of 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 held by Oversea Lucky Investment Limited in the Company.

## Changes in Share Capital and Information of Substantial Shareholders

### Substantial Shareholders

During the Reporting Period, the substantial shareholder and de facto controller of the Company remained unchanged. Details of the substantial shareholder of the Company are as follows:

MOF

MOF was established in October 1949 as a department under the State Council responsible for the administration of revenue, expenditures and taxation policies of the PRC.

### Preference Shares

#### Issuance and Listing of Preference Shares

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

#### Number of Preference Shareholders and Particulars of Preference Shareholdings

As at June 30, 2018, the Company had a total of one holder of preference shares (or proxy). Particulars of its shareholding 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	100.0

Note:

The shareholding of preference shares was based on the information set out in the register of preference shareholders kept by the Company. Based on the information available to the Company, the register of preference shareholders presented the information on proxies of placees.

## Changes in Share Capital and Information of Substantial Shareholders

### Dividend Distribution of Preference Shares

Pursuant to the terms and conditions of the Offshore Preference Shares, each Offshore Preference Share shall entitle the holder thereof to receive non-cumulative dividends which have not been otherwise cancelled. 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.

The sixth meeting and the third regular meeting of the Board for 2018 of the Company convened on August 29, 2018 considered and approved the dividend distribution plan of Offshore Preference Shares, approving the Company to distribute dividends of Offshore Preference Shares on October 2, 2018, at the rate of 4.45% per annum (after tax). The total amount of dividend is USD142.4 million (after tax). For details of the dividend distribution of Offshore Preference Shares, please refer to the relevant announcement dated August 29, 2018 of the Company.

### 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 compulsorily converted into certain number of 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 the trigger event occurs and all Offshore Preference Shares shall be compulsorily converted to H Shares at the initial conversion price, the number will be 7,412,441,791 H Shares.

During the Reporting Period, there was no redemption or conversion of any Offshore Preference Shares.

### Restoration of Voting Rights of Preference Shares

During the Reporting Period, there was no restoration of any voting right of Offshore Preference Shares.

### Accounting Policy Adopted for Preference Shares and Rationale

According to the relevant requirements of the PRC GAAP and IFRS and the terms 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 recognized as profit distribution at the time of declaration.

# Directors, Supervisors and Senior Management

## General Information

### Directors

As at the date of this interim report, the Board of the Company consisted of Mr. Zhang Zi'ai (Chairman of the Board) and Mr. Chen Xiaozhou as executive Directors, Mr. He Jieping, Mr. Xu Long, Ms. Yuan Hong, Mr. Zhang Guoqing and Mr. Liu Chong as non-executive Directors, and Mr. Chang Tso Tung, Stephen, Mr. Xu Dingbo, Mr. Zhu Wuxiang and Mr. Sun Baowen as independent non-executive Directors.

### Supervisors

As at the date of this interim report, the Board of Supervisors of the Company consisted of Mr. Gong Jiande (Chairman of the Board of Supervisors) as shareholder representative Supervisor, Ms. Liu Yanfen, Mr. Li Chun and Mr. Zhang Zheng as external Supervisors, Ms. Gong Hongbing, Mr. Lin Dongyuan and Ms. Jia Xiuhua as employee representative Supervisors.

### Senior Management

As at the date of this interim report, the senior management of the Company consisted of Mr. Chen Xiaozhou as President, Mr. Zhuang Enyue as Vice President, Mr. Liu Ligeng as Vice President, Mr. Liang Qiang as assistant to the President, Mr. Chen Yanqing as assistant to the President, Mr. Luo Zhenhong as Chief Risk Officer, and Mr. Ai Jiuchao as Board Secretary.

## Information on Changes

### Directors

As elected at the first extraordinary general meeting for 2018 of the Company and approved by CBIRC, Mr. He Jieping and Mr. Xu Long were appointed as the Company's non-executive Directors since July 10, 2018.

As elected at the annual general meeting for 2017 of the Company and approved by CBIRC, Mr. Zhang Zi'ai was appointed as the Company's executive Director since August 13, 2018. The Board elected Mr. Zhang Zi'ai as Chairman of the Board.

Since July 10, 2018, Mr. Li Honghui and Mr. Song Lizhong ceased to be the Company's non-executive Directors due to other work arrangement.

Since July 27, 2018, Ms. Xiao Yuping ceased to be the Company's non-executive Director due to other work arrangement.

Since August 13, 2018, Mr. Hou Jianhang has ceased to be the Company's executive Director and the Chairman of the Board due to his age.

### Supervisors

During the Reporting Period, there is no change on the members of the Board of Supervisors.

### Senior Management

Since January 26, 2018, Mr. Li Yuejin ceased to be the Company's Vice President due to other work arrangement.

# Significant Events

## Corporate Governance

The Company has strictly complied with the requirements of the Company Law of the PRC, the Listing Rules, other laws and regulations, regulatory documents and the Articles. Based on the strict regulatory conditions and the development of the Company, the Company has continued optimizing its corporate governance mechanism in pursuit of sound corporate governance and continuously enhanced its corporate governance efficiency. By enhancing the construction of comprehensive risk management and internal control system continuously, the Company has strengthened its overall risk management and control and its capabilities in sustainable development, maintained stable operation and protected the legitimate rights and interests of investors.

During the Reporting Period, the Company continued to strive for comprehensive protection of the rights of Shareholders by focusing on information disclosure and investor relationship management. The Company strictly complied with the rules and regulations of the places where its shares were listed, upheld the principles of openness and transparency, with full disclosure of information related to Shareholders' interests in a timely manner to ensure equality between domestic and overseas investors and protection of the interests of all Shareholders.

## Shareholders' General Meetings

The first extraordinary general meeting for 2018 of the Company was held in Beijing on April 20, 2018, at which two resolutions were considered and approved, including the election of Mr. He Jieping as non-executive Director of the Company and the election of Mr. Xu Long as non-executive Director of the Company.

The annual general meeting for 2017 of the Company was held in Beijing on June 29, 2018, at which eight resolutions were considered and approved, including the work report of the Board for 2017, the report of the Board of Supervisors for 2017, the final financial account plan for 2017, the profit distribution plan for 2017, the appointment of accounting firms for 2018, the election of Mr. Zhang Zi'ai as executive Director of the Company, the granting of general mandate to issue additional H Shares to the Board, and the confirmation of the changes in the registered capital of the Company. The granting of general mandate to issue additional H Shares to the Board and the confirmation of the changes in the registered capital of the Company were special resolutions. The work report of the independent non-executive Directors for 2017 was also received at the annual general meeting.

The convening and holding of the Shareholders' general meetings were in strict compliance with applicable laws and regulations and the Listing Rules. The Directors, Supervisors and Senior Management attended the relevant meetings and the Company published announcements regarding the poll results of the Shareholders' general meetings according to the regulatory requirements in a timely manner.

## Significant Events

### Board

As at the date of this interim report, the Board of the Company comprised 11 members, including two executive Directors, five non-executive Directors and four independent non-executive Directors. The independent non-executive Directors accounted for more than one-third of the total number of the Board members.

The information regarding the appointments of Directors is consistent with the information disclosed in the annual report for 2017 of the Company and the announcements of the Company dated July 16 and August 13, 2018, and there is no change on the information which shall be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

During the Reporting Period, the Board convened five meetings, at which 27 resolutions were reviewed and passed, including, among others, the operation plan for 2018, the fixed assets investment budget for 2018, the annual report for 2017, the 2017 profit distribution plan, the internal audit work plan for 2018 and the internal control evaluation report for 2017.

During the Reporting Period, in accordance with the external situation changes and regulatory requirements, the Board continuously optimized the development strategies of the Company and revised the strategic development plan outline of the Company (2018-2020). The Board upheld the concept of compliance management focusing on the main business, serving the entities, reform and innovation and stable operation. It will further consolidate the core advantage of the distressed assets management, create a distinctive asset management and financial services brand, and become a leading financial group with core competitiveness. Therefore, the Company will further strengthen and improve the Party's overall leadership, strengthen its systematic professional abilities, facilitate the construction of a comprehensive risk management and control system, enhance the level of fine financial management of capital and funds, and speed up the construction of information technology systems. By optimizing and adjusting human resource management focused on the main business, the Company will promote the transformation of corporate culture with Cinda's characteristics, and promote the sustainable high-quality development of the Company.

During the Reporting Period, the Board strictly complied with relevant laws and regulations, regulatory requirements and the Articles, adhered to the overall working principle of steady progress, performed its obligation in a diligent manner and made decisions in a scientific way. The Board continued to enhance the level of the Company's corporate governance, constantly strengthened the construction of comprehensive risk management and internal control system, focused on our main business of distressed assets, enhanced the main business development of the Company and firmly improved the capabilities in serving real economy to contribute to effective prevention of systematic financial risks.

### Board of Supervisors

As at the date of this interim report, the Board of Supervisors comprised seven members, including one shareholder representative Supervisor (Chairman of the Board of Supervisors), three external Supervisors and three employee representative Supervisors.

The information regarding the appointments of Supervisors is consistent with the information disclosed in the annual report for 2017 of the Company, and there is no change on the information which shall be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

The Board of Supervisors duly performed its supervision duties and diligently consider and review relevant proposals. During the Reporting Period, the Financial and Internal Control Supervision Committee under the Board of Supervisors convened two meetings and the Performance and Due Diligence Supervision Committee convened one meeting, during which reviewed the relevant proposals to be considered and approved by the Board of Supervisors. The Board of Supervisors held four meetings and considered and approved 11 resolutions, including, among others, the annual work plan of the Board of Supervisors for 2018, the legal compliance for 2017, the final financial account plan for 2017, the profit distribution plan for 2017, the use of fund raised, the internal control evaluation report for 2017, the report on the due diligence of Directors and senior management for 2017, the report of the Board of Supervisors for 2017, the annual report for 2017 (the results announcement for 2017), the focus of due diligence supervision on Directors and senior management for 2018, and the report on the due diligence of Supervisors for 2017.

During the Reporting Period, the Board of Supervisors performed its duty in compliance with laws and rules, proactively complied with regulatory requirements, achieved synergy in supervision and improved corporate governance. The Board of Supervisors closely focused on the Company's strategy to focus on its main business, paid close attention to areas including compliance risk, credit risk, diversified operation risk and liquidity risk, paid attention to key Subsidiaries and overseas Subsidiaries' management, and offer opinions and suggestions. The Board of Supervisors also promoted the implementation of its supervisory suggestions on tax planning, conducted preparation work of strategic assessment in order to promote steady operation of the Company in compliance.

### Senior Management

During the Reporting Period, the senior management of the Company organized and implemented operation and management of the Company under the Articles and authorizations of the Board. In accordance with the business targets set by the Board and with a view to accomplish the second Five-Year Plan, it consolidated and innovated the business of distressed assets, promoted the business transformation and optimized the asset structure. It enhanced risk management awareness, strengthened synergy effects of the Group to better accomplish business tasks set by the Board, resulting in outstanding operation management results.

## Significant Events

### Code of Corporate Governance

During the Reporting Period, the Company has complied with the code provisions set out in the Corporate Governance Code (Appendix 14 to the Listing Rules) and most of the recommended best practices therein.

### Information of Risk Management

The Company endeavours to develop a comprehensive risk management system which is in line with the scale and complexity of its business, and has developed a comprehensive risk management framework consisting of four levels and three lines of defense. Four levels are the Board and the Board of Supervisors, the senior management, the risk management department and relevant functional departments at the head office, and the branches and subsidiaries. The three lines of defense are the business operation departments, the functional departments of risk management and the internal audit departments.

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

### Internal Control

In the first half of 2018, the Company implemented regulatory requirements in respect of internal control as stipulated by relevant regulatory authorities to improve its internal control system continuously.

Firstly, the Company conducted benchmarking with external regulatory requirement by comparing core external regulatory requirements that are applicable to the Company with the Company's system. The Company upheld a problem-oriented approach and further enhanced the quality of internal control system.

Secondly, the Company sorted out a list of incompatible positions from internal control process nodes, organized departments to inspect for cases of same person holding incompatible positions and make rectifications, and improved the incompatible positions management mechanism.

Thirdly, the Company further promoted establishment of operational risks system by gradual development of a "three-in-one" framework of operational risk, internal control and whole process risk prevention, established and improved the process and tools of risk identification, assessment, monitoring and reporting, clarified operational risk assessment, minor violation point system and accountability system, and promoted transition of establishing internal control system to manage operational risks.

During the Reporting Period, the internal control system of the Company was further optimized with higher internal control efficiency.

## Internal Audit

The Company has implemented an internal audit system and allocated full-time auditors to conduct independent and objective supervision, inspection and evaluation on its operating activities, risk exposure, income and expenditure and internal control. Such designated auditors are also responsible for reporting the material deficiencies found in audit to the Board or the Audit Committee of the Board as well as the Board of Supervisors.

In the first half of 2018, the Company carried out internal audit in an organized and orderly manner in accordance with the annual internal audit plan, new regulations and regulatory requirements on listed companies, with targets of promoting the establishment and continued improvement of effective risk management, internal control compliance, corporate governance and effective performance of the related auditees. The Company organized audits on major business projects and centralized procurement projects in terms of major projects and key internal control processes, complied with regulatory requirements and organized audits on the Company's performance appraisal and remuneration management. The Company also completed the evaluation and formulated report on the internal control of the Company for 2017, and relevant rectification measures were implemented. Economic responsibility audit of certain members of the mid-level and senior management during their term of offices was conducted. In addition, the Company further improved the sustainable capability of its internal audit by strengthening training of internal audit personnel, paying attention to development of internal audit team, as well as improving their comprehensive skills.

## Profit and Dividend Distribution

The Company formulated and implemented the cash dividend policy in line with the requirements of the Articles and resolutions of the Shareholders' general meeting. The cash dividend policy has clear distribution standard and proportion with proper decision-making procedures and mechanism and was approved by the independent non-executive Directors. Minority Shareholders are allowed to fully express opinions and suggestions with their legitimate interests being protected.

Upon the approval of the annual general meeting for 2017 held on June 29, 2018, the cash dividends for 2017 would be distributed to all shareholders at RMB1.42 (tax inclusive) per 10 shares, representing total cash dividends of RMB5.419 billion. On August 17, 2018, the Company distributed cash dividends of RMB1.42 per 10 Shares (tax inclusive) to all holders of H Shares whose names appear on the register of members on July 11, 2018. No interim dividends will be declared for 2018 and no capital reserves will be converted to the share capital of the Company.

## Significant Events

### Material Litigation and Arbitration

During the Reporting Period, the Company was not involved in any litigation or arbitration which might have material and adverse effects on its business, financial condition or operating results.

### Major Acquisition and Disposal of Assets and Merger

During the Reporting Period, the Company did not conduct any material acquisition, disposal of assets or merger of enterprises.

### Implementation of Share Incentive Plan

The Company did not implement any share incentive plan during the Reporting Period.

### Major Connected Transactions

The Company did not conduct any connected transaction or continuing connected transaction which was required to be reported, disclosed or approved by independent shareholders under Chapter 14A to the Listing Rules during the Reporting Period.

### Material Contracts and their Implementation

#### Material Custodies, Contracting and Leasing

During the Reporting Period, the Company did not enter into any material 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.

#### Material Guarantees

The Company did not provide any material guarantee which was required to be disclosed during the Reporting Period.

### Penalties Imposed on the Company and Directors, Supervisors and Senior Management of the Company

During the Reporting Period, none of the Company or its Directors, Supervisors and members of the senior management was subject to any investigation or administrative punishment by securities regulatory authorities, public censure by any stock exchange, as well as punishment by other regulatory authorities with material impact on the Company's operation, or prosecuted for criminal liabilities by judicial authorities.

## Purchase, Sale and Redemption of Listed Securities

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

## Securities Transactions by Directors, Supervisors and Senior Management

The Company has formulated the code of conduct on terms no less exacting than the standards set out in the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Listing Rules to regulate the securities transactions by Directors, Supervisors and senior management. After making enquiries to all Directors and Supervisors, the Company is satisfied all Directors and Supervisors have complied with the code of conduct and the requirements set out therein during the Reporting Period.

## Directors', Supervisors' and Chief Executive Officers' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at June 30, 2018, none of the Directors, Supervisors and chief executive officers of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register pursuant to Section 352 of the SFO or as otherwise notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Listing Rules.

## Review of Interim Report

The interim condensed consolidated financial statements for 2018 prepared by the Company according to IFRS have been reviewed by Ernst & Young in accordance with International Standards on Review Engagements.

This interim report has been reviewed and approved by the Board and the Audit Committee of the Board.

## Statement for Changes of Auditors in the Past Three Years

The annual general meeting for 2017 of the Company held on June 29, 2018 approved the re-appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the domestic and international auditors for 2018, respectively, which are responsible for the audit of annual financial statements, review of interim financial statements, audit of internal control and other professional services for the Company for 2018. The Company did not change its auditors during the past three years.

# Review Report and Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

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# Report on Review of Interim Condensed Consolidated Financial Statements



**Ernst & Young**

22/F, CITIC Tower

1 Tim Mei Avenue

Central, Hong Kong

**TO THE BOARD OF DIRECTORS OF CHINA CINDA ASSET MANAGEMENT CO., LTD.**

*(Established in the People's Republic of China with limited liability)*

## Introduction

We have reviewed the interim condensed consolidated financial statements of China Cinda Asset Management Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the interim condensed consolidated statement of financial position as at June 30, 2018, the related interim condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

## Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Ernst & Young**

*Certified Public Accountants*

Hong Kong

August 29, 2018

# Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		2018 (Unaudited)	2017 (Unaudited)
Income from distressed debt assets at amortized cost	1	9,109,285	–
Income from distressed debt assets classified as receivables	1	–	8,644,564
Fair value changes on distressed debt assets	2	5,478,192	4,169,871
Fair value changes on other financial instruments	3	11,724,264	2,001,681
Investment income	4	2,921,488	7,415,730
Net insurance premiums earned	5	6,727,943	17,514,288
Interest income	6	10,360,188	9,811,678
Revenue from sales of inventories	7	4,879,542	5,787,857
Commission and fee income	8	1,917,603	2,076,502
Net gains on disposal of subsidiaries, associates and joint ventures	9	744,968	3,485,687
Other income and other net gains or losses	10	908,212	(297,603)
<b>Total</b>		<b>54,771,685</b>	60,610,255
Interest expense	11	(23,036,891)	(15,635,266)
Insurance costs	12	(7,340,584)	(18,139,662)
Employee benefits		(3,181,939)	(2,540,979)
Purchases and changes in inventories	7	(3,178,168)	(4,441,296)
Commission and fee expense		(1,446,380)	(1,389,926)
Taxes and surcharges		(277,337)	(378,799)
Depreciation and amortization expenses		(471,336)	(468,384)
Other expenses		(1,589,120)	(1,739,141)
Impairment losses on assets	13	(3,164,560)	(3,941,639)
<b>Total</b>		<b>(43,686,315)</b>	(48,675,092)
Change in net assets attributable to other holders of consolidated structured entities	31	(320,491)	(777,320)

## Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		<b>2018</b> <b>(Unaudited)</b>	2017 (Unaudited)
Profit before share of results of associates and joint ventures and tax		<b>10,764,879</b>	11,157,843
Share of results of associates and joint ventures		<b>1,051,032</b>	899,932
Profit before tax		<b>11,815,911</b>	12,057,775
Income tax expense	14	<b>(3,323,023)</b>	(3,495,338)
Profit for the period		<b>8,492,888</b>	8,562,437
Profit attributable to:			
Equity holders of the Company		<b>8,620,322</b>	8,882,321
Non-controlling interests		<b>(127,434)</b>	(319,884)
		<b>8,492,888</b>	8,562,437
Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)	15		
– Basic		<b>0.23</b>	0.23
– Diluted		<b>0.23</b>	0.23

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

# Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Profit for the period	8,492,888	8,562,437
Other comprehensive income		
Items to 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 period	(175,743)	–
Amount reclassified to profit or loss upon disposal	(3,739)	–
Amount of profit or loss upon impairment	1,452	–
	(178,030)	–
Fair value changes on available-for-sale financial assets		
Fair value changes arising during the period	–	102,168
Amounts reclassified to profit or loss upon disposal	–	(180,493)
Amounts reclassified to profit or loss upon impairment	–	524,489
	–	446,164
Effective portion of changes in fair value of hedging instruments arising during the period	–	31,310
Exchange differences arising on translation of foreign operations	148,947	(661,456)
Share of other comprehensive income of associates and joint ventures	12,352	8,293
Subtotal	(16,731)	(175,689)
Items not to be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	–	(3,671)
Fair value changes on equity instruments designated as at fair value through other comprehensive income	(1,595,905)	–
	(1,595,905)	(3,671)
Other comprehensive loss for the period, net of income tax	(1,612,636)	(179,360)
Total comprehensive income for the period	6,880,252	8,383,077
Total comprehensive income attributable to:		
Equity holders of the Company	6,971,110	8,429,217
Non-controlling interests	(90,858)	(46,140)
	6,880,252	8,383,077

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

# Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)
<b>Assets</b>			
Cash and balances with central banks	17	<b>12,926,243</b>	21,511,080
Deposits with banks and financial institutions	18	<b>79,413,954</b>	54,429,215
Deposits with exchanges and others		<b>1,254,833</b>	1,124,895
Placements with banks and financial institutions	19	<b>10,715,597</b>	18,160,410
Financial assets at fair value through profit or loss	20	<b>442,407,523</b>	213,795,859
Financial assets held under resale agreements	21	<b>37,669,946</b>	60,109,388
Financial assets at fair value through other comprehensive income	22	<b>89,983,503</b>	–
Available-for-sale financial assets	23	–	273,182,692
Financial assets at amortized cost	24	<b>574,818,219</b>	–
Financial assets classified as receivables	25	–	234,226,871
Loans and advances to customers	26	–	312,117,520
Held-to-maturity investments	27	–	13,227,363
Accounts receivable	28	<b>4,903,829</b>	3,729,135
Properties held for sale	29	<b>61,168,087</b>	37,283,802
Investment properties	30	<b>4,119,107</b>	3,298,278
Interests in associates and joint ventures		<b>71,951,371</b>	69,851,065
Property and equipment	33	<b>9,492,350</b>	9,658,346
Goodwill	34	<b>22,189,200</b>	22,002,517
Other intangible assets		<b>4,056,721</b>	4,084,927
Deferred tax assets	35	<b>4,739,463</b>	5,150,810
Other assets	36	<b>28,756,263</b>	29,993,376
<b>Total assets</b>		<b>1,460,566,209</b>	1,386,937,549
<b>Liabilities</b>			
Borrowings from the central bank	37	<b>986,058</b>	986,058
Accounts payable to brokerage clients		<b>12,336,036</b>	12,393,813
Financial liabilities at fair value through profit or loss	38	<b>6,806,176</b>	6,794,129
Financial assets sold under repurchase agreements	39	<b>7,135,475</b>	6,630,267
Placements from banks and financial institutions	40	<b>10,382,214</b>	16,431,551
Borrowings	41	<b>584,923,988</b>	580,352,070
Due to customers	42	<b>231,762,219</b>	226,220,786
Deposits from banks and financial institutions	43	<b>24,632,358</b>	19,259,266
Accounts payable	44	<b>4,080,340</b>	3,220,939
Investment contract liabilities for policyholders	45	<b>16,263,724</b>	19,961,369
Tax payable		<b>3,601,815</b>	3,397,502
Insurance contract liabilities	46	<b>36,458,857</b>	39,566,164
Bonds issued	47	<b>250,864,372</b>	206,482,644
Deferred tax liabilities	35	<b>2,196,359</b>	2,104,573
Other liabilities	48	<b>92,977,377</b>	74,871,756
<b>Total liabilities</b>		<b>1,285,407,368</b>	1,218,672,887

## Interim Condensed Consolidated Statement of Financial Position

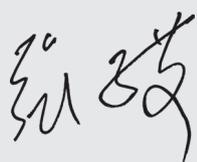
As at June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)
Equity			
Share capital	49	<b>38,164,535</b>	38,164,535
Other equity instruments	50	<b>21,281,215</b>	21,281,215
Capital reserve	51	<b>21,230,508</b>	21,236,051
Other comprehensive income	52	<b>(2,329,693)</b>	(1,685,551)
Surplus reserve		<b>6,942,226</b>	6,942,226
General reserve	53	<b>15,023,615</b>	12,506,625
Retained earnings		<b>52,637,580</b>	50,949,383
Equity attributable to equity holders of the Company		<b>152,949,986</b>	149,394,484
Non-controlling interests		<b>22,208,855</b>	18,870,178
Total equity		<b>175,158,841</b>	168,264,662
Total equity and liabilities		<b>1,460,566,209</b>	1,386,937,549

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

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



CHAIRMAN



PRESIDENT

# Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

	(Unaudited)										
	Equity attributable to equity holders of the Company									Non-controlling interests	Total
	Share capital (Note IV.49)	Other equity instruments (Note IV.50)	Capital reserve (Note IV.51)	Other comprehensive income (Note IV.52)	Surplus reserve	General reserve (Note IV.53)	Retained earnings	Subtotal			
As at December 31, 2017	38,164,535	21,281,215	21,236,051	(1,685,551)	6,942,226	12,506,625	50,949,383	149,394,484	18,870,178	168,264,662	
Changes in accounting policies	-	-	-	629,673	-	-	1,379,626	2,009,299	(21,181)	1,988,118	
As at January 1, 2018	38,164,535	21,281,215	21,236,051	(1,055,878)	6,942,226	12,506,625	52,329,009	151,403,783	18,848,997	170,252,780	
Profit for the period	-	-	-	-	-	-	8,620,322	8,620,322	(127,434)	8,492,888	
Other comprehensive income for the period	-	-	-	(1,649,212)	-	-	-	(1,649,212)	36,576	(1,612,636)	
Total comprehensive income for the period	-	-	-	(1,649,212)	-	-	8,620,322	6,971,110	(90,858)	6,880,252	
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	83,607	83,607	
Retained earnings transferred from other comprehensive income	-	-	-	375,397	-	-	(375,397)	-	-	-	
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	3,714,234	3,714,234	
Appropriation to general reserve	-	-	-	-	-	2,516,990	(2,516,990)	-	-	-	
Dividends recognized as distribution	-	-	-	-	-	-	(5,419,364)	(5,419,364)	-	(5,419,364)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(300,625)	(300,625)	
Others	-	-	(5,543)	-	-	-	-	(5,543)	(46,500)	(52,043)	
As at June 30, 2018	38,164,535	21,281,215	21,230,508	(2,329,693)	6,942,226	15,023,615	52,637,580	152,949,986	22,208,855	175,158,841	

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

## Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

	(Unaudited)										
	Equity attributable to equity holders of the Company									Non-controlling interests	Total
	Share capital (Note IV.49)	Other equity instruments (Note IV.50)	Capital reserve (Note IV.51)	Other comprehensive income (Note IV.52)	Surplus reserve	General reserve (Note IV.53)	Retained earnings	Subtotal			
As at January 1, 2017	38,164,535	21,281,215	21,230,931	559,220	5,548,247	9,744,133	42,688,440	139,216,721	8,753,300	147,970,021	
Profit for the period	-	-	-	-	-	-	8,882,321	8,882,321	(319,884)	8,562,437	
Other comprehensive income for the period	-	-	-	(453,104)	-	-	-	(453,104)	273,744	(179,360)	
Total comprehensive income for the period	-	-	-	(453,104)	-	-	8,882,321	8,429,217	(46,140)	8,383,077	
Capital contribution from other equity instrument holders	-	-	-	-	-	-	-	-	8,216,193	8,216,193	
Capital contribution from non-controlling interests of subsidiaries	-	-	-	-	-	-	-	-	3,129,806	3,129,806	
Acquisition of additional interests in subsidiaries	-	-	(320)	-	-	-	-	(320)	(25,999)	(26,319)	
Disposal of interests in subsidiaries	-	-	-	-	-	-	-	-	(1,310,582)	(1,310,582)	
Appropriation to general reserve	-	-	-	-	-	1,836,492	(1,836,492)	-	-	-	
Dividends recognized as distribution	-	-	-	-	-	-	(4,656,073)	(4,656,073)	-	(4,656,073)	
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(110,698)	(110,698)	
As at June 30, 2017	38,164,535	21,281,215	21,230,611	106,116	5,548,247	11,580,625	45,078,196	142,989,545	18,605,880	161,595,425	

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

# Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
<b>OPERATING ACTIVITIES</b>		
Profit before tax	<b>11,815,911</b>	12,057,775
Adjustments for:		
Impairment losses on assets	<b>3,164,560</b>	3,941,639
Depreciation of property and equipment, and investment properties	<b>318,663</b>	273,958
Amortization of intangible assets and other long-term assets	<b>152,673</b>	194,426
Share of results of associates and joint ventures	<b>(1,051,032)</b>	(899,932)
Net gains on disposal of property and equipment, and investment properties	<b>(67,953)</b>	(2,767)
Net gains on disposal of subsidiaries and associates and joint ventures	<b>(744,968)</b>	(3,485,687)
Fair value changes on financial assets	<b>(5,732,482)</b>	(1,757,144)
Investment income	<b>(5,984,868)</b>	(7,415,730)
Borrowing costs	<b>6,961,375</b>	7,203,070
Change in reserves for insurance contracts	<b>(3,118,015)</b>	10,473,514
Operating cash flows before movements in working capital	<b>5,713,864</b>	20,583,122
Decrease in balances with central banks and deposits with banks and financial institutions	<b>588,719</b>	6,998,583
Increase in financial assets at fair value through profit or loss	<b>(20,498,569)</b>	(12,976,358)
Net (increase)/decrease in placements with financial institutions	<b>(2,549,813)</b>	20,077,052
Decrease/(increase) in financial assets held under resale agreements	<b>7,155,318</b>	(5,534,538)
Increase in financial assets measured at amortized cost	<b>(34,419,759)</b>	–
Increase in financial assets classified as receivables	–	(12,635,483)
Increase in loans and advances to customers	–	(2,238,457)
(Increase)/decrease in accounts receivable	<b>(974,076)</b>	124,415
(Increase)/decrease in properties held for sale	<b>(5,891,389)</b>	3,099,081
Increase in due to customers and deposits from banks and financial institutions	<b>10,914,525</b>	16,412,238
Decrease in accounts payable to brokerage clients	<b>(57,777)</b>	(1,860,999)
Increase/(decrease) in financial assets sold under repurchase agreements	<b>1,246,710</b>	(1,743,540)
Increase in borrowings	<b>1,759,082</b>	58,763,420
Decrease in accounts payable	<b>(544,609)</b>	(486,942)
Decrease/(increase) in other operating assets	<b>4,332,483</b>	(11,628,638)
Decrease in other operating liabilities	<b>(2,458,324)</b>	(14,273,898)
Cash outflow from operations	<b>(35,683,615)</b>	62,679,058
Income taxes paid	<b>(3,251,950)</b>	(3,738,107)
<b>NET CASH OUTFLOW FROM OPERATING ACTIVITIES</b>	<b>(38,935,565)</b>	58,940,951

## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
<b>INVESTING ACTIVITIES</b>		
Cash receipts from disposals and recovery of investment securities	<b>106,539,076</b>	40,524,311
Dividends received from investment securities	<b>(841,092)</b>	2,753,048
Dividends received from associates and joint ventures	<b>111,133</b>	454,691
Interest received from investment securities	<b>5,339,293</b>	1,654,503
Cash receipts from disposals of property and equipment, investment properties and other intangible assets	<b>73,272</b>	341,739
Net cash flows from disposals of subsidiaries	<b>–</b>	123,108
Net cash flows from disposals of associates and joint ventures	<b>1,627,080</b>	752,269
Cash payments to acquire investment securities	<b>(114,569,492)</b>	(59,509,734)
Net cash outflows due to acquisition of subsidiaries	<b>(2,300,100)</b>	(2,557,800)
Net cash flows from consolidated structured entities	<b>(5,570,863)</b>	(8,155,759)
Cash payments for purchase of property and equipment, investment properties and other intangible assets	<b>(181,429)</b>	(84,474)
Cash payments for establishment and acquisition of interests in associates and joint ventures	<b>(1,974,710)</b>	(7,454,124)
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(11,747,832)</b>	(31,158,222)
<b>FINANCING ACTIVITIES</b>		
Net proceeds from the capital securities of subsidiaries	<b>–</b>	8,216,193
Capital contribution from non-controlling interests of subsidiaries	<b>83,607</b>	3,129,806
Cash payments to acquire additional interests in subsidiaries	<b>–</b>	(26,319)
Cash receipts from borrowings raised	<b>10,097,818</b>	10,528,702
Cash receipts from bonds issued	<b>65,501,930</b>	59,663,027
Cash receipts from financial assets sold under repurchase agreements	<b>338,359</b>	30,000
Cash repayments on financial assets sold under repurchase agreements	<b>(1,088,267)</b>	(21,000)
Cash repayments of borrowings	<b>(13,306,248)</b>	(7,490,895)
Cash repayment of bonds	<b>(20,410,484)</b>	(12,900,000)
Interest expenses on borrowings paid	<b>(8,853,110)</b>	(6,685,762)
Dividends paid to non-controlling interests of subsidiaries	<b>(309,255)</b>	(106,123)
Cash payments for transaction cost of bonds issued	<b>(327,287)</b>	(31,202)
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>	<b>31,727,063</b>	54,306,427

## Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		2018 (Unaudited)	2017 (Unaudited)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		<b>(18,956,334)</b>	82,089,156
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		<b>119,930,341</b>	84,107,649
Effect of foreign exchange changes		<b>(23,469)</b>	(1,062,521)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	54	<b>100,950,538</b>	165,134,284
Net cash flows from operating activities include:			
Interest received		<b>10,360,188</b>	9,811,678
Interest paid		<b>16,396,007</b>	9,209,516

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

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

## I. GENERAL 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 June 30, 2018, the MOF directly owned 64.45% of the share capital of the Company.

The Company has financial services certificate No. J0004H111000001 issued by the China Banking Regulatory Commission (the “CBRC”), 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 CBRC or other regulatory bodies.

## II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

### 1. Basis of preparation

The interim condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 “Interim Financial Reporting” and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

The interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s consolidated financial statements for the year ended December 31, 2017.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

#### 1. Basis of preparation (continued)

The interim condensed 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.

#### 2. Principal accounting policies

Except as described below, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended June 30, 2018 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended December 31, 2017.

#### 3. Standards, amendments and interpretations effective and have been early adopted by the Group in 2018

In the current interim period, 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, 2018.

IAS 40 Amendments	Transfers of Investment Property
IFRS 2 Amendments	Share-based Payment
IFRS 4 Amendments	Insurance Contracts
IFRS 9	Financial Instruments
IFRS 9 Amendments	Prepayment Features with Negative Compensation
IFRS 15 and Amendments	Revenue from Contracts with Customers
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements to IFRSs 2014-2016 Cycle (issued in December 2016): IAS 28	Investments in Associates and Joint Ventures

IAS 40 Amendments clarify that when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management’s intentions for the use of a property does not provide evidence of a change in use.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

#### 3. Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (continued)

The IASB issued amendments to IFRS 2 Share-based Payment that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

The IASB issued amendments to IFRS 4 that address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing the new insurance contracts standard that the Board is developing to replace IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach.

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The Group has adopted IFRS 15 from January 1, 2018.

IFRS 15 does not apply to revenue associated with financial instruments, and therefore, will not impact the majority of the Group's revenue, including interest income, income from distressed debt assets at amortized cost, investment income, fair value changes on distressed debt assets and fair value changes on other financial instruments which are covered under IFRS 9. The Group adopted IFRS 15 using the modified retrospective method of adoption whereby the effects of adopting IFRS 15 for uncompleted contracts with customers as at December 31, 2017 are adjusted at the opening balance of equity as at January 1, 2018 and prior period comparative are not restated.

IFRIC Interpretation 22 clarifies that in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine a date of the transactions for each payment or receipt of advance consideration.

### II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

#### 3. Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (continued)

Annual Improvements to IFRSs 2014-2016 Cycle was issued in December 2016. The amendments to IAS 28 Investments in Associates and Joint Ventures clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

Except for the adoption of IFRS 9, the adoption of the above standards, amendments and interpretations did not have a significant impact on the amounts reported and disclosures set out in these interim condensed consolidated financial statements.

#### IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments ("IFRS 9") which reflects all phases of the financial instruments project. IFRS 9 replaces IAS 39 – Financial Instruments ("IAS 39"), for annual periods on or after January 1, 2018.

In October 2017, the IASB issued amendments to IFRS 9. This allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract to be measured at amortized cost or at fair value through other comprehensive income. The amendments are effective for annual reporting periods beginning on or after January 1, 2019, but earlier application is permitted. The Group has adopted IFRS 9 amendments from January 1, 2018.

The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Differences arising from the adoption of IFRS 9 have been recognized directly in shareholders' equity as at January 1, 2018.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

#### 3. Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (continued)

IFRS 9 Financial Instruments (continued)

##### *Classification and measurement*

In IFRS 9, investments in financial assets are classified into three categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss based on the entity's business model for managing the debt instruments and their contractual cash flow characteristics. In addition, investments in equity instruments are required to be measured at fair value through profit or loss, unless an option is irrevocably exercised at inception to present changes in fair value in other comprehensive income in which case the accumulated fair value changes in other comprehensive income will not be recycled to profit or loss in the future.

##### *Business model*

The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable, the financial assets are classified as part of "other" business model and measured at fair value through profit or loss. Factors considered by the Group in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated.

##### *Characteristics of the contractual cash flows*

The assessment of the characteristics of the contractual cash flows aims to identify whether the contractual cash flows are solely payments of principal and interest on the principal amount outstanding. Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement.

### II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

#### 3. Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (continued)

IFRS 9 Financial Instruments (continued)

##### *Impairment*

IFRS 9 requires that the measurement of impairment of a financial asset be changed from “incurred loss model” to “expected credit loss model” (the “ECL” model) and this way of measurement applies to financial assets measured at amortized cost, measured at fair value with changes taken to other comprehensive income, and loan commitments and financial guarantee contracts. The details are included in Note IV.59.1.2 Measurement of ECL.

##### *Hedge accounting*

The new hedge accounting model aims to provide a better link among an entity’s risk management strategy, the rationale for hedging and the impact of hedging on the financial statements. Greater flexibility has been introduced to the types of transactions eligible for hedge accounting. To remove the risk of any conflict between existing macro hedge accounting practice and the new general hedge accounting requirements, IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting. The Group chose to adopt the new hedge accounting requirements in IFRS 9 from January 1, 2018.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

#### 3. Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (continued)

IFRS 9 Financial Instruments (continued)

Reconciliation of the statement of financial position balances from IAS 39 to IFRS 9

	Note	IAS 39 measurement			IFRS 9		
		Category	Amount	Re-classification	Re-measurement	Amount	Category
<b>Assets</b>							
Cash and balances with central banks		L&R <sup>1</sup>	21,511,080	-	-	21,511,080	AC <sup>2</sup>
Deposits with banks and financial institutions		L&R	54,429,215	-	(830)	54,428,385	AC
Deposits with exchanges and others		L&R	1,124,895	-	-	1,124,895	AC
Placements with banks and financial institutions		L&R	18,160,410	-	(27,977)	18,132,433	AC
Financial assets held under resale agreements		L&R	60,109,388	-	(246)	60,109,142	AC
<b>Available-for-sale financial assets</b>		<b>AFS<sup>3</sup></b>	<b>273,182,692</b>	<b>(273,182,692)</b>		<b>N/A</b>	
Transfer to: Held-for-trading and other financial assets at FVPL	A			(170,214,661)			
Transfer to: Financial assets at FVOCI	B			(92,764,502)			
Transfer to: Financial assets at AC	C			(10,203,529)			
<b>Financial assets classified as receivables</b>							
		L&R	234,226,871	(234,226,871)			N/A
Transfer to: Financial assets at AC	C			(212,268,389)			
Transfer to: Held-for-trading and other financial assets at FVPL				(21,958,482)			
<b>Loans and advances to customers</b>							
		L&R	312,117,520	(312,117,520)			N/A
Transfer to: Financial assets at AC	C			(308,182,757)			
Transfer to: Held-for-trading and other financial assets at FVPL				(3,934,763)			
<b>Held-to-maturity investments</b>							
		HTM <sup>4</sup>	13,227,363	(13,227,363)			N/A
Transfer to: Financial assets at AC	C			(13,227,363)			

Note: <sup>1</sup>L&R Loans and receivables N/A Not applicable  
<sup>2</sup>AC Financial assets at amortized cost  
<sup>3</sup>AFS Available-for-sale financial assets  
<sup>4</sup>HTM Held-to-maturity investments

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

#### 3. Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (continued)

IFRS 9 Financial Instruments (continued)

Reconciliation of the statement of financial position balances from IAS 39 to IFRS 9 (continued)

	Note	IAS 39 measurement			IFRS 9		
		Category	Amount	Re-classification	Re-measurement	Amount	Category
<b>Assets</b>							
<b>Held-for-trading and other financial assets at FVPL</b>							
		<b>FVPL<sup>5</sup></b>	<b>27,084,032</b>	<b>378,044,354</b>	<b>4,241,392</b>	<b>409,369,778</b>	<b>FVPL</b>
Transfer from: Financial assets at FVPL (designated)	D			181,663,401	-		
Transfer from: Available-for-sale financial assets	A			170,214,661	4,339,584		
Transfer from: Financial assets classified as receivables				21,958,482	(33,666)		
Transfer from: Loans and advances to customers				3,934,763	(17,071)		
Transfer from: Other assets				273,047	(47,455)		
<b>Financial assets at FVPL (designated)</b>		<b>FVPL</b>	<b>186,711,827</b>	<b>(186,711,827)</b>	<b>-</b>	<b>-</b>	<b>FVPL</b>
Transfer to: Held-for-trading and other financial assets at FVPL	D			(181,663,401)			
Transfer to: Financial assets at FVOCI				(5,048,426)			
<b>Financial assets at FVOCI</b>		<b>N/A</b>	<b>97,812,928</b>	<b>1,022</b>	<b>97,813,950</b>	<b>FVOCI<sup>6</sup></b>	
Transfer from: Available-for-sale financial assets	B			92,764,502	1,022		
Transfer from: Financial assets at FVPL (designated)				5,048,426	-		
<b>Financial assets at AC</b>		<b>N/A</b>	<b>545,103,263</b>	<b>(1,487,466)</b>	<b>543,615,797</b>	<b>AC</b>	
Transfer from: Loans and advances to customers	C			308,182,757	(627,756)		
Transfer from: Financial assets classified as receivables	C			212,268,389	(655,066)		
Transfer from: Held-to-maturity investments	C			13,227,363	(1,318)		
Transfer from: Available-for-sale financial assets	C			10,203,529	(166,855)		
Transfer from: Other assets				1,221,225	(36,471)		
<b>Other assets</b>		<b>185,052,256</b>	<b>(1,494,272)</b>	<b>(546,325)</b>	<b>183,011,659</b>		
Transfer to: Financial assets at AC				(1,221,225)			
Transfer to: Financial assets at FVPL				(273,047)			
Including: Deferred tax assets		5,150,810	-	(546,325)	4,604,485		
<b>Total assets</b>		<b>1,386,937,549</b>	<b>-</b>	<b>2,179,570</b>	<b>1,389,117,119</b>		

Note: <sup>5</sup>FVPL Financial assets at fair value through profit or loss  
<sup>6</sup>FVOCI Financial assets at fair value through other comprehensive income

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

#### 3. Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (continued)

IFRS 9 Financial Instruments (continued)

*Reconciliation of the statement of financial position balances from IAS 39 to IFRS 9 (continued)*

	Note	IAS 39 measurement			IFRS 9		
		Category	Amount	Re-classification	Re-measurement	Amount	Category
<b>Liabilities</b>							
Borrowings from the central bank		AC	986,058	-	-	986,058	AC
Accounts payable to brokerage clients		AC	12,393,813	-	-	12,393,813	AC
Financial liabilities at fair value through profit or loss		FVPL	6,794,129	-	-	6,794,129	FVPL
Financial assets sold under repurchase agreements		AC	6,630,267	-	-	6,630,267	AC
Placements from banks and financial institutions		AC	16,431,551	-	-	16,431,551	AC
Borrowings		AC	580,352,070	-	-	580,352,070	AC
Due to customers		AC	226,220,786	-	-	226,220,786	AC
Deposits from banks and financial institutions		AC	19,259,266	-	-	19,259,266	AC
Accounts payable		AC	3,220,939	-	-	3,220,939	AC
Bonds issued		AC	206,482,644	-	-	206,482,644	AC
<b>Other liabilities</b>	E		<b>139,901,364</b>	-	<b>195,432</b>	<b>140,096,796</b>	
Including: Deferred tax liabilities			2,104,573	-	-	2,104,573	
<b>Total liabilities</b>			<b>1,218,672,887</b>	<b>-</b>	<b>195,432</b>	<b>1,218,868,319</b>	

- A. Part of the debt instruments classified as available-for-sale financial assets under IAS 39 do not pass the requirements of solely collecting the payments of principal and interest on the principal amount outstanding (“contractual cash flow characteristics test”). Thus the Group measures these instruments at fair value under IFRS 9, and the fair value changes of these debt instruments will be recognized in profit or loss. Although equity instruments can be designated as at fair value through other comprehensive income on initial recognition, the Group didn’t make the election for most equity instruments classified as available-for-sale under IAS 39 and measured these equity instruments as at fair value. The profit or loss resulted from fair value changes of these equity instruments will be recognized in income statement.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

#### 3. Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (continued)

IFRS 9 Financial Instruments (continued)

*Reconciliation of the statement of financial position balances from IAS 39 to IFRS 9 (continued)*

- B. Part of the debt instruments classified as available-for-sale financial assets under IAS 39 pass the contractual cash flow characteristics test and are held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets. Thus, these financial assets will be classified as at fair value through other comprehensive income after the adoption of IFRS 9. When these debt instruments are derecognized, their accumulative fair value changes will be reclassified to profit or loss.
- C. Part of the debt instruments which are originally classified as available-for-sale financial assets, financial assets classified as receivables, loans and advances to customers and held-to-maturity investments pass the contractual cash flow characteristics tests, and are held within a business model whose objective is to hold assets in order to collect contractual cash flows. Thus, these financial assets are measured at amortized cost under IFRS 9.
- D. Under IAS 39, the Group's financial assets designated as at fair value through profit or loss mainly include acquired distressed debt assets, equity investments, funds, etc. Under IFRS 9, these financial assets are classified as at fair value through profit or loss.
- E. The impairment provision of the credit commitments is reported and remeasured in other liabilities – provisions, and the cumulative impact of the impairment losses related to the credit commitment under IFRS 9 is recorded into shareholders' equity as at January 1, 2018.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

#### 3. Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (continued)

IFRS 9 Financial Instruments (continued)

*Reconciliation of the impairment allowances from IAS 39 to IFRS 9*

The following table reconciles the impairment allowances measured in accordance with the IAS 39 incurred loss model at December 31, 2017 to the new impairment allowances measured in accordance with the IFRS 9 expected loss model at January 1, 2018:

Measurement category	Impairment allowances under IAS 39/IAS 37 at December 31, 2017			ECL under IFRS 9 at January 1, 2018
	2017	Re-classification	Re-measurement	
<b>Loans and Receivables per IAS 39/financial assets at AC under IFRS 9</b>				
Distressed debt assets	8,409,977	–	571,745	8,981,722
Loans and advances to customers	6,513,829	–	627,756	7,141,585
Other debt instruments	55,224	–	83,321	138,545
<b>Available-for-sale financial assets per IAS 39/financial assets at AC under IFRS 9</b>				
Debt investments	1,266,603	–	166,855	1,433,458
<b>Held-to-maturity investments per IAS 39/financial assets at AC under IFRS 9</b>				
Security investments	–	–	1,318	1,318
<b>Other financial assets per IAS 39/financial assets at AC under IFRS 9</b>				
Other receivables	20	–	36,471	36,491
<b>Available-for-sale financial assets per IAS 39/financial assets at FVOCI under IFRS 9</b>				
Debt investments	67,951	–	61,543	129,494
<b>Available-for-sale financial assets per IAS 39/financial assets at FVPL under IFRS 9</b>				
Financial instruments	8,071,658	(8,071,658)	–	–
<b>Loans and Receivables per IAS 39/financial assets at FVPL under IFRS 9</b>				
Loans and advances to customers	404,112	(404,112)	–	–
Distressed debt assets	383,798	(383,798)	–	–
Other debt instruments	16,800	(16,800)	–	–
<b>Others<sup>(1)</sup></b>	1,905,708	–	224,485	2,130,193
<b>Total</b>	<b>27,095,680</b>	<b>(8,876,368)</b>	<b>1,773,494</b>	<b>19,992,806</b>

(1) Others major include impairment allowances for financial assets held under resale agreements, credit commitments, accounts receivable, other receivables and etc.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

#### 3. Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (continued)

IFRS 7 – Financial Instrument: Disclosure

To reflect the differences between IFRS 9 and IAS 39, IFRS 7 Financial Instruments: Disclosures was updated and the Group has adopted it, together with IFRS 9, for the year beginning January 1, 2018. Changes include transition disclosures as shown in Note II.3 Standards, amendments and interpretations effective and have been early adopted by the Group in 2018, detailed qualitative and quantitative information about the ECL calculations such as the assumptions and inputs used are set out in Note IV.59.1 Credit Risk.

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

		<b>Effective for annual periods beginning on or after</b>
IFRS 16	Leases	January 1, 2019
IAS 19 Amendments	Employee Benefits	January 1, 2019
IAS 28 Amendments	Long-term Interests in Associates and Joint Ventures	January 1, 2019
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments	January 1, 2019
IFRS 17	Insurance Contracts	January 1, 2021
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 2015-2017 cycle (issued in December 2017)		January 1, 2019

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

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### III. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

The preparation of the interim condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

Except for impacts of the adoption of IFRS 9 on classification and measurement, impairment and hedging accounting (Please refer to Note II.3 Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 and Note IV.59.1 Credit risk), the significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements for the year ended December 31, 2017.

### IV. EXPLANATORY NOTES

#### 1. Income from distressed debt assets at amortized cost (For the six months ended June 30, 2017: Income from distressed debt assets classified as receivables)

For the six months ended June 30, 2018, the amounts mainly represent interest income arising from distressed debt assets at amortized cost, which include loans acquired from financial institutions and accounts receivable acquired from non-financial institutions (see Note IV.24 Financial assets at amortized cost).

For the six months ended June 30, 2017, the amounts mainly represent interest income arising from distressed debt assets classified as receivables, which include loans acquired from financial institutions and accounts receivable acquired from non-financial institutions (see Note IV.25 Financial assets classified as receivables).

#### 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 period (see Note IV.20 Financial assets at fair value through profit or loss).

The fair value changes comprise both realized gains and 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.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 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 IV.20 Financial assets at fair value through profit or loss and IV.38 Financial liabilities at fair value through profit or loss).

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) 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 six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Held-for-trading financial instruments and other financial instruments at fair value through profit or loss	11,724,264	839,776
Financial instruments designated as at fair value through profit or loss	–	1,161,905
Total	11,724,264	2,001,681

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 4. Investment income

	For the six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Net realized gain from disposal of		
– financial assets at fair value through other comprehensive income	(221)	–
– available-for-sale financial assets	–	2,505,868
Interest income from		
– financial assets at fair value through other comprehensive income	1,658,264	–
– financial assets at amortized cost	763,129	–
– available-for-sale financial assets	–	1,342,558
– debt instruments classified as receivables	–	540,138
– held-to-maturity financial assets	–	310,016
Dividend income from		
– financial assets at fair value through other comprehensive income	1,209	–
– available-for-sale financial assets	–	2,394,733
Others	499,107	322,417
<b>Total</b>	<b>2,921,488</b>	<b>7,415,730</b>

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 5. Net insurance premiums earned

	For the six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Gross written premiums	<b>6,791,136</b>	17,575,532
Less: Premiums ceded to reinsurers	<b>6,076</b>	44,497
Change of unearned premium reserves	<b>57,117</b>	16,747
Total	<b>6,727,943</b>	17,514,288

Details of the Group's gross written premiums analyzed by type of insurance are set out below:

	For the six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Life insurance	<b>6,791,136</b>	16,741,820
Property and casualty insurance	–	833,712
Total	<b>6,791,136</b>	17,575,532

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 6. Interest income

The following interest income arises from financial assets other than investment securities and distressed debt assets:

	For the six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Loans and advances to customers		
– Corporate and personal loans and advances	6,475,659	5,877,863
– Finance lease receivables	1,285,877	1,218,699
– Loans to margin clients	305,183	283,393
Financial assets held under resale agreements	1,031,457	1,039,376
Deposits with banks and financial institutions	688,556	992,255
Placements with banks and financial institutions	334,022	227,940
Balances with central banks	86,733	76,373
Accounts receivable	24,392	17,864
Others	128,309	77,915
Total	10,360,188	9,811,678

#### 7. Revenue from sales of inventories and purchases and changes in inventories

	For the six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Revenue from sales of inventories	4,879,542	5,787,857
Purchases and changes in inventories	(3,178,168)	(4,441,296)
Including:		
– Revenue from sales of properties held for sale	4,876,540	5,783,474
– Purchases and changes in properties held for sale	(3,175,636)	(4,437,681)
Gross profit from sales of properties held for sale	1,700,904	1,345,793
Revenue from other trading operations	3,002	4,383
Purchases and changes in inventories of other trading operations	(2,532)	(3,615)
Gross profit from other trading operations	470	768

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 8. Commission and fee income

	For the six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Securities and futures brokerage	423,975	518,576
Fund and asset management business	459,361	352,631
Consultancy and financial advisory services	102,860	252,152
Trustee services	169,102	188,772
Banking business	372,836	377,383
Securities underwriting	14,314	80,382
Agency business	306,236	266,838
Others	68,919	39,768
Total	1,917,603	2,076,502

#### 9. Net gains on disposal of subsidiaries, associates and joint ventures

	For the six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Net gains on disposal of subsidiaries	(4,860)	3,471,205
Net gains on disposal of associates and joint ventures	749,828	14,482
Total	744,968	3,485,687

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 10. Other income and other net gains or losses

	For the six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Revenue from hotel operation	256,449	251,875
Rental income	213,700	178,643
Revenue from property management business	124,641	88,559
Government grants and compensation	89,211	51,449
Net gains on disposal of other assets	68,485	55,838
Net losses on exchange differences	(23,469)	(1,091,454)
Others	179,195	167,487
<b>Total</b>	<b>908,212</b>	<b>(297,603)</b>

#### 11. Interest expense

	For the six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Borrowings	15,502,179	9,833,291
Bonds issued	4,979,588	3,642,620
Due to customers	1,441,980	1,184,718
Financial assets sold under repurchase agreements	124,553	124,778
Accounts payable to brokerage clients	19,780	25,902
Others	968,811	823,957
<b>Total</b>	<b>23,036,891</b>	<b>15,635,266</b>

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 12. Insurance costs

	For the six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Reserves/(reverses) for insurance contracts	<b>(3,175,132)</b>	10,490,261
Policyholder dividends	<b>623,465</b>	755,334
Refund of reinsurance premiums	<b>(910)</b>	(29,381)
Other insurance expenses	<b>9,893,161</b>	6,923,448
Total	<b>7,340,584</b>	18,139,662

#### 13. Impairment losses on assets

	For the six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Financial assets at amortized cost		
– Distressed debt assets	<b>1,807,111</b>	–
– Loans and advances to customers	<b>889,060</b>	–
– Other debt investments	<b>63,256</b>	–
Financial assets at fair value through other comprehensive income	<b>14,223</b>	–
Financial assets classified as receivables	–	2,223,550
Available-for-sale financial assets	–	830,557
Loans and advances to customers	–	834,596
Accounts receivable	<b>354,246</b>	1,215
Other assets	<b>36,664</b>	51,721
Total	<b>3,164,560</b>	3,941,639

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 14. Income tax expense

	For the six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Current income tax:		
– PRC Enterprise Income Tax	2,526,453	3,062,887
– PRC Land Appreciation Tax	457,336	160,437
– Hong Kong Profits Tax	261,439	285,050
(Underprovision)/overprovision in prior years	(63,044)	35,197
Subtotal	3,182,184	3,543,571
Deferred income tax (Note IV.35)	140,839	(48,233)
Total	3,323,023	3,495,338

The statutory income tax rate applicable to PRC enterprises was 25% for the period (for the six months ended June 30, 2017: 25%).

Hong Kong Profits Tax was calculated at 16.5% (for the six months ended June 30, 2017: 16.5%) of the estimated assessable profit for the period.

#### 15. Earnings per share attributable to equity holders of the Company

The calculation of basic and diluted earnings per share is as follows:

	For the six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Earnings:		
Profit attributable to equity holders of the Company	8,620,322	8,882,321
Number of shares:		
Weighted average number of ordinary shares in issue (in thousand)	38,164,535	38,164,535
Basic earnings per share (RMB Yuan)	0.23	0.23
Diluted earnings per share (RMB Yuan)	0.23	0.23

There were no potential ordinary shares outstanding for the six months ended June 30, 2018 and June 30, 2017.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 16. Dividends

	For the six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Final dividend	5,419,364	4,656,073
Dividends recognized as distribution during the period	5,419,364	4,656,073

A cash dividend of approximately RMB5,419.36 million in total for the year of 2017 was approved, after the required appropriations for the general reserve on the net profit of the Company for the year of 2017 as determined under China Accounting Standards, at the annual general meeting for 2017 held on June 29, 2018.

#### 17. Cash and balances with central banks

	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)
Cash	670,318	507,808
Mandatory reserve deposits with central banks <sup>(1)</sup>	10,711,774	11,550,592
Surplus reserve deposits with central banks	1,532,726	9,383,640
Other deposits with central banks	11,425	69,040
Total	12,926,243	21,511,080
Including: Restricted		
– Balances with central banks	10,720,822	11,617,268

(1) In accordance with relevant regulations, Nanyang Commercial Bank, Limited, a subsidiary of the 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 June 30, 2018, the mandatory deposits were calculated at 14% of customer deposits denominated in RMB (December 31, 2017: 14.5%) and 5% of customer deposits denominated in foreign currencies (December 31, 2017: 5%). Mandatory reserve deposits are not available for use by the Group in its daily operations.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 18. Deposits with banks and financial institutions

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Deposits with banks		
– House accounts	<b>65,745,559</b>	41,593,165
– Cash held on behalf of clients	<b>8,389,058</b>	8,624,028
Clearing settlement funds		
– House accounts	<b>420,697</b>	541,539
– Clients	<b>3,384,573</b>	3,358,825
Deposits with other financial institutions		
– House accounts	<b>1,474,386</b>	311,658
Subtotal	<b>79,414,273</b>	54,429,215
Less: Allowance for impairment losses	<b>319</b>	–
Total	<b>79,413,954</b>	54,429,215
Including:		
Restricted	<b>20,070,372</b>	17,667,090

Pledged bank deposits represent deposits that have been pledged to secure short-term bank borrowings. As at June 30, 2018, the Group's pledged bank deposits amounted to RMB627.68 million (December 31, 2017: RMB12.61 million).

Clearing settlement funds are interest-bearing at prevailing market interest rates and mainly deposited in China Securities Depository and Clearing Corporation Limited. As at June 30, 2018, the Group's restricted clearing settlement funds amounted to RMB3,384.57 million (December 31, 2017: RMB3,358.83 million).

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 18. Deposits with banks and financial institutions (continued)

As at June 30, 2018, the carrying amount of deposits with banks and financial institutions was in Stage I, amounting to RMB79,413.95 million (January 1, 2018: RMB54,428.39 million). The allowance for impairment losses amounted to RMB0.32 million (January 1, 2018: RMB0.83 million).

#### 19. Placements with banks and financial institutions

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Banks	<b>7,791,229</b>	15,098,410
Other financial institutions	<b>2,955,000</b>	3,062,000
Subtotal	<b>10,746,229</b>	18,160,410
Less: Allowance for impairment losses	<b>30,632</b>	–
Total	<b>10,715,597</b>	18,160,410

As at June 30, 2018, the carrying amount of placements with banks and financial institutions is in Stage I, amounting to RMB10,715.60 million (January 1, 2018: RMB18,132.43 million). The allowance for impairment losses amounted to RMB30.63 million (January 1, 2018: RMB27.98 million).

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 20. Financial assets at fair value through profit or loss

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Held-for-trading financial assets and other financial assets at fair value through profit or loss		
Listed investments:		
Equity investments	<b>9,652,446</b>	6,546,153
Debt securities		
– Government bonds	<b>3,803,767</b>	3,302,452
– Public sector and quasi-government bonds	<b>754,695</b>	395,232
– Corporate bonds	<b>5,016,660</b>	9,005,301
Funds	<b>2,289,186</b>	873,740
Corporate convertible bonds	<b>104,207</b>	–
	<b>21,620,961</b>	20,122,878
Unlisted investments:		
Distressed debt assets	<b>177,224,709</b>	–
Funds	<b>113,203,509</b>	5,242,614
Equity investments	<b>58,582,479</b>	–
Trust products and assets management plans	<b>44,302,060</b>	–
Debt instruments	<b>19,915,019</b>	–
Security investments	<b>4,218,031</b>	1,337,269
Wealth management products	<b>2,556,637</b>	–
Derivative financial assets <sup>(1)</sup>	<b>677,126</b>	381,271
Others	<b>106,992</b>	–
	<b>420,786,562</b>	6,961,154
Subtotal	<b>442,407,523</b>	27,084,032

The amounts mainly represent financial assets which are held for trading or compulsorily to be classified as financial assets at fair value through profit or loss in accordance with IFRS 9.

Please refer to Note II.3 Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 for reconciliation of the statement of financial position balances from IAS 39 to IFRS 9.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 20. Financial assets at fair value through profit or loss (continued)

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Financial assets designated as at fair value through profit or loss		
Listed investments:		
Corporate convertible bonds	–	309,224
Unlisted investments:		
Distressed debt assets	–	148,790,133
Equity investments	–	28,933,536
Funds	–	4,339,492
Wealth management products	–	1,878,340
Asset management plans	–	411,074
Embedded derivative debts	–	404,298
Corporate convertible bonds	–	386,478
Asset-backed securities	–	54,636
Others	–	1,204,616
Subtotal	–	186,711,827
Total	<b>442,407,523</b>	213,795,859

In accordance with IFRS 9, the Group is allowed to designate financial assets as at fair value through profit or loss at initial recognition if the designation eliminates or significantly reduces accounting mismatch. As at June 30, 2018 and January 1, 2018, the balance of financial assets designated as at fair value through profit or loss was nil.

Please refer to Note II.3 Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 for reconciliation of the statement of financial position balances from IAS 39 to IFRS 9.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 20. Financial assets at fair value through profit or loss (continued)

(1) Derivative financial instruments

	As at June 30, 2018			As at December 31, 2017		
	Contractual/ Notional amount	(Unaudited) Fair value		Contractual/ Notional amount	(Audited) Fair value	
Assets		Liabilities	Assets		Liabilities	
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps	27,466,035	514,248	(257,197)	19,909,636	325,568	(262,551)
Currency options	37,911	101	(101)	18,501	65	(65)
Subtotal	27,503,946	514,349	(257,298)	19,928,137	325,633	(262,616)
Interest rate derivatives						
Interest rate swaps	66,688,988	157,218	(145,542)	61,232,355	51,468	(59,905)
Equity derivatives	60,000	1,413	–	–	–	–
Commodity derivatives and others	1,394,431	4,146	(60,443)	1,994,317	4,170	(64,126)
Total	95,647,365	677,126	(463,283)	83,154,809	381,271	(386,647)

#### 21. Financial assets held under resale agreements

	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)
By collateral type		
Bonds	33,444,867	53,801,726
Stocks	4,246,714	6,332,982
Subtotal	37,691,581	60,134,708
Less: Allowance for impairment losses	21,635	25,320
Total	37,669,946	60,109,388

As at June 30, 2018, the carrying amount of financial assets held under resale agreements is in Stage I, amounting to RMB37,669.95 million (January 1, 2018: RMB60,109.14 million). The allowance for impairment losses amounted to RMB21.64 million (January 1, 2018: RMB25.57 million).

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 22. Financial assets at fair value through other comprehensive income

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Debt investments at fair value through other comprehensive income		
Debt securities		
– Government bonds	<b>22,599,006</b>	–
– Public sector and quasi-government bonds	<b>19,783,905</b>	–
– Financial institution bonds	<b>32,199,385</b>	–
– Corporate bonds	<b>12,445,607</b>	–
Asset-backed securities	<b>8,192</b>	–
Subtotal	<b>87,036,095</b>	–
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	<b>2,947,408</b>	–
Subtotal	<b>2,947,408</b>	–
Total	<b>89,983,503</b>	–

As at June 30, 2018, the Group's debt investments at fair value through other comprehensive income in Stage I, II and III amounted to RMB86,937.48 million, RMB83.69 million and RMB14.93 million, respectively (January 1, 2018: RMB92,737.57 million, nil, and RMB15.29 million, respectively). The allowance for impairment losses amounted to RMB60.43 million, RMB15.70 million and RMB67.29 million, respectively (January 1, 2018: RMB62.57 million, nil, and RMB66.92 million, respectively).

Please refer to Note II.3 Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 for reconciliation of the statement of financial position balances from IAS 39 to IFRS 9.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 23. Available-for-sale financial assets

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Debt securities		
– Government bonds	–	29,257,893
– Public sector and quasi-government bonds	–	8,212,728
– Financial institution bonds	–	18,783,457
– Corporate bonds	–	9,520,682
<b>Subtotal</b>	<b>–</b>	<b>65,774,760</b>
Equity investments	–	29,602,415
Certificates of deposit	–	27,929,436
Funds	–	101,151,577
Trust products and rights to trust assets	–	20,612,962
Asset management plans	–	14,304,585
Wealth management products	–	11,820,000
Asset-backed securities	–	1,031,176
Others	–	955,781
<b>Total</b>	<b>–</b>	<b>273,182,692</b>
Including:		
Debt securities pledged for borrowings	–	1,292,009

Included in the balances are amounts of equity investments, funds and other financial assets totaling RMB40,061.73 million as at December 31, 2017 that were measured at cost because their fair values cannot be reliably measured.

Please refer to Note II.3 Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 for reconciliation of the statement of financial position balances from IAS 39 to IFRS 9.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 24. Financial assets at amortized cost

	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)
Distressed debt assets <sup>(1)</sup>		
Loans acquired from financial institutions	19,914,078	–
Accounts receivable acquired from non-financial institutions	205,673,926	–
Less: Allowance for impairment losses	10,575,379	–
Net of distressed debt assets	215,012,625	–
Loans and advances to customers <sup>(2)</sup>		
Corporate loans and advances		
– Loans and advances	247,896,015	–
– Discounted bills	823,086	–
Personal loans and advances		
– Mortgages	25,041,550	–
– Personal consumption loans	11,226,406	–
Loans to margin clients	7,586,784	–
Finance lease receivables	46,551,902	–
Total of loans and advances to customers	339,125,743	–
Less: Allowance for impairment losses	7,858,915	–
Net of loans and advances to customers	331,266,828	–
Other debt instruments		
Trust plans and asset management plans	15,384,191	–
Securities investments	13,271,915	–
Others	1,475,231	–
Less: Allowance for impairment losses	1,592,571	–
Net of other debt instruments	28,538,766	–
Total	574,818,219	–

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 24. Financial assets at amortized cost (continued)

The Group classifies debt investments as at amortized cost if both of the following conditions are met:

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows;
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of the principal and interest on the principal amount outstanding.

As at June 30, 2018, the Group's financial assets at amortized cost mainly include distressed debt assets, loans and advances to customers and other debt instruments that meet the above conditions, which were reclassified from financial assets classified as receivables, loans and advances to customers, held-to-maturity investments, etc., as at December 31, 2017. Please refer to Note II.3 Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 for reconciliation of the statement of financial position balances from IAS 39 to IFRS 9.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 24. Financial assets at amortized cost (continued)

(1) Distressed debt assets

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at June 30, 2018				
Gross distressed debt assets	199,024,529	21,424,741	5,138,734	225,588,004
Less: Allowance for impairment losses	5,326,926	2,585,733	2,662,720	10,575,379
Net distressed debt assets	193,697,603	18,839,008	2,476,014	215,012,625

The movements of allowance during the period are:

	For the six months ended June 30, 2018			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at January 1	5,832,741	1,212,040	1,936,941	8,981,722
Convert to Stage II	(177,680)	177,680	–	–
Convert to Stage III	–	(96,507)	96,507	–
Impairment losses recognized	1,552,235	1,055,973	162,572	2,770,780
Impairment losses reversed	(1,880,370)	(105,667)	(731)	(1,986,768)
Stage conversion	–	342,214	680,885	1,023,099
Write-off and transfer out	–	–	(115,031)	(115,031)
Unwinding of discount on allowance	–	–	(98,423)	(98,423)
As at June 30	5,326,926	2,585,733	2,662,720	10,575,379

Please refer to Note IV.25 Financial assets classified as receivables for balances presented as collectively and individually assessed as at December 31, 2017 and movements of impairment losses of the Group's distressed debt assets.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 24. Financial assets at amortized cost (continued)

##### (2) Loans and advances to customers

Loans and advances to customers are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at June 30, 2018				
Gross loans and advances	326,669,789	6,660,879	5,795,075	339,125,743
Less: Allowance for impairment losses	3,720,695	808,739	3,329,481	7,858,915
Net loans and advances to customers	322,949,094	5,852,140	2,465,594	331,266,828

The movements of allowance during the period are:

	For the six months ended June 30, 2018			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL- impaired)	Total
As at January 1	3,711,043	577,369	2,925,944	7,214,356
Convert to Stage I	1,525	(1,525)	–	–
Convert to Stage II	(964)	47,736	(46,772)	–
Convert to Stage III	(740)	(68,654)	69,394	–
Impairment losses recognized	1,000,338	297,466	604,225	1,902,029
Impairment losses reversed	(972,744)	(61,446)	(128,680)	(1,162,870)
Stage conversion	(1,359)	19,851	131,409	149,901
Write-off and transfer out	–	–	(228,974)	(228,974)
Recovery of loans and advances written off in previous periods	–	–	8,641	8,641
Unwinding of discount on allowance	–	–	(955)	(955)
Exchange differences	(16,404)	(2,058)	(4,751)	(23,213)
As at June 30	3,720,695	808,739	3,329,481	7,858,915

Please refer to Note IV.26 Loans and advances to customers for the composition of the Group's loans and advances to customers, balances presented as collectively and individually assessed as at December 31, 2017 and the movements of impairment losses during the period.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 24. Financial assets at amortized cost (continued)

(2) Loans and advances to customers (continued)

Finance lease receivables are analyzed as follows:

	<b>As at June 30, 2018 (Unaudited)</b>
Minimum finance lease receivables:	
Within 1 year (inclusive)	<b>22,303,091</b>
1 year to 5 years (inclusive)	<b>26,860,869</b>
Over 5 years	<b>1,923,506</b>
Gross amount of finance lease receivables	<b>51,087,466</b>
Less: Unearned finance income	<b>4,535,564</b>
Net amount of finance lease receivables	<b>46,551,902</b>
Less: Allowance for impairment losses	<b>1,704,288</b>
Carrying amount of finance lease receivables	<b>44,847,614</b>
Present value of minimum lease receivables:	
Within 1 year (inclusive)	<b>20,135,011</b>
1 year to 5 years (inclusive)	<b>24,634,435</b>
Over 5 years	<b>1,782,456</b>
Total	<b>46,551,902</b>
Including:	
Finance lease receivables pledged for borrowings	<b>1,053,376</b>

Please refer to Note IV.26 Loans and advances to customers for the analysis of the Group's finance lease receivables as at December 31, 2017.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 25. Financial assets classified as receivables

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Distressed debt assets		
– Loans acquired from financial institutions	–	26,552,577
– Accounts receivable acquired from non-financial institutions	–	197,404,902
	–	223,957,479
Less: Allowance for impairment losses		
– Individually assessed	–	1,987,170
– Collectively assessed	–	6,806,605
	–	8,793,775
Subtotal	–	215,163,704
Other financial assets classified as receivables		
– Trust products	–	15,275,202
– Asset management plans	–	2,942,500
– Structured debt arrangements	–	385,951
– Other debt instruments	–	531,538
	–	19,135,191
Less: Allowance for impairment losses		
– Individually assessed	–	49,005
– Collectively assessed	–	23,019
	–	72,024
Subtotal	–	19,063,167
Total	–	234,226,871

Please refer to Note II.3 Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 for reconciliation of the statement of financial position balances from IAS 39 to IFRS 9.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 25. Financial assets classified as receivables (continued)

The movements of allowance for impairment losses during 2017 are:

	For the year ended December 31, 2017		Total
	Individually assessed allowance	(Audited) Collectively assessed allowance	
As at January 1, 2017	1,943,457	5,401,957	7,345,414
Impairment losses recognized	2,104,038	1,427,667	3,531,705
Impairment losses reversed	(383,505)	–	(383,505)
Impairment losses written off and transferred out	(1,510,585)	–	(1,510,585)
Unwinding of discount on allowance	(117,230)	–	(117,230)
As at December 31, 2017	2,036,175	6,829,624	8,865,799

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 26. Loans and advances to customers

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Corporate loans and advances		
– Loans and advances	–	230,037,644
– Discounted bills	–	949,230
Subtotal	–	230,986,874
Personal loans and advances		
– Mortgages	–	24,699,191
– Personal consumption loans	–	10,069,065
Subtotal	–	34,768,256
Loans to margin clients	–	7,708,387
Finance lease receivables	–	45,571,944
Gross loans and advances	–	319,035,461
Less: Allowance for impairment losses		
– Individually assessed	–	3,291,803
– Collectively assessed	–	3,626,138
Subtotal	–	6,917,941
Net loans and advances to customers	–	312,117,520

Please refer to Note II.3 Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 for reconciliation of the statement of financial position balances from IAS 39 to IFRS 9.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 26. Loans and advances to customers (continued)

As at December 31, 2017, loans and advances to customers analyzed by collective and individual assessment method are as follows:

	Identified impaired loans and advances			Subtotal	Total	Identified impaired loans and advances to customers as a % of total loans and advances
	Loans and advances for which allowance is collectively assessed	For which allowance is collectively assessed	For which allowance is individually assessed			
As at December 31, 2017						
Gross loans and advances	312,482,035	109,647	6,443,779	6,553,426	319,035,461	2.05%
Less: Allowance for impairment losses	3,545,961	80,177	3,291,803	3,371,980	6,917,941	
Net loans and advances to customers	308,936,074	29,470	3,151,976	3,181,446	312,117,520	

	For the year ended December 31, 2017 (Audited)		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1, 2017	2,066,194	3,464,573	5,530,767
Impairment losses recognized	1,990,866	821,417	2,812,283
Impairment losses reversed	(343,601)	(593,872)	(937,473)
Impairment losses written off and transferred out	(418,685)	(3,160)	(421,845)
Recovery of loans and advances written off in last years	18,836	483	19,319
Unwinding of discount on allowance	(4,634)	–	(4,634)
Exchange differences	(17,173)	(63,303)	(80,476)
As at December 31, 2017	3,291,803	3,626,138	6,917,941

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 26. Loans and advances to customers (continued)

As at December 31, 2017, finance lease receivables are analyzed as follows:

	As at December 31, 2017 (Audited)
Minimum finance lease receivables:	
Within 1 year (inclusive)	22,354,602
1 year to 5 years (inclusive)	26,187,211
Over 5 years	1,228,223
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Gross amount of finance lease receivables	49,770,036
Less: Unearned finance income	4,198,092
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Net amount of finance lease receivables	45,571,944
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Less: Allowance for impairment losses	1,373,148
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Carrying amount of finance lease receivables	44,198,796
<hr/>	
Present value of minimum lease receivables:	
Within 1 year (inclusive)	20,194,676
1 year to 5 years (inclusive)	24,228,402
Over 5 years	1,148,866
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Total	45,571,944
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Including:	
Finance lease receivables pledged for borrowings	982,109
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## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 27. Held-to-maturity investments

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Debt securities		
– Government bonds	–	5,775,745
– Public sector and quasi-government bonds	–	3,386,079
– Financial institution bonds	–	3,087,182
– Corporate bonds	–	978,357
<b>Total</b>	<b>–</b>	<b>13,227,363</b>

Please refer to Note II.3 Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 for reconciliation of the statement of financial position balances from IAS 39 to IFRS 9.

#### 28. Accounts receivable

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Accounts receivable relating to distressed debt assets	<b>1,665,072</b>	1,677,236
Agreed repurchase trading receivables	<b>1,424,102</b>	–
Accounts receivable relating to equity assets <sup>(1)</sup>	<b>501,497</b>	1,182,830
Commission and fee receivables	<b>493,670</b>	382,702
Accounts receivable to brokerage clients	<b>493,651</b>	243,532
Accounts receivable from sales of properties	<b>412,982</b>	155,103
Insurance premium and reinsurance refund receivables	<b>157,660</b>	117,140
Others	<b>269,185</b>	129,054
<b>Subtotal</b>	<b>5,417,819</b>	<b>3,887,597</b>
Less: Allowance for impairment losses	<b>513,990</b>	158,462
<b>Total</b>	<b>4,903,829</b>	<b>3,729,135</b>

(1) As at June 30, 2018, the major component is the outstanding amount of RMB501.50 million (December 31, 2017: RMB484.05 million) mainly arising from disposals of certain debt-to-equity assets. These receivables bear interest at rates ranging from nil to 7.50% per annum (December 31, 2017: Nil to 7.50%). The outstanding balances are repayable no later than January 31, 2019 (December 31, 2017: no later than January 31, 2019).

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 28. Accounts receivable (continued)

The aging analysis of accounts receivable relating to distressed assets is as follows:

	As at June 30, 2018 (Unaudited)			As at December 31, 2017 (Audited)		
	Gross amount	% Impairment	Carrying amount	Gross amount	% Impairment	Carrying amount
Within 1 year (inclusive)	<b>1,573,673</b>	<b>73</b>	<b>– 1,573,673</b>	1,548,389	71	– 1,548,389
1 year to 2 years (inclusive)	–	–	–	–	–	–
2 years to 3 years (inclusive)	–	–	–	13,500	1	– 13,500
Over 3 years	<b>592,896</b>	<b>27</b>	<b>(89,893) 503,003</b>	599,396	28	(89,893) 509,503
Total	<b>2,166,569</b>	<b>100</b>	<b>(89,893) 2,076,676</b>	2,161,285	100	(89,893) 2,071,392

Movements of allowance for impairment losses for the six months ended June 30, 2018 and for the year ended December 31, 2017 are as follows:

	For the six months ended June 30, 2018 (Unaudited)	For the year ended December 31, 2017 (Audited)
At beginning of the period/year	<b>158,462</b>	128,100
Impairment losses recognized	<b>354,405</b>	53,812
Impairment losses reversed	<b>(159)</b>	(22,718)
Acquisitions of subsidiaries	<b>10,510</b>	–
Amounts written off and transferred out	<b>(9,228)</b>	(732)
At end of the period/year	<b>513,990</b>	158,462

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
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### IV. EXPLANATORY NOTES (continued)

#### 29. Properties held for sale

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Completed properties	<b>9,489,539</b>	5,593,278
Properties under development	<b>52,496,079</b>	32,208,932
Others	<b>22,112</b>	18,354
<b>Subtotal</b>	<b>62,007,730</b>	37,820,564
Less: Allowance for impairment losses	<b>839,643</b>	536,762
<b>Total</b>	<b>61,168,087</b>	37,283,802
Including:		
Pledged for borrowings	<b>13,718,129</b>	14,257,483

#### 30. Investment properties

For the six months ended June 30, 2018, the Group acquired investment properties with an aggregate amount of RMB908.41 million at cost (for the six months ended June 30, 2017: Nil), and disposed of investment properties with an aggregate amount of RMB13.23 million at net book value (for the six months ended June 30, 2017: RMB21.50 million).

As at June 30, 2018, the net book value of investment properties which the Group pledged for borrowings amounted to RMB1,139.03 million (December 31, 2017: RMB140.24 million).

As at June 30, 2018, the value of investment properties for which the Group has not obtained certificates of land use right or certificates of property ownership amounted to RMB0.15 million (December 31, 2017: RMB0.15 million).

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 31. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts, asset management plans. The judgments used by the Group to determine whether control exists are the same as those that are applied to the consolidated financial statements for the year ended December 31, 2017.

The financial impact of each of the private equity funds, trusts, asset management plans on the Group's financial position as at June 30, 2018 and December 31, 2017, and results and cash flows for the six months ended June 30, 2018 and the year ended December 31, 2017, though consolidated, is not significant individually and therefore not disclosed separately.

Interests held by other holders are presented as change in net assets attributable to other holders of consolidated structured entities in the interim condensed consolidated statement of profit or loss and included in other liabilities in the interim condensed consolidated statement of financial position as set out in Note IV.48 Other liabilities.

#### 32. Interests in unconsolidated structured entities

Structured entities over which the Group had control by virtue of the Group serving as general partner, manager or trustee during the period include private equity funds, trusts, asset management plans. Except for the structured entities over which the Group has consolidated as detailed in Note IV.31 Interests in consolidated structured entities, in the opinion of the directors of the Company, the variable returns to which the Group is exposed over the structured entities that the Group has interests in are not significant nor the Group has the control over these entities. The Group therefore did not consolidate these structured entities.

#### 33. Property and equipment

For the six months ended June 30, 2018, the Group acquired property and equipment with an aggregate amount of RMB77.32 million at cost (for the six months ended June 30, 2017: RMB55.79 million), and disposed of property and equipment with an aggregate amount of RMB24.33 million at net book value (for the six months ended June 30, 2017: RMB12.40 million).

As at June 30, 2018, the Group's construction in progress amounted to RMB198.58 million (December 31, 2017: RMB170.66 million).

As at June 30, 2018, the Group's property for which the Group has not obtained a certificate of land use right or a certificate of property ownership amounted to RMB1,324.55 million (December 31, 2017: RMB1,282.29 million).

As at June 30, 2018, the net book value of property and equipment which the Group pledged for borrowings amounted to RMB216.51 million (December 31, 2017: Nil).

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 34. Goodwill

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Carrying amount		
At beginning of the period/year	<b>23,123,316</b>	24,644,818
Exchange differences	<b>186,683</b>	(1,521,502)
At end of the period/year	<b>23,309,999</b>	23,123,316
Allowance for impairment losses		
At beginning of the period/year	<b>(1,120,799)</b>	(1,120,799)
At end of the period/year	<b>(1,120,799)</b>	(1,120,799)
Net book value		
At beginning of the period/year	<b>22,002,517</b>	23,524,019
At end of the period/year	<b>22,189,200</b>	22,002,517

#### 35. Deferred taxation

For the purpose of presentation on the interim condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances:

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Deferred tax assets	<b>4,739,463</b>	5,150,810
Deferred tax liabilities	<b>(2,196,359)</b>	(2,104,573)
Deferred taxation	<b>2,543,104</b>	3,046,237

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 35. Deferred taxation (continued)

The movements of deferred tax assets and deferred tax liabilities are set out below:

	(Unaudited)															Total
	Allowance for impairment losses	Withholding land appreciation tax	Advance from sale of real estate	Asset revaluation	Fair value adjustments in business combination	Accrued but not paid staff costs	Interest capitalized on properties held for sale	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value of available-for-sale financial assets	Temporary differences related to the cost of associates and joint ventures <sup>(i)</sup>	Changes in fair value and impairment losses of financial assets at FVOCI	Others		
As at December 31, 2017	6,168,351	111,261	449,227	(1,002,345)	(678,904)	1,092,742	500,229	31,631	128,137	246,678	(92,721)	(3,909,179)	-	1,130	3,046,237	
Changes in accounting policy	(1,764,232)	-	-	-	-	-	(5,226)	-	48,858	983,050	92,721	-	93,278	-	(551,551)	
As at January 1, 2018	4,404,119	111,261	449,227	(1,002,345)	(678,904)	1,092,742	495,003	31,631	176,995	1,229,728	-	(3,909,179)	93,278	1,130	2,494,686	
Credit/(charge) to profit or loss	499,095	123,401	149,219	51,721	145,638	155,065	(28,434)	83,066	10,466	(1,123,603)	-	(136,474)	4	(70,003)	(140,839)	
Credit to other comprehensive income	-	-	-	-	-	-	-	-	-	-	-	(32,520)	367,938	-	335,418	
Acquisitions of subsidiaries	89,438	8,575	-	-	(503,381)	-	179,687	81,623	-	-	-	-	-	1,798	(142,260)	
Others	3,287	-	-	(5,681)	(4,104)	142	-	(291)	26	(714)	-	-	1,431	2,003	(3,901)	
As at June 30, 2018	4,995,939	243,237	598,446	(956,305)	(1,040,751)	1,247,949	646,256	196,029	187,487	105,411	-	(4,078,173)	462,651	(65,072)	2,543,104	

	(Audited)															Total
	Allowance for impairment losses	Withholding land appreciation tax	Advance from sale of real estate	Asset revaluation	Fair value adjustments in business combination	Accrued but not paid staff costs	Interest capitalized on properties held for sale	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value of available-for-sale financial assets	Temporary differences related to the cost of associates and joint ventures <sup>(i)</sup>	Temporary differences associated with a subsidiary held for sale	Others		
As at January 1, 2017	4,550,364	70,534	383,286	(1,052,150)	(718,690)	681,020	480,316	23,819	117,979	117,404	(290,236)	(1,000,070)	107,533	134,352	3,605,461	
Credit/(charge) to profit or loss	1,575,744	40,727	65,941	45,773	36,633	386,306	19,913	7,812	10,158	120,383	-	(2,904,008)	(107,533)	(190,753)	(892,904)	
Credit to other comprehensive income	55,818	-	-	-	-	-	-	-	-	-	173,798	(5,101)	-	13,979	238,494	
Others	(13,575)	-	-	4,032	3,153	25,416	-	-	-	8,891	23,717	-	-	43,552	95,186	
As at December 31, 2017	6,168,351	111,261	449,227	(1,002,345)	(678,904)	1,092,742	500,229	31,631	128,137	246,678	(92,721)	(3,909,179)	-	1,130	3,046,237	

- (i) The temporary differences related to the costs of associates and joint ventures are temporary differences arising from the difference between the book value and the tax base for the associates and joint ventures not holding for the long term by the Group.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 36. Other assets

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Other receivables	<b>8,036,571</b>	9,471,816
Prepayments	<b>2,638,573</b>	3,712,671
Interest receivable	<b>4,275,977</b>	4,307,800
Assets in satisfaction of debts	<b>3,621,502</b>	3,457,524
Statutory deposits	<b>2,026,075</b>	2,026,075
Dividends receivable	<b>2,126,423</b>	1,284,122
Prepaid taxes	<b>2,199,360</b>	1,077,288
Land use rights	<b>77,410</b>	78,515
Long-term prepaid expenses	<b>264,986</b>	264,275
Notes receivable	<b>366,477</b>	499,715
Precious metals	<b>219,832</b>	197,911
Assets with continuing involvement	<b>2,573,671</b>	2,573,671
Incremental costs of obtaining the contract	<b>34,146</b>	–
Others	<b>295,260</b>	1,041,993
<b>Total</b>	<b>28,756,263</b>	29,993,376

#### 37. Borrowings from the central bank

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Borrowings from the central bank	<b>986,058</b>	986,058

The borrowings from the PBOC are used to finance the purchase of distressed assets from commercial banks and bear interest at a rate of 2.25% per annum. As at June 30, 2018, the loan principals have been repaid in full, and the outstanding balance represents interest payable to the central bank.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 38. Financial liabilities at fair value through profit or loss

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Derivative financial liabilities (Note IV.20.(1))	<b>463,283</b>	386,647
Short positions in exchange fund bills and notes	<b>3,567,893</b>	3,632,482
Forward payment plan	<b>2,775,000</b>	2,775,000
<b>Total</b>	<b>6,806,176</b>	6,794,129

#### 39. Financial assets sold under repurchase agreements

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
By collateral type:		
Debt securities	<b>6,135,475</b>	5,630,267
Loans to margin clients	<b>1,000,000</b>	1,000,000
<b>Total</b>	<b>7,135,475</b>	6,630,267

#### 40. Placements from banks and financial institutions

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Banks	<b>9,495,228</b>	14,888,282
Other financial institutions	<b>886,986</b>	1,543,269
<b>Total</b>	<b>10,382,214</b>	16,431,551

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 41. Borrowings

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Banks and financial institutions borrowings		
Unsecured loans	<b>548,887,363</b>	546,982,562
Loans secured by properties	<b>5,186,850</b>	8,296,700
Other secured loans	<b>30,849,775</b>	25,072,808
<b>Total</b>	<b>584,923,988</b>	580,352,070

Loans secured by properties were collateralized by held for sale properties, property and equipment, investment properties at an aggregate carrying amount of RMB15,073.67 million as at June 30, 2018 (December 31, 2017: RMB14,397.72 million). Other secured loans were collateralized by financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, financial lease receivables, bank balances, interests in associates and joint ventures at an aggregate carrying amount of RMB6,362.00 million as at June 30, 2018 (December 31, 2017: RMB6,350.19 million). The variable rates of borrowings used by the Group were floating based on the benchmark interest rates of deposits or loans published by the PBOC, Shanghai Inter-bank Offered Rate ("SHIBOR"), Hong Kong Inter-bank Offered Rate ("HIBOR"), London Inter-bank Offered Rate ("LIBOR") or prime interest rates.

The ranges of effective interest rates per annum (which are also equal to contractual interest rates) on the Group's borrowings are as follows:

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Fixed-rate borrowings	<b>1.40%-10.00%</b>	1.22%-8.00%
Variable-rate borrowings	<b>2.48%-6.20%</b>	2.23%-6.00%

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 42. Due to customers

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Demand deposits		
Corporate	<b>50,347,504</b>	48,909,270
Personal	<b>38,082,580</b>	38,896,599
Time deposits		
Corporate	<b>70,439,869</b>	78,804,610
Personal	<b>61,336,041</b>	49,522,828
Guarantee deposits	<b>11,556,225</b>	10,087,479
<b>Total</b>	<b>231,762,219</b>	226,220,786

#### 43. Deposits from banks and financial institutions

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Banks	<b>5,904,272</b>	6,234,821
Other financial institutions	<b>18,728,086</b>	13,024,445
<b>Total</b>	<b>24,632,358</b>	19,259,266

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 44. Accounts payable

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Accounts payable associated with real estate business <sup>(1)</sup>	<b>3,158,444</b>	2,446,994
Asset purchase payable	<b>148,997</b>	199,149
Reinsurance premium payable	<b>12,572</b>	10,401
Others	<b>760,327</b>	564,395
<b>Total</b>	<b>4,080,340</b>	3,220,939

(1) Accounts payable associated with real estate business mainly comprise construction costs payable to contractors.

No aging analysis is disclosed, as in the opinion of the directors of the Company, the aging analysis on these items does not give additional value to the users of this report in view of the nature of these items.

#### 45. Investment contract liabilities for policyholders

	<b>For the six months ended June 30, 2018 (Unaudited)</b>	For the year ended December 31, 2017 (Audited)
At beginning of the period/year	<b>19,961,369</b>	27,193,179
Deposits received	<b>2,088,270</b>	2,041,977
Deposits withdrawn	<b>(5,785,915)</b>	(9,273,564)
Others	-	(223)
<b>At end of the period/year</b>	<b>16,263,724</b>	19,961,369

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 46. Insurance contract liabilities

	2018 (Unaudited)			As at June 30,
	As at January 1,	Increase	Decrease	
Short-term life and property insurance contracts				
– Unearned premium reserves	101,185	128,604	(71,327)	158,462
– Outstanding claim reserves	84,838	34,969	(39,277)	80,530
Long-term life insurance contracts	39,380,141	6,811,312	(9,971,588)	36,219,865
<b>Total</b>	<b>39,566,164</b>	<b>6,974,885</b>	<b>(10,082,192)</b>	<b>36,458,857</b>

	2017 (Audited)			As at December 31,
	As at January 1,	Increase	Decrease	
Short-term life and property insurance contracts				
– Unearned premium reserves	86,124	162,243	(147,182)	101,185
– Outstanding claim reserves	99,891	92,887	(107,940)	84,838
Long-term life insurance contracts	31,000,012	18,157,216	(9,777,087)	39,380,141
<b>Total</b>	<b>31,186,027</b>	<b>18,412,346</b>	<b>(10,032,209)</b>	<b>39,566,164</b>

An analysis of the remaining maturity of the Group's insurance contract liabilities is as follows:

	As at June 30, 2018 (Unaudited)			As at December 31, 2017 (Audited)		
	Within 1 year	Over 1 year	Total	Within 1 year	Over 1 year	Total
Short-term life and property insurance contracts						
– Unearned premium reserves	147,687	10,775	158,462	90,673	10,512	101,185
– Outstanding claim reserves	79,100	1,430	80,530	83,071	1,767	84,838
Long-term life insurance contracts	9,194	36,210,671	36,219,865	9,354	39,370,787	39,380,141
<b>Total</b>	<b>235,981</b>	<b>36,222,876</b>	<b>36,458,857</b>	<b>183,098</b>	<b>39,383,066</b>	<b>39,566,164</b>

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 47. Bonds issued

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)
2014 Financial bonds (5-year)	(1)	10,000,000	RMB	2014/5	2019/5	5.35%	10,033,950	10,293,011
2015 Financial bonds (3-year)	(1)	10,000,000	RMB	2015/5	2018/5	4.10%	-	10,243,183
2015 Financial bonds (5-year)	(1)	10,000,000	RMB	2015/5	2020/5	4.30%	10,029,560	10,240,103
2015-II Financial bonds (3-year)	(1)	2,000,000	RMB	2015/9	2018/9	3.50%	2,053,116	2,017,914
2015-II Financial bonds (5-year)	(1)	4,000,000	RMB	2015/9	2020/9	3.75%	4,111,854	4,037,162
2015-II Financial bonds (10-year)	(1)	10,000,000	RMB	2015/9	2025/9	4.60%	10,340,977	10,112,435
2016 Tier-II Capital bonds (10-year)	(2)	10,000,000	RMB	2016/6	2026/6	3.70%	9,994,949	10,176,138
2017 Financial bonds (3-year)	(1)	2,000,000	RMB	2017/4	2020/4	4.30%	2,017,022	2,059,992
2017 Financial bonds (5-year)	(1)	4,000,000	RMB	2017/4	2022/4	4.40%	4,034,222	4,122,430
2017 Financial bonds (10-year)	(1)	24,000,000	RMB	2017/4	2027/4	4.75%	24,219,192	24,791,952
2017 Cinda Ningyuan-I ABS	(18)	4,530,943	RMB	2017/11	2018/3- 2019/3	4.80%- 5.15%	2,515,073	4,468,427
2018-I Financial Bonds (10-year)	(1)	15,000,000	RMB	2018/1	2028/1	5.50%	15,341,898	-
2018-II Financial Bonds (10-year)	(1)	11,000,000	RMB	2018/3	2028/3	5.50%	11,171,366	-
2018 Cinda Ningyuan-II ABS 1	(18)	9,517,000	RMB	2018/5	2018/9 - 2019/7	4.70%- 5.05%	9,575,554	-
2018 Cinda Ningyuan-II ABS 2	(18)	10,318,000	RMB	2018/6	2019/3 - 2019/12	5.00%- 5.15%	10,335,981	-
2015 Capital supplement bonds	(3)	3,000,000	RMB	2015/12	2025/12	4.00%	3,060,963	3,000,995
2015-I Subordinate bonds	(4)	3,000,000	RMB	2015/2	2018/2	5.90%	-	3,156,148
2015-II Subordinate bonds	(4)	3,000,000	RMB	2015/4	2018/4	6.00%	-	3,124,274
2017-I Subordinate bonds	(4)	3,000,000	RMB	2017/2	2020/2	4.99%	3,052,498	3,127,963
2017-II Subordinate bonds	(4)	3,000,000	RMB	2017/3	2020/3	5.12%	3,044,607	3,122,038
2017-I Corporation bonds (3-year)	(19)	2,500,000	RMB	2017/7	2020/7	5.05%	2,617,603	2,554,997
Beneficiary certificates-VII	(4)	1,000,000	RMB	2017/5	2019/5	5.50%	1,005,425	1,033,151
Beneficiary certificates-VIII	(4)	500,000	RMB	2017/6	2019/5	5.48%	500,751	500,826
Beneficiary certificates-IX	(4)	380,000	RMB	2017/6	2019/6	5.35%	380,557	380,613
Beneficiary certificates-X	(4)	120,000	RMB	2017/6	2019/6	5.35%	120,176	120,193
Beneficiary certificates-XII	(4)	600,000	RMB	2018/3	2020/3	6.27%	612,059	-
2015 Corporation bonds	(5)	3,000,000	RMB	2015/12	2023/12	3.80%	3,048,797	2,991,049
2016-I Corporation bonds (8-year)	(5)	2,000,000	RMB	2016/1	2024/1	3.70%	2,025,320	2,061,818
2016-I Corporation bonds (5-year)	(6)	3,000,000	RMB	2016/5	2021/5	4.70%	3,010,249	3,080,792
2016-II Corporation bonds (5-year)	(6)	5,000,000	RMB	2016/8	2021/8	4.00%	5,161,189	5,061,178
2015-I Mid-term notes	(7)	1,500,000	RMB	2015/6	2020/6	5.80%	1,506,539	1,558,412
2015-II Mid-term notes	(7)	1,400,000	RMB	2015/8	2020/8	5.50%	1,466,092	1,409,199
2015-III Mid-term notes	(7)	100,000	RMB	2015/12	2020/12	5.50%	103,025	100,256
2016-I Corporation bonds (5-year)	(8)	2,500,000	RMB	2016/3	2021/2	3.80%	2,528,945	2,573,407
2016-II Corporation bonds (5-year)	(8)	500,000	RMB	2016/3	2021/3	3.50%	504,637	512,424
2016-I Corporation bonds (3-year)	(9)	3,000,000	RMB	2016/5	2019/5	5.56%	2,928,095	3,103,229
2016-II Corporation bonds (3-year)	(9)	3,000,000	RMB	2016/8	2019/8	4.50%	3,118,536	3,043,716
2016-I Financial bonds (3-year)	(10)	2,000,000	RMB	2016/6	2019/6	3.81%	2,003,978	2,041,854
2016-II Financial bonds (3-year)	(10)	3,000,000	RMB	2016/8	2019/8	3.15%	3,080,821	3,033,940
HKD bonds	(11)	20,000	HKD	2013/9	2018/9	4.00%	16,977	17,386

## Notes to the Interim Condensed Consolidated Financial Statements

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### IV. EXPLANATORY NOTES (continued)

#### 47. Bonds issued (continued)

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)
HKD bonds	(11)	4,000	HKD	2013/10	2018/10	4.00%	3,398	3,477
HKD bonds	(11)	10,000	HKD	2013/12	2018/12	4.00%	8,594	8,693
HKD bonds	(11)	20,000	HKD	2014/7	2019/7	4.00%	17,106	17,386
HKD bonds	(11)	12,000	HKD	2014/9	2019/9	4.00%	10,193	10,432
HKD bonds	(11)	10,000	HKD	2014/10	2019/9	4.00%	8,539	8,693
HKD bonds	(11)	10,000	HKD	2016/3	2021/3	4.00%	8,525	8,693
USD Guaranteed senior notes	(12)	1,000,000	USD	2014/5	2019/5	4.00%	6,612,298	6,525,229
USD Guaranteed senior notes	(12)	500,000	USD	2014/5	2024/5	5.625%	3,291,525	3,252,003
USD Guaranteed senior notes	(13)	230,000	USD	2014/12	2029/12	5.20%	1,507,179	1,492,269
USD Guaranteed senior notes	(13)	90,000	USD	2015/2	2029/12	5.20%	593,130	593,020
USD Guaranteed senior notes	(13)	1,300,000	USD	2015/4	2020/4	3.125%	8,622,626	8,533,369
USD Guaranteed senior notes	(13)	1,700,000	USD	2015/4	2025/4	4.25%	11,274,461	11,175,005
USD Guaranteed senior notes	(13)	100,000	USD	2015/2	2030/2	5.20%	668,780	661,525
USD Guaranteed senior notes	(13)	80,000	USD	2015/3	2022/3	4.45%	534,392	527,913
USD Guaranteed senior notes	(13)	300,000	USD	2017/3	2020/3	3.00%	1,995,333	1,968,144
USD Guaranteed senior notes	(13)	1,300,000	USD	2017/3	2022/3	3.65%	8,661,569	8,548,978
USD Guaranteed senior notes	(13)	700,000	USD	2017/3	2024/3	4.10%	4,666,402	4,606,429
USD Guaranteed senior notes	(13)	700,000	USD	2017/3	2027/3	4.40%	4,662,409	4,602,851
USD Guaranteed senior notes	(12)	545,000	USD	2017/12	2037/12	4.75%	3,586,623	3,551,575
2016 Corporation bonds (5-year)	(14)	600,000	RMB	2016/4	2021/4	4.60%	604,094	617,828
2016 Corporation bonds (4-year)	(15)	800,000	RMB	2016/4	2020/4	4.98%	313,040	826,985
2016-I Financial bonds	(16)	500,000	RMB	2016/12	2021/12	4.67%	512,344	500,767
2017-I Financial bonds	(16)	2,500,000	RMB	2017/3	2022/3	5.03%	2,537,522	2,601,709
17 NCB China CD004	(17)	100,000	RMB	2017/9	2018/9	4.55%	99,225	97,067
17 NCB China CD006	(17)	500,000	RMB	2017/9	2018/3	5.65%	-	495,632
17 NCB China CD007	(17)	2,000,000	RMB	2017/12	2018/3	5.45%	-	1,974,367
18 NCB China CD002	(17)	600,000	RMB	2018/3	2018/9	4.95%	594,125	-
18 NCB China CD004	(17)	200,000	RMB	2018/3	2018/9	4.95%	197,883	-
18 NCB China CD006	(17)	300,000	RMB	2018/3	2018/9	4.95%	296,785	-
18 NCB China CD008	(17)	500,000	RMB	2018/3	2018/12	4.95%	488,691	-
18 NCB China CD009	(17)	100,000	RMB	2018/4	2018/10	4.10%	98,765	-
18 NCB China CD010	(17)	150,000	RMB	2018/4	2019/1	4.20%	146,592	-
18 NCB China CD013	(17)	100,000	RMB	2018/4	2018/10	4.30%	98,620	-
18 NCB China CD018	(17)	300,000	RMB	2018/5	2019/5	4.55%	288,911	-
18 NCB China CD019	(17)	500,000	RMB	2018/5	2018/11	4.58%	491,108	-
USD Guaranteed Senior Notes	(13)	800,000	USD	2018/2	2023/2	3.88%	5,331,320	-
USD Guaranteed Senior Notes	(13)	300,000	USD	2018/2	2025/2	4.38%	2,005,422	-
USD Guaranteed Senior Notes	(13)	1,200,000	USD	2018/2	2028/2	4.75%	8,031,107	-
USD Guaranteed Senior Notes	(13)	200,000	USD	2018/2	2048/2	5.00%	1,323,183	-
Total							250,864,372	206,482,644

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

## IV. EXPLANATORY NOTES (continued)

### 47. Bonds issued (continued)

- (1) The financial bonds issued by the Company have fixed coupon rates, payable annually.
- (2) The tier-II capital bonds issued by the Company have a fixed coupon rate, payable annually, conditionally redeemable on the last day of the fifth year. The Company has the right to early redeem the bonds at face value in full subject to the approval of the China Banking Regulatory Commission.
- (3) The capital supplement bonds issued by Happy Life Insurance Co., Ltd., a subsidiary of the Company, have a fixed coupon rate, payable annually. The subsidiary has an option to redeem the bonds in December 2020. If the subsidiary does not exercise this option, the coupon rate of the bonds will be increased to 5% per annum from January 2021 onwards.
- (4) The subordinate bonds and beneficiary certificates issued by Cinda Securities Co., Ltd. ("Cinda Securities"), a subsidiary of the Company, have fixed coupon rates, payable annually.
- (5) The corporation bonds issued by Cinda Investment Co., Ltd. ("Cinda Investment"), a subsidiary of the Company, have fixed coupon rates, payable annually. 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 fifth year.
- (6) The corporation bonds issued by Cinda Investment, a subsidiary of the Company, have fixed coupon rates, payable 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 mid-term notes issued by Cinda Real Estate Co., Ltd., a subsidiary of Cinda Investment, have fixed coupon rates, payable annually.
- (8) The corporation bonds issued by Cinda Real Estate Co., Ltd., a subsidiary of Cinda Investment, have fixed coupon rates, payable annually. 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.
- (9) The corporation bonds issued by Cinda Real Estate Co., Ltd., a subsidiary of Cinda Investment, have fixed coupon rates, payable 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 second year.
- (10) The financial bonds issued by Cinda Financial Leasing Co., Ltd., a subsidiary of the company, have a fixed coupon rate, payable annually.
- (11) The HKD bonds issued by Cinda International Holdings Limited, a subsidiary of China Cinda Hong Kong Holdings Company Limited ("Cinda Hong Kong"), have fixed coupon rates, payable semi-annually.
- (12) The USD Guaranteed Senior Notes (the "USD Notes") issued by China Cinda Finance Limited, a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable semi-annually. 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.
- (13) USD Notes issued by China Cinda Finance Limited, a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable semi-annually. There is no early redemption option in accordance with the relevant subscription agreement.
- (14) The corporation bonds issued by Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually. 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.
- (15) The corporation bonds issued by Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually. 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 second year.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 47. Bonds issued (continued)

- (16) The financial bonds issued by Nanyang Commercial Bank (China) Limited ("NCB China"), a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually.
- (17) The deposit certificates were issued by NCB China.
- (18) The asset-backed securities are issued by the Company.
- (19) The corporation bonds issued by Cinda Securities have fixed coupon rates, payable annually.

#### 48. Other liabilities

	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)
Liabilities from contracts with customers	26,629,519	–
Payables to interest holders of consolidated structured entities (Note IV.31)	15,182,143	20,753,006
Other payables	14,369,019	14,772,044
Staff costs payable	6,079,151	6,094,535
Risk deposit	5,472,742	5,352,486
Dividends payable	5,422,223	11,489
Interest payable	5,076,107	4,032,912
Receipts in advance	4,016,452	14,170,532
Liabilities with continuing involvement	2,573,671	2,573,671
Long-term payable	1,777,500	745,229
Liabilities related to insurance business	1,751,887	1,538,076
Items in the process of clearance and settlement	861,024	971,110
Deferred income related to leasing business	857,647	883,229
Provisions	766,441	671,374
Sundry taxes payable	706,150	767,018
Receipts in advance associated with disposal of distressed assets	655,634	804,447
Others	780,067	730,598
<b>Total</b>	<b>92,977,377</b>	<b>74,871,756</b>

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 49. Share capital

	For the six months ended June 30, 2018 (Unaudited)	For the year ended December 31, 2017 (Audited)
Authorized, issued and fully paid:		
At beginning of the period/year	<b>38,164,535</b>	38,164,535
Issue of shares	–	–
At end of the period/year	<b>38,164,535</b>	38,164,535

A summary of the movements of the Company's issued shares (in thousands of shares) during the six months ended June 30, 2018 and the year ended December 31, 2017 is as follows:

	2018 (Unaudited)			As at June 30,
	As at January 1,	Issuance	Transfer	
Domestic shares				
– MOF	<b>24,596,932</b>	–	–	<b>24,596,932</b>
H shares	<b>13,567,603</b>	–	–	<b>13,567,603</b>
Total	<b>38,164,535</b>	–	–	<b>38,164,535</b>

	2017 (Audited)			As at December 31,
	As at January 1,	Issuance	Transfer	
Domestic shares				
– MOF	24,596,932	–	–	24,596,932
H shares	13,567,603	–	–	13,567,603
Total	38,164,535	–	–	38,164,535

As at June 30, 2018 and December 31, 2017, there were no shares subject to the lock-up restriction of the Group.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 50. Other equity instruments

For the period ended June 30, 2018, the movements of the Company's other equity instruments were as follows:

	2018 (Unaudited)							
	As at January 1,		Increase		Decrease		As at June 30,	
	Quantity	Carrying	Quantity	Carrying	Quantity	Carrying	Quantity	Carrying
	(shares)	amount	(shares)	amount	(shares)	amount	(shares)	amount
	(In '000)	(In '000)	(In '000)	(In '000)	(In '000)	(In '000)	(In '000)	(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

- (1) Pursuant to the approvals by domestic and overseas relevant authorities, the Company issued the U.S. dollar settled Non-Cumulative Perpetual Offshore Preference Shares (the “Offshore Preference Shares”) on September 30, 2016. The Offshore Preference Shares have a par value of RMB100 each and are issued as fully paid-up capital in U.S. dollar so that the total issuance price of the Offshore Preference Shares is USD20 each. The total number of the Offshore Preference Shares that have been issued is 160,000,000, and the total proceeds raised is USD3.2 billion. 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.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 50. Other equity instruments (continued)

- (2) The Offshore Preference Shares are perpetual and have no maturity dates. The Offshore Preference Shares are not redeemable at the option of the offshore preference shareholders, and the offshore preference shareholders do not have the right to put back the Offshore Preference Shares to the Company. However, the Company may, subject to the approval from the CBRC and compliance with the preconditions for the distribution of dividends and redemption set out in the terms and conditions, redeem all or part of the Offshore Preference Shares on the first reset date and on any dividend payment date thereafter. The redemption price for each Offshore Preference Share so redeemed shall be the aggregate of an amount equal to its liquidation preference plus any accrued but unpaid dividends in respect of the period from (and including) the immediately preceding dividend payment date to (but excluding) the date scheduled for redemption.
- (3) Save for such dividend at the agreed dividend payout ratio, the offshore preference shareholders shall not be entitled to the distribution of the remaining profits of the Company together with the holders of the ordinary shares. The dividends on preference shares are non-cumulative. The Company shall be entitled to cancel any dividend on the preference shares, and such cancellation shall not be deemed a default. However, if the Company should cancel all or part of the dividends on the Offshore Preference Shares, the Company shall not distribute profits to the holders of ordinary shares since the next day of resolution of the shareholders' general meeting till the resumption of full payment of dividends on the preference shares. Upon the occurrence of a trigger event for the compulsory conversion of preference shares into ordinary shares per agreement, the Company shall report to the CBRC for review and determination, and the Company is entitled to, without the consent of the offshore preference shareholders, convert the issued and outstanding preference shares into ordinary shares per agreement.
- (4) The Offshore Preference Shares are classified as other equity instruments and presented as an equity item on the statement of financial position. Capital raised from the issuance of the Offshore Preference Shares, after deduction of the commission and the expenses relating to the issuance, would be wholly used to replenish the Company's additional tier 1 capital to support business development.

#### 51. Capital reserve

The balance of capital reserve mainly represents share premium arising from the Company's initial public offering of H shares in 2013 and other share issuances in prior years.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 52. Other comprehensive income

Other comprehensive income attributable to equity holders of the Company is set out below:

	For the six months ended June 30, 2018 (Unaudited)	For the year ended December 31, 2017 (Audited)
As at December 31, 2017	<b>(1,685,551)</b>	559,220
Changes in accounting policies	<b>629,673</b>	–
As at January 1, 2018	<b>(1,055,878)</b>	559,220
Items to 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 period	<b>(172,488)</b>	–
Amounts reclassified to profit or loss upon disposal	<b>(3,973)</b>	–
Amounts of profit or loss upon impairment	<b>751</b>	–
Income tax effect	<b>(38,896)</b>	–
	<b>(214,606)</b>	–
Fair value changes on available-for-sale financial assets		
Fair value changes arising during the year	–	(2,497,544)
Amounts reclassified to profit or loss upon disposal	–	811,296
Amounts reclassified to profit or loss upon impairment	–	388,201
Income tax effect	–	228,642
	–	(1,069,405)
Effective portion of changes in fair value of hedging instruments arising during the period	–	(57,665)
Income tax effect	–	14,416
	–	(43,249)
Exchange differences arising on translation of foreign operations	<b>148,947</b>	(1,222,837)
Share of other comprehensive income of associates and joint ventures	<b>44,872</b>	93,611
Income tax effect	<b>(32,520)</b>	(5,101)
	<b>12,352</b>	88,510

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 52. Other comprehensive income (continued)

	For the six months ended June 30, 2018 (Unaudited)	For the year ended December 31, 2017 (Audited)
Items not to be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	–	2,647
Fair value changes on equity instruments at fair value through other comprehensive income	<b>(2,127,873)</b>	–
Retained earnings transferred from other comprehensive income	<b>375,397</b>	–
Income tax effect	<b>531,968</b>	(437)
	<b>(1,220,508)</b>	2,210
Subtotal	<b>(1,273,815)</b>	(2,244,771)
At end of the period/year	<b>(2,329,693)</b>	(1,685,551)

#### 53. General reserve

Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Caijin [2012] No. 20) issued by the MOF, the Company is required to maintain a general reserve at no less than 1.5% of its risk assets at the end of the reporting period, and the minimum requirement can be achieved over a period of no more than five years, starting from July 1, 2012.

For the six months ended June 30, 2018 and 2017, as approved in the general meetings, the Company transferred RMB2,516.99 million and RMB1,836.49 million to the general reserve pursuant to the regulatory requirements in the PRC.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 54. Cash and cash equivalents

For the purpose of the interim condensed consolidated statement of cash flows, cash and cash equivalents represent:

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Cash	<b>670,318</b>	507,808
Balances with central banks	<b>1,535,103</b>	9,386,004
Deposits with banks and financial institutions	<b>61,350,837</b>	36,762,125
Placements with financial institutions	<b>5,100,291</b>	15,066,940
Financial assets held under resale agreements	<b>30,237,418</b>	45,521,296
Financial assets at fair value through profit or loss	<b>2,056,571</b>	–
Available-for-sale financial assets	–	12,686,168
Cash and cash equivalents	<b>100,950,538</b>	119,930,341

#### 55. Contingent liabilities and commitments

##### (1) Legal proceedings

The Group is involved as a defendant in certain lawsuits arising from its normal business operations. As at June 30, 2018, the total claim amount of pending litigations for the Group was RMB2,125.51 million (December 31, 2017: RMB1,904.77 million), and provisions of RMB118.09 million (December 31, 2017: RMB128.68 million) for the Group were made based on court judgments 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.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 55. Contingent liabilities and commitments (continued)

##### (2) Operating lease commitments

At the end of the reporting period, the Group, as a lessee, had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Within 1 year	<b>455,479</b>	701,476
1 to 2 years	<b>329,591</b>	570,595
2 to 3 years	<b>227,114</b>	240,845
3 to 5 years	<b>155,658</b>	217,887
Over 5 years	<b>12,928</b>	12,864
<b>Total</b>	<b>1,180,770</b>	1,743,667

##### (3) Commitments other than operating lease commitments

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Contracted but not provided for – commitments for the acquisition of property and equipment	<b>126,512</b>	3,877
<b>Total</b>	<b>126,512</b>	3,877

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 55. Contingent liabilities and commitments (continued)

##### (4) Credit commitments

	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)
Bank bill acceptance	12,554,067	13,235,863
Loan commitments <sup>(i)</sup>	12,866,457	8,927,859
Letters of guarantee issued	6,119,983	4,345,409
Undrawn credit card commitments	767,902	717,188
Letters of credit issued	4,236,222	3,169,076
Others	2,920,379	9,179,775
<b>Total</b>	<b>39,465,010</b>	<b>39,575,170</b>
Impairment of credit commitments	<b>(79,590)</b>	<b>(8,502)</b>

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 June 30, 2018, the unconditionally revocable loan commitments of the Group amounted to RMB59,573.27 million (December 31, 2017: RMB73,102.07 million).

#### 56. Transfers of financial assets

##### Asset-backed securities

The Group enters into securitization transactions in the normal course of business by which it transfers financial assets at amortized cost 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 controls over these assets.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 56. Transfers of financial assets (continued)

Asset-backed securities (continued)

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 June 30, 2018, the Group's carrying amount of transferred assets that did not qualify for derecognition was RMB19,598.19 million (December 31, 2017: RMB3,327.68 million), and the carrying amount of their associated liabilities was RMB22,426.61 million (December 31, 2017: RMB4,468.43 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 RMB675.25 million as at June 30, 2018 (December 31, 2017: Nil), which also approximated to the Group's maximum exposure to loss.

#### 57. 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.

Segment revenue includes income from distressed debt assets at amortized cost, fair value changes on distressed debt assets, fair value changes on other financial instruments, investment income, net insurance premiums earned and others.

Profit before tax is the measure of segment profit or loss reviewed by the chief operating decision makers.

The Group's reportable and operating segments are as follows:

Distressed asset management operations

The distressed asset management segment comprises the relevant business operated by the Company and certain of its subsidiaries, including the management of assets arising from acquisition of distressed debts and debt-to-equity swaps and the provision of clearing settlement and fiduciary services.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 57. Segment information (continued)

Financial investment and asset management operations

The financial investment and asset management segment comprises the relevant business operated by the Company and certain of its subsidiaries, including the management of financial investments on private funds and companies in certain other industries.

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 bank, securities, insurance, financial leasing and asset management. These operations were mainly carried out by the subsidiaries of the Company.

No operating segments identified by the chief operating decision makers have been aggregated in arriving at the reportable segments stated above.

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.

There is no significant customer concentration of the Group's business. There is no customer contributing more than 10% to the Group's revenue.

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.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 57. Segment information (continued)

	(Unaudited)				
	Distressed asset management	Financial investment and asset management	Financial services	Eliminations	Consolidated
<b>For six months ended June 30, 2018</b>					
Income from distressed debt assets at amortized cost	9,109,285	-	-	-	9,109,285
Fair value changes on distressed debt assets	5,478,192	-	-	-	5,478,192
Fair value changes on other financial instruments	7,607,102	3,592,057	538,152	(13,047)	11,724,264
Investment income	350,037	843,399	1,801,451	(73,399)	2,921,488
Net insurance premiums earned	-	-	6,727,943	-	6,727,943
Interest income	1,644,347	2,752,920	6,540,715	(577,794)	10,360,188
Revenue from sales of inventories	-	4,879,542	-	-	4,879,542
Commission and fee income	11,778	274,260	1,858,061	(226,496)	1,917,603
Net gains on disposal of subsidiaries, associates and joint ventures	-	744,968	-	-	744,968
Other income and other net gains or losses	484,663	572,796	(60,296)	(88,951)	908,212
<b>Total</b>	<b>24,685,404</b>	<b>13,659,942</b>	<b>17,406,026</b>	<b>(979,687)</b>	<b>54,771,685</b>
Interest expense	(13,513,828)	(5,094,683)	(5,067,376)	638,996	(23,036,891)
Insurance costs	-	-	(7,340,584)	-	(7,340,584)
Employee benefits	(1,362,577)	(319,150)	(1,500,212)	-	(3,181,939)
Purchases and changes in inventories	-	(3,185,897)	(6,260)	13,989	(3,178,168)
Commission and fee expense	(627,395)	(87,145)	(735,073)	3,233	(1,446,380)
Taxes and surcharges	(82,254)	(151,531)	(43,552)	-	(277,337)
Depreciation and amortization expenses	(65,745)	(214,250)	(191,354)	13	(471,336)
Other expenses	(139,949)	(753,746)	(878,474)	183,049	(1,589,120)
Impairment losses on assets	(2,000,099)	(547,150)	(617,311)	-	(3,164,560)
<b>Total</b>	<b>(17,791,847)</b>	<b>(10,353,552)</b>	<b>(16,380,196)</b>	<b>839,280</b>	<b>(43,686,315)</b>

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 57. Segment information (continued)

	(Unaudited)				
	Distressed asset management	Financial investment and asset management	Financial services	Eliminations	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	-	(208,867)	(111,624)	-	(320,491)
Profit before share of results of associates and joint ventures and tax	6,893,557	3,097,523	914,206	(140,407)	10,764,879
Share of results of associates and joint ventures	666,506	379,583	4,943	-	1,051,032
Profit before tax	7,560,063	3,477,106	919,149	(140,407)	11,815,911
Income tax expense					(3,323,023)
Profit for the period					8,492,888
Capital expenditure	52,319	888,811	133,364	-	1,074,494
<b>As at June 30, 2018</b>					
Segment assets	635,612,394	329,102,229	537,059,810	(45,947,687)	1,455,826,746
Including: Interests in associates and joint ventures	43,564,163	27,275,496	1,111,712	-	71,951,371
Unallocated assets					4,739,463
Total assets					1,460,566,209
Segment liabilities	549,318,183	278,083,495	495,557,173	(42,407,409)	1,280,551,442
Unallocated liabilities					4,855,926
Total liabilities					1,285,407,368

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For the six months ended June 30, 2018  
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### IV. EXPLANATORY NOTES (continued)

#### 57. Segment information (continued)

	(Unaudited)				
	Distressed asset management	Financial investment and asset management	Financial services	Eliminations	Consolidated
For six months ended June 30, 2017					
Income from distressed debt assets					
classified as receivables	8,644,564	–	–	–	8,644,564
Fair value changes on distressed debt assets	4,213,452	–	–	(43,581)	4,169,871
Fair value changes on other financial instruments	635,382	692,215	684,708	(10,624)	2,001,681
Investment income	3,433,176	2,134,159	2,218,764	(370,369)	7,415,730
Net insurance premiums earned	–	–	17,516,168	(1,880)	17,514,288
Interest income	1,186,185	3,294,360	5,609,774	(278,641)	9,811,678
Revenue from sales of inventories	–	5,787,857	–	–	5,787,857
Commission and fee income	73,975	158,637	2,032,245	(188,355)	2,076,502
Net gains on disposal of subsidiaries, associates and joint ventures	14,401	3,471,286	–	–	3,485,687
Other income and other net gains or losses	(604,265)	516,653	(125,492)	(84,499)	(297,603)
<b>Total</b>	<b>17,596,870</b>	<b>16,055,167</b>	<b>27,936,167</b>	<b>(977,949)</b>	<b>60,610,255</b>
Interest expense	(8,415,969)	(3,499,335)	(4,149,725)	429,763	(15,635,266)
Insurance costs	–	–	(18,139,796)	134	(18,139,662)
Employee benefits	(642,520)	(277,404)	(1,621,055)	–	(2,540,979)
Purchases and changes in inventories	–	(4,535,782)	–	94,486	(4,441,296)
Commission and fee expense	(42,297)	(35,170)	(1,316,942)	4,483	(1,389,926)
Taxes and surcharges	(81,340)	(255,720)	(41,739)	–	(378,799)
Depreciation and amortization expenses	(54,325)	(87,405)	(305,994)	(20,660)	(468,384)
Other expenses	(189,722)	(686,106)	(991,929)	128,616	(1,739,141)
Impairment losses on assets	(2,683,230)	(348,100)	(910,309)	–	(3,941,639)
<b>Total</b>	<b>(12,109,403)</b>	<b>(9,725,022)</b>	<b>(27,477,489)</b>	<b>636,822</b>	<b>(48,675,092)</b>

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 57. Segment information (continued)

	(Unaudited)				
	Distressed asset management	Financial investment and asset management	Financial services	Eliminations	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	-	(589,836)	(187,484)	-	(777,320)
Profit before share of results of associates and joint ventures and tax	5,487,467	5,740,309	271,194	(341,127)	11,157,843
Share of results of associates and joint ventures	70,257	821,400	8,275	-	899,932
Profit before tax	5,557,724	6,561,709	279,469	(341,127)	12,057,775
Income tax expense					(3,495,338)
Profit for the period					8,562,437
Capital expenditure	10,321	8,108	66,045	-	84,474
As at December 31, 2017					
Segment assets	593,061,637	301,566,342	545,215,743	(58,056,983)	1,381,786,739
Including: Interests in associates and joint ventures	48,789,259	20,364,632	697,174	-	69,851,065
Unallocated assets					5,150,810
Total assets					1,386,937,549
Segment liabilities	504,793,232	255,009,075	504,900,221	(50,614,653)	1,214,087,875
Unallocated liabilities					4,585,012
Total liabilities					1,218,672,887

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 58. Related party transactions

(1) The MOF

As at June 30, 2018, the MOF directly owned 64.45% (December 31, 2017: 64.45%) 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 entered into the following transactions with the MOF in its ordinary course of business:

The Group had the following balances with the MOF:

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Financial assets at fair value through profit or loss	–	120,683
Financial assets at fair value through other comprehensive income	<b>10,775,288</b>	–
Available-for-sale financial assets	–	15,229,858
Financial assets at amortized cost	<b>631,383</b>	–
Accounts receivable	<b>1,597</b>	1,597
Interest receivable	<b>207,389</b>	444

The Group entered into the following transactions with the MOF:

	<b>For the six months ended June 30, 2018 (Unaudited)</b>	2017 (Unaudited)
Interest income	<b>184,581</b>	59,912
Investment income	<b>863</b>	–

Transactions between the Group and the MOF are mainly investments of treasury bonds issued by the MOF and held by the Group.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 58. Related party transactions (continued)

##### (2) Subsidiaries

The Company had the following balances with its subsidiaries:

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Financial assets at fair value through profit or loss	<b>1,369,254</b>	1,336,596
Financial assets classified as receivables	–	19,237
Financial assets at amortized cost	<b>10,992</b>	–
Property and equipment	<b>17,127</b>	18,000
Amounts due from subsidiaries	<b>37,386,972</b>	32,921,971
Bonds issued	<b>369,153</b>	253,153
Other payables	<b>152,374</b>	115,327

The Company had entered into the following transactions with its subsidiaries:

	<b>For the six months ended June 30, 2018 (Unaudited)</b>	2017 (Unaudited)
Interest income	<b>539,941</b>	164,073
Rental income	<b>15,840</b>	14,470
Gains on disposal of distressed debt assets	<b>14,940</b>	17,497
Fair value changes on other financial instruments	<b>24,934</b>	26,084
Dividend income	<b>79,644</b>	–
Commission and fee income	–	440
Commission and fee expense	<b>2,002</b>	559
Business and management fees	<b>144,127</b>	118,946
Interest expense	<b>30,699</b>	29,754
Other income and other net gains or losses	<b>19,991</b>	–

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 58. Related party transactions (continued)

##### (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 exercises significant influence or joint control. These transactions were carried out in the ordinary course of business.

The Group had the following balances with its associates and joint ventures:

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Loans and advances to customers	–	1,421,823
Financial assets at amortized cost	<b>11,216,394</b>	–
Interest receivable	<b>139,840</b>	42,527
Accounts receivable	<b>795</b>	–
Dividend receivable	<b>272,302</b>	295,071
Other receivables	<b>35,425</b>	522,198
Other payables	<b>697,472</b>	270
Risk deposit	–	71,500
Deferred income related to leasing business	–	15,093

The Group entered into the following transactions with its associates and joint ventures:

	<b>For the six months ended June 30, 2018 (Unaudited)</b>	2017 (Unaudited)
Investment income	<b>10,504</b>	–
Interest income	<b>369,269</b>	170,112
Commission and fee income	–	20,173
Dividend income	<b>78,072</b>	357,385
Rental income	–	1,887
Other expenses	<b>3,760</b>	–

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 58. Related party transactions (continued)

(4) Government related entities

Other than those disclosed above, the Group has also entered into transactions with other government related entities. These transactions are entered into under normal commercial terms and conditions. None of them were individually significant.

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.

(5) Annuity scheme

The Group had the following transactions with the Annuity scheme set up by the Company:

	For the six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Contribution to the Annuity scheme	59,038	39,728

(6) Key management remuneration

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 senior management for employment services is as follows:

	For the six months ended June 30,	
	2018 (Unaudited)	2017 (Unaudited)
Emoluments of key management personnel	5,202	3,699

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
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### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management

The types of risk to which the Group is exposed include credit risk, market risk and liquidity risk. Market risk includes interest rate risk, foreign exchange risk and price risk. The Group's primary objectives and policies of risk management, risk management framework are the same as those set out in the Group's consolidated financial statements for the year ended December 31, 2017.

##### 59.1 Credit risk

###### *59.1.1 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 distressed debt assets at amortized cost, loans and advances to customers and other debt or security investments held by the Group. There is no significant difference of the credit risk of distressed debt assets at amortized cost and other debt assets. The credit risk of distressed debt assets at fair value through profit or loss is the same as those set out in the Group's consolidated financial statements for the year ended December 31, 2017.

The Group implements the following measures to mitigate credit risk:

- Referencing to internal and external credit rating information to manage the credit quality of counterparty, and selecting counterparty with acceptable credit quality and repayment ability to balance credit risk and return;
- Obtaining effective collateral from counterparty to mitigate risks.

In particular, credit risk relating to investment assets such as debt securities and trust products is managed by selecting counterparty 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.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.1 Credit risk (continued)

##### 59.1.2 Measurement of ECL

The 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 apply the Stage I Model of the ECL 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 apply the Stage II Model of the ECL, with their impairment provision 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 balance sheet date apply the Stage III Model of ECL, with their impairment provisions measured at the amount equivalent to the ECL for 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 balance sheet date of the current period, 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 provision for the financial instruments on the balance sheet date of the current period according to the ECL in the next 12 months.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
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### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.1 Credit risk (continued)

##### 59.1.2 Measurement of ECL (continued)

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 for measuring ECL;
- Forward-looking information; and
- Amendment to contractual cash flows.

# Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

## IV. EXPLANATORY NOTES (continued)

### 59. Financial risk management (continued)

#### 59.1 Credit risk (continued)

##### 59.1.2 Measurement of ECL (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 balance sheet date. 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 the balance sheet 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. 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. 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.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
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### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.1 Credit risk (continued)

##### 59.1.2 Measurement of ECL (continued)

##### (ii) Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs 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.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.1 Credit risk (continued)

##### 59.1.2 Measurement of ECL (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) 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.

The impacts of these economic indicators on the ECL measurement vary 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.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
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### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.1 Credit risk (continued)

##### 59.1.2 Measurement of ECL (continued)

##### (iv) Forward-looking information (continued)

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 adjustment of the modified assets can only be made after meeting specified criteria throughout the observation period. As at June 30, 2018, the carrying amount of financial assets with such modified contractual cash flows was not significant.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

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### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.1 Credit risk (continued)

##### 59.1.3 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 the 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 services. At the end of the reporting period, the maximum exposure to credit risk is as follows:

	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)
On-balance sheet		
Balances with central banks	<b>12,255,925</b>	21,003,272
Deposits with banks and financial institutions	<b>79,413,954</b>	54,429,215
Deposits with exchanges and others	<b>1,254,833</b>	1,124,895
Placements with banks and financial institutions	<b>10,715,597</b>	18,160,410
Financial assets at fair value through profit or loss	<b>93,512,152</b>	19,070,191
Financial assets held under resale agreements	<b>37,669,946</b>	60,109,388
Financial assets at fair value through other comprehensive income	<b>87,036,095</b>	–
Available-for-sale financial assets	–	141,472,919
Financial assets at amortized cost	<b>574,818,219</b>	–
Financial assets classified as receivables	–	234,226,871
Loans and advances to customers	–	312,117,520
Held-to-maturity investments	–	13,227,363
Accounts receivable	<b>4,903,829</b>	3,729,135
Other assets	<b>24,402,876</b>	26,122,964
Subtotal	<b>925,983,426</b>	904,794,143
Off-balance sheet		
Bank bill acceptance	<b>12,554,067</b>	13,235,863
Loan commitments	<b>12,866,457</b>	8,927,859
Letters of guarantee issued and other credit commitments	<b>14,044,486</b>	17,411,448
Subtotal	<b>39,465,010</b>	39,575,170
Total	<b>965,448,436</b>	944,369,313

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
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### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.1 Credit risk (continued)

##### *59.1.3 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (continued)*

Among distressed debt assets classified as at fair value through profit or loss, distressed assets contain certain elements of credit risk. The risks such assets exposed to are the same as those set out in the Group's consolidated financial statements for the year ended December 31, 2017. The carrying amount of distressed debt assets at fair value through profit or loss for the Group as at June 30, 2018 amounted to RMB177,224.71 million (December 31, 2017: RMB148,790.13 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.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.1 Credit risk (continued)

##### 59.1.4 Maximum exposure to credit risk of financial instruments included in the scope of impairment assessment

The major credit risk to which the Group is exposed arises from distressed debt assets and loans and advances to customers. The directors of the Company considered the credit risk of other financial assets is at a level that is similar to the one which existed as at December 31, 2017.

##### (i) Risk concentration of distressed debt assets and loans and advances to customers

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Distressed debt assets	<b>225,588,004</b>	223,957,479
Loans and advances to customers	<b>339,125,743</b>	319,035,461
<b>Subtotal</b>	<b>564,713,747</b>	542,992,940
Allowance for impairment losses		
Distressed debt assets	<b>(10,575,379)</b>	(8,793,775)
Loans and advances to customers	<b>(7,858,915)</b>	(6,917,941)
<b>Subtotal</b>	<b>(18,434,294)</b>	(15,711,716)
Net carrying amounts		
Distressed debt assets	<b>215,012,625</b>	215,163,704
Loans and advances to customers	<b>331,266,828</b>	312,117,520
<b>Total</b>	<b>546,279,453</b>	527,281,224

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.1 Credit risk (continued)

##### 59.1.4 Maximum exposure to credit risk of financial instruments included in the scope of impairment assessment (continued)

- (i) Risk concentration of distressed debt assets and loans and advances to customers (continued)

By geographical area

Area	As at June 30, 2018 (Unaudited)		As at December 31, 2017 (Audited)	
	Gross amount	%	Gross amount	%
Overseas	159,045,358	28.2	134,759,958	24.8
Yangtze River Delta	93,557,774	16.6	85,085,506	15.7
Central Region	82,115,172	14.5	82,355,399	15.2
Pearl River Delta	80,880,026	14.3	83,156,352	15.3
Bohai Rim	74,132,674	13.1	77,374,811	14.2
Western Region	64,500,392	11.4	67,895,591	12.5
North-eastern Region	10,482,351	1.9	12,365,323	2.3
Total	564,713,747	100.0	542,992,940	100.0

Overseas: Including Hong Kong and other overseas regions.

Yangtze River Delta: Including Shanghai, Jiangsu and Zhejiang.

Central Region: Including Shanxi, Henan, Hunan, Hubei, Anhui, Jiangxi and Hainan.

Pearl River Delta: Including Guangdong, Shenzhen and Fujian.

Bohai Rim: Including Beijing, Tianjin, Hebei and Shandong.

Western Region: Including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Guangxi, Gansu, Qinghai, Xinjiang, Ningxia and Inner Mongolia.

North-eastern Region: Including Liaoning, Jilin and Heilongjiang.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.1 Credit risk (continued)

##### 59.1.4 Maximum exposure to credit risk of financial instruments included in the scope of impairment assessment (continued)

- (i) Risk concentration of distressed debt assets and loans and advances to customers (continued)

By industry

Industry	As at June 30, 2018 (Unaudited)		As at December 31, 2017 (Audited)	
	Gross amount	%	Gross amount	%
Corporate business				
Real estate	<b>218,196,377</b>	<b>38.6</b>	214,169,261	39.4
Manufacturing	<b>69,220,728</b>	<b>12.3</b>	69,479,071	12.8
Leasing and commercial services	<b>62,934,781</b>	<b>11.1</b>	50,684,787	9.3
Mining	<b>30,331,943</b>	<b>5.4</b>	34,435,735	6.3
Finance	<b>28,147,661</b>	<b>5.0</b>	22,242,348	4.1
Transportation, logistics and postal services	<b>22,459,519</b>	<b>4.0</b>	17,436,124	3.2
Construction	<b>16,618,643</b>	<b>2.9</b>	26,198,326	4.8
Wholesale and retail trade	<b>15,753,111</b>	<b>2.8</b>	13,536,564	2.5
Others	<b>57,196,244</b>	<b>10.2</b>	52,334,081	9.7
Subtotal	<b>520,859,007</b>	<b>92.3</b>	500,516,297	92.1
Personal business				
Mortgage	<b>25,041,550</b>	<b>4.4</b>	24,699,191	4.6
Personal consumption loans	<b>11,226,406</b>	<b>2.0</b>	10,069,065	1.9
Subtotal	<b>36,267,956</b>	<b>6.4</b>	34,768,256	6.5
Loans to margin clients	<b>7,586,784</b>	<b>1.3</b>	7,708,387	1.4
Total	<b>564,713,747</b>	<b>100.0</b>	542,992,940	100.0

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For the six months ended June 30, 2018  
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### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.1 Credit risk (continued)

##### 59.1.4 Maximum exposure to credit risk of financial instruments included in the scope of impairment assessment (continued)

- (i) Risk concentration of distressed debt assets and loans and advances to customers (continued)

By security type

	As at June 30, 2018 (Unaudited)		As at December 31, 2017 (Audited)	
	Gross amount	%	Gross amount	%
Unsecured	140,126,912	24.8	129,036,444	23.8
Guaranteed	70,808,356	12.6	75,030,296	13.8
Mortgaged	223,729,793	39.6	226,185,597	41.6
Pledged	130,048,686	23.0	112,740,603	20.8
<b>Total</b>	<b>564,713,747</b>	<b>100.0</b>	542,992,940	100.0

- (ii) Pass due distressed debt assets and loans and advances to customers

	As at June 30, 2018 (Gross amount) (Unaudited)				
	Up to 90 days (inclusive)	91 to 360 days (inclusive)	361 days to 3 years (inclusive)	Over 3 years	Total
Distressed debt assets	2,691,549	3,803,300	2,205,789	363,833	9,064,471
Loans and advances to customers	1,139,739	1,961,716	3,849,467	840,701	7,791,623
<b>Total</b>	<b>3,831,288</b>	<b>5,765,016</b>	<b>6,055,256</b>	<b>1,204,534</b>	<b>16,856,094</b>

	As at December 31, 2017 (Gross amount) (Audited)				
	Up to 90 days (inclusive)	91 to 360 days (inclusive)	361 days to 3 years (inclusive)	Over 3 years	Total
Distressed debt assets	1,927,882	2,626,321	1,867,515	336,496	6,758,214
Loans and advances to customers	1,023,902	2,491,781	4,135,948	616,109	8,267,740
<b>Total</b>	<b>2,951,784</b>	<b>5,118,102</b>	<b>6,003,463</b>	<b>952,605</b>	<b>15,025,954</b>

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.1 Credit risk (continued)

##### 59.1.4 Maximum exposure to credit risk of financial instruments included in the scope of impairment assessment (continued)

##### (iii) Credit quality of distressed debt assets and loans and advances to customers

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
Neither past due nor impaired	<b>547,490,067</b>	526,858,086
Past due but not impaired <sup>(1)</sup>	<b>6,289,871</b>	5,387,912
Impaired <sup>(2)</sup>	<b>10,933,809</b>	10,746,942
Subtotal	<b>564,713,747</b>	542,992,940
Allowance for impairment losses	<b>(18,434,294)</b>	(15,711,716)
Net carrying amount	<b>546,279,453</b>	527,281,224

##### (1) Past due but not impaired

	As at June 30, 2018 (Gross amount) (Unaudited)				
	Up to 90 days (inclusive)	91 to 360 days (inclusive)	361 days to 3 years (inclusive)	Over 3 years	Total
Distressed debt assets	<b>2,691,549</b>	<b>1,234,188</b>	–	–	<b>3,925,737</b>
Loans and advances to customers	<b>1,079,937</b>	<b>1,284,197</b>	–	–	<b>2,364,134</b>
Total	<b>3,771,486</b>	<b>2,518,385</b>	–	–	<b>6,289,871</b>

	As at December 31, 2017 (Gross amount) (Audited)				
	Up to 90 days (inclusive)	91 to 360 days (inclusive)	361 days to 3 years (inclusive)	Over 3 years	Total
Distressed debt assets	1,927,882	1,646,161	–	–	3,574,043
Loans and advances to customers	791,804	1,009,407	12,658	–	1,813,869
Total	2,719,686	2,655,568	12,658	–	5,387,912

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.1 Credit risk (continued)

59.1.4 *Maximum exposure to credit risk of financial instruments included in the scope of impairment assessment (continued)*

(iii) Credit quality of distressed debt assets and loans and advances to customers (continued)

(2) Impaired distressed debt assets and loans and advances to customers

	As at June 30, 2018 (Unaudited)		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	5,138,734	(2,662,720)	2,476,014
Loans and advances to customers	5,795,075	(3,329,481)	2,465,594
<b>Total</b>	<b>10,933,809</b>	<b>(5,992,201)</b>	<b>4,941,608</b>

	As at December 31, 2017 (Audited)		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets classified as receivables			
– Individually assessed	4,193,516	(1,987,170)	2,206,346
Loans and advances to customers			
– Individually assessed	6,443,779	(3,291,803)	3,151,976
– Collectively assessed	109,647	(80,177)	29,470
<b>Total</b>	<b>10,746,942</b>	<b>(5,359,150)</b>	<b>5,387,792</b>

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.1 Credit risk (continued)

##### 59.1.4 Maximum exposure to credit risk of financial instruments included in the scope of impairment assessment (continued)

##### (iii) Credit quality of distressed debt assets and loans and advances to customers (continued)

##### (2) Impaired distressed debt assets and loans and advances to customers (continued)

	As at June 30, 2018 (Unaudited)
Distressed debt assets	
Impaired	5,138,734
Impaired as % of total distressed debt assets	2.3
Fair value of collateral	7,408,468
Loans and advances to customers	
Impaired	5,795,075
Impaired as % of total loans and advances to customers	1.7
Fair value of collateral	4,664,439
	As at December 31, 2017 (Audited)
Distressed debt assets classified as receivables	
Individually assessed and impaired	4,193,516
Individually assessed and impaired as % of total distressed debt assets classified as receivables	1.9
Fair value of collateral	5,647,798
Loans and advances to customers	
Individually assessed and impaired	6,443,779
Individually assessed and impaired as % of total loans and advances to customers	2.0
Fair value of collateral	5,702,818

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For the six months ended June 30, 2018  
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### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.1 Credit risk (continued)

##### 59.1.4 Maximum exposure to credit risk of financial instruments included in the scope of impairment assessment (continued)

##### (iii) Credit quality of distressed debt assets and loans and advances to customers (continued)

##### (2) Impaired distressed debt assets and loans and advances to customers (continued)

Impaired distressed debt assets and loans and advances to customers by geographical area are analyzed as follows:

	As at June 30, 2018 (Unaudited)		As at December 31, 2017 (Audited)	
	Gross amount	%	Gross amount	%
Distressed debt assets				
Bohai Rim	1,976,800	38.5	855,889	20.4
Pearl River Delta	1,442,551	28.1	1,388,150	33.1
Yangtze River Delta	1,056,078	20.5	1,105,172	26.4
Western Region	624,534	12.1	805,534	19.2
North-eastern Region	38,771	0.8	38,771	0.9
<b>Total</b>	<b>5,138,734</b>	<b>100.0</b>	<b>4,193,516</b>	<b>100.0</b>
Loans and advances to customers				
Western Region	2,277,628	39.3	3,383,258	51.6
Pearl River Delta	1,239,042	21.4	1,178,448	18.0
North-eastern Region	1,052,537	18.2	580,467	8.9
Yangtze River Delta	472,467	8.2	488,142	7.4
Central Region	471,649	8.1	528,658	8.1
Bohai Rim	141,874	2.4	155,261	2.4
Overseas	139,878	2.4	239,192	3.6
<b>Total</b>	<b>5,795,075</b>	<b>100.0</b>	<b>6,553,426</b>	<b>100.0</b>

##### (3) Debt restructuring

As at June 30, 2018, the Group's balances of restructured distressed debt assets at amortized cost were RMB197 million; as at December 31, 2017, the Group's balance of restructured distressed debt assets classified as receivables was RMB199 million.

As at June 30, 2018, the Group's net carrying amount of restructured loans and advances to customers was RMB8 million; as at December 31, 2017, the Group's net carrying amount of loans and advances to customers was RMB8 million.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.2 Market risk

##### *Interest rate risk*

At the end of the reporting period, the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing and maturity dates, are as follows:

	As at June 30, 2018 (Unaudited)						Non-interest-bearing	Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years			
Cash and balances with central banks	12,246,873	-	-	-	-	679,370	12,926,243	
Deposits with banks and financial institutions	63,194,562	4,608,453	4,248,548	200,000	-	7,162,391	79,413,954	
Placements with banks and financial institutions	5,626,319	4,635,215	454,063	-	-	-	10,715,597	
Deposits with exchanges and others	130,694	-	-	-	-	1,124,139	1,254,833	
Financial assets at fair value through profit or loss	4,539,098	6,315,409	18,676,569	69,753,516	13,977,766	329,145,165	442,407,523	
Financial assets at fair value through other comprehensive income	9,051,485	20,049,131	15,889,437	38,164,840	3,881,202	2,947,408	89,983,503	
Financial assets at amortized cost	48,118,875	33,556,023	144,724,240	307,711,076	40,708,005	-	574,818,219	
Accounts receivable	363,372	-	548,528	1,049,859	-	2,942,070	4,903,829	
Financial assets held under resale agreements	33,536,305	947,827	2,408,026	777,788	-	-	37,669,946	
Other financial assets	800,798	496,076	2,653,653	3,091,435	27,485	16,989,460	24,058,907	
<b>Total financial assets</b>	<b>177,608,381</b>	<b>70,608,134</b>	<b>189,603,064</b>	<b>420,748,514</b>	<b>58,594,458</b>	<b>360,990,003</b>	<b>1,278,152,554</b>	
Borrowings from the central bank	-	-	-	-	-	(986,058)	(986,058)	
Accounts payable to brokerage clients	(9,341,899)	-	-	-	-	(2,994,137)	(12,336,036)	
Due to customers	(119,126,929)	(38,067,724)	(54,897,038)	(10,167,735)	(40,103)	(9,462,690)	(231,762,219)	
Deposits from banks and financial institutions	(10,291,816)	(3,875,000)	(10,350,000)	-	-	(115,542)	(24,632,358)	
Placements from banks and financial institutions	(8,875,848)	(562,726)	-	-	-	(943,640)	(10,382,214)	
Financial liabilities at fair value through profit or loss	(2,344,224)	(914,619)	(527,814)	(25,712)	-	(2,993,807)	(6,806,176)	
Financial assets sold under repurchase agreements	(5,412,208)	(721,558)	(1,001,709)	-	-	-	(7,135,475)	
Investment contract liabilities for policyholders	(77)	-	(259)	(8,118)	(16,255,270)	-	(16,263,724)	
Borrowings	(34,683,942)	(66,320,131)	(222,130,201)	(243,560,461)	(18,229,253)	-	(584,923,988)	
Bonds issued	-	(5,722,138)	(30,410,332)	(93,742,872)	(117,633,796)	(3,355,234)	(250,864,372)	
Accounts payable	-	-	-	-	-	(4,080,340)	(4,080,340)	
Other financial liabilities	(1,172,232)	(1,783,677)	(6,536,858)	(12,735,986)	(4,318)	(60,160,946)	(82,394,017)	
<b>Total financial liabilities</b>	<b>(191,249,175)</b>	<b>(117,967,573)</b>	<b>(325,854,211)</b>	<b>(360,240,884)</b>	<b>(152,162,740)</b>	<b>(85,092,394)</b>	<b>(1,232,566,977)</b>	
<b>Interest rate gap</b>	<b>(13,640,794)</b>	<b>(47,359,439)</b>	<b>(136,251,147)</b>	<b>60,507,630</b>	<b>(93,568,282)</b>	<b>275,897,609</b>	<b>45,585,577</b>	

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### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.2 Market risk (continued)

##### *Interest rate risk (continued)*

	As at December 31, 2017 (Audited)						Non-interest-bearing	Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years			
Cash and balances with central banks	9,394,636	-	-	-	-	12,116,444	21,511,080	
Deposits with banks and financial institutions	43,287,837	9,339,641	1,261,540	5,830	-	534,367	54,429,215	
Placements with banks and financial institutions	13,938,792	1,155,191	3,066,427	-	-	-	18,160,410	
Deposits with exchanges and others	123,183	-	-	-	-	1,001,712	1,124,895	
Financial assets at fair value through profit or loss	1,943,823	1,366,629	4,748,115	8,386,239	1,472,652	195,878,401	213,795,859	
Financial assets classified as receivables	10,487,110	13,720,295	79,481,332	130,338,134	200,000	-	234,226,871	
Loans and advances to customers	161,169,370	54,425,187	47,656,663	48,041,435	724,865	100,000	312,117,520	
Accounts receivable	70,249	-	-	445,524	-	3,213,362	3,729,135	
Financial assets held under resale agreements	37,696,985	14,157,292	6,942,986	1,312,125	-	-	60,109,388	
Available-for-sale financial assets	1,633,901	23,968,571	12,988,810	66,410,012	51,685,327	116,496,071	273,182,692	
Held-to-maturity investments	-	349,595	2,727,954	6,977,430	3,172,384	-	13,227,363	
Other financial assets	942,900	612,939	4,569,569	3,472,993	9,944	16,514,619	26,122,964	
<b>Total financial assets</b>	<b>280,688,786</b>	<b>119,095,340</b>	<b>163,443,396</b>	<b>265,389,722</b>	<b>57,265,172</b>	<b>345,854,976</b>	<b>1,231,737,392</b>	
Borrowings from central bank	-	-	-	-	-	(986,058)	(986,058)	
Accounts payable to brokerage clients	(9,528,230)	-	-	-	-	(2,865,583)	(12,393,813)	
Due to customers	(138,405,656)	(40,879,749)	(33,396,868)	(5,588,268)	(85,006)	(7,865,239)	(226,220,786)	
Deposits from banks and financial institutions	(8,329,502)	(4,825,000)	(3,850,684)	(2,080,000)	-	(174,080)	(19,259,266)	
Placements from banks and financial institutions	(11,215,440)	(26,129)	(2,389,161)	(2,049,961)	(546,161)	(204,699)	(16,431,551)	
Financial liabilities at fair value through profit or loss	(1,749,557)	(1,860,023)	(22,902)	-	-	(3,161,647)	(6,794,129)	
Financial assets sold under repurchase agreements	(5,006,524)	(623,743)	-	(1,000,000)	-	-	(6,630,267)	
Investment contract liabilities for policyholders	-	-	(71)	(6,179)	(19,955,119)	-	(19,961,369)	
Borrowings	(4,105,511)	(17,433,702)	(299,100,711)	(241,240,631)	(18,471,515)	-	(580,352,070)	
Bonds issued	-	(6,401,801)	(17,453,372)	(109,885,151)	(68,630,742)	(4,111,578)	(206,482,644)	
Accounts payable	-	-	(251)	-	-	(3,220,688)	(3,220,939)	
Other financial liabilities	(350,257)	(74)	(1,189,757)	(2,976,396)	-	(60,953,575)	(65,470,059)	
<b>Total financial liabilities</b>	<b>(178,690,677)</b>	<b>(72,050,221)</b>	<b>(357,403,777)</b>	<b>(364,826,586)</b>	<b>(107,688,543)</b>	<b>(83,543,147)</b>	<b>(1,164,202,951)</b>	
<b>Interest rate gap</b>	<b>101,998,109</b>	<b>47,045,119</b>	<b>(193,960,381)</b>	<b>(99,436,864)</b>	<b>(50,423,371)</b>	<b>262,311,829</b>	<b>67,534,441</b>	

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For the six months ended June 30, 2018

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### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.2 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 currency transactions in United States dollars (“USD”), Hong Kong dollars (“HKD”) and other currencies.

The table below indicates the potential effect on profit before tax of a 5% appreciation or depreciation of RMB spot and forward exchange rate against all other currencies.

	<b>As at June 30, 2018 (Unaudited)</b>	As at December 31, 2017 (Audited)
5% appreciation	<b>(95,627)</b>	(1,969,252)
5% depreciation	<b>95,627</b>	1,969,252

###### *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.

As at June 30, 2018, the Group's equity investments amounted to RMB174,618.07 million, among which an amount of RMB171,670.66 million was classified as at fair value through profit or loss. Additionally, an amount of RMB2,947.41 million was classified as at fair value through other comprehensive income. The fair value of the above-mentioned financial assets will vary along with the fluctuations of equity indices and value of relative securities.

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### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.3 Liquidity risk

*Analysis of the remaining maturity of the financial assets and financial liabilities:*

	As at June 30, 2018 (Unaudited)							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	10,711,774	2,214,469	-	-	-	-	-	12,926,243
Deposits with banks and financial institutions	166	50,765,441	19,591,284	4,608,453	4,248,610	200,000	-	79,413,954
Placements with banks and financial institutions	-	-	5,626,319	4,635,215	454,063	-	-	10,715,597
Deposits with exchanges and others	1,254,833	-	-	-	-	-	-	1,254,833
Financial assets at fair value through profit or loss	273,258,721	9,314,732	5,880,685	7,722,961	24,507,005	87,670,416	34,053,003	442,407,523
Financial assets at fair value through other comprehensive income	2,920,552	26,856	9,051,485	20,049,131	15,889,437	38,164,840	3,881,202	89,983,503
Financial assets at amortized cost	10,707,474	16,278,023	21,133,378	35,060,630	142,408,163	308,522,546	40,708,005	574,818,219
Accounts receivable	2,013,619	977,963	433,523	13	418,416	1,060,295	-	4,903,829
Financial assets held under resale agreements	-	-	33,536,305	947,827	2,408,026	777,788	-	37,669,946
Other financial assets	12,330,470	2,809,827	1,468,965	2,930,699	3,203,685	1,315,040	221	24,058,907
<b>Total financial assets</b>	<b>313,197,609</b>	<b>82,387,311</b>	<b>96,721,944</b>	<b>75,954,929</b>	<b>193,537,405</b>	<b>437,710,925</b>	<b>78,642,431</b>	<b>1,278,152,554</b>
Borrowings from the central bank	(986,058)	-	-	-	-	-	-	(986,058)
Accounts payable to brokerage clients	-	(12,336,036)	-	-	-	-	-	(12,336,036)
Due to customers	(568,477)	(90,637,954)	(38,986,196)	(35,746,131)	(50,614,020)	(11,639,529)	(3,569,912)	(231,762,219)
Deposits from banks and financial institutions	-	(285,026)	(6,952,332)	(3,925,000)	(2,680,000)	(10,790,000)	-	(24,632,358)
Placements from banks and financial institutions	-	(797,078)	(8,898,224)	(686,912)	-	-	-	(10,382,214)
Financial liabilities at fair value through profit or loss	-	(82,054)	(2,344,224)	(914,619)	(527,814)	(2,937,465)	-	(6,806,176)
Financial assets sold under repurchase agreements	-	-	(5,412,208)	(721,558)	(1,001,709)	-	-	(7,135,475)
Investment contract liabilities for policy holders	-	-	(77)	-	(259)	(8,118)	(16,255,270)	(16,263,724)
Borrowings	-	-	(29,593,941)	(69,475,181)	(226,119,223)	(241,506,390)	(18,229,253)	(584,923,988)
Bonds issued	-	-	(126,244)	(6,626,175)	(32,723,226)	(93,754,931)	(117,633,796)	(250,864,372)
Accounts payable	(3,237,094)	(630,791)	(38,419)	-	(174,036)	-	-	(4,080,340)
Other financial liabilities	(19,926,891)	(27,440,679)	(2,144,307)	(4,364,524)	(11,667,968)	(16,496,159)	(353,489)	(82,394,017)
<b>Total financial liabilities</b>	<b>(24,718,520)</b>	<b>(132,209,618)</b>	<b>(94,496,172)</b>	<b>(122,460,100)</b>	<b>(325,508,255)</b>	<b>(377,132,592)</b>	<b>(156,041,720)</b>	<b>(1,232,566,977)</b>
<b>Net position</b>	<b>288,479,089</b>	<b>(49,822,307)</b>	<b>2,225,772</b>	<b>(46,505,171)</b>	<b>(131,970,850)</b>	<b>60,578,333</b>	<b>(77,399,289)</b>	<b>45,585,577</b>

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For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.3 Liquidity risk (continued)

*Analysis of the remaining maturity of the financial assets and financial liabilities: (continued)*

	As at December 31, 2017 (Audited)							Total
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and balances with central banks	11,541,959	9,969,121	-	-	-	-	-	21,511,080
Deposits with banks and financial institutions	138	35,741,956	8,080,110	9,339,641	1,261,540	5,830	-	54,429,215
Placements with banks and financial institutions	-	-	13,938,792	1,155,191	3,066,427	-	-	18,160,410
Deposits with exchanges and others	1,124,895	-	-	-	-	-	-	1,124,895
Financial assets at fair value through profit or loss	188,530,698	6,603,660	1,951,479	1,395,823	4,533,681	8,676,864	2,103,654	213,795,859
Financial assets classified as receivables	6,282,067	-	4,205,043	13,720,295	79,481,332	130,338,134	200,000	234,226,871
Loans and advances to customers	4,617,117	15,740,583	10,960,569	15,997,242	78,046,262	151,206,505	35,549,242	312,117,520
Accounts receivable	517,821	953,540	86,385	236,019	439,700	1,495,670	-	3,729,135
Financial assets held under resale agreements	-	-	37,696,985	14,157,292	6,942,986	1,312,125	-	60,109,388
Available-for-sale financial assets	75,603,351	2,647,675	3,905,294	23,968,571	18,276,631	90,209,992	58,571,178	273,182,692
Held-to-maturity investments	-	-	-	349,595	2,727,954	6,977,430	3,172,384	13,227,363
Other financial assets	3,522,349	4,525,528	4,958,594	1,213,425	5,530,439	6,181,590	191,039	26,122,964
<b>Total financial assets</b>	<b>291,740,395</b>	<b>76,182,063</b>	<b>85,783,251</b>	<b>81,533,094</b>	<b>200,306,952</b>	<b>396,404,140</b>	<b>99,787,497</b>	<b>1,231,737,392</b>
Borrowings from central bank	(986,058)	-	-	-	-	-	-	(986,058)
Accounts payable to brokerage clients	-	(12,393,813)	-	-	-	-	-	(12,393,813)
Due to customers	-	(90,386,583)	(56,757,005)	(40,761,212)	(31,379,866)	(6,851,115)	(85,005)	(226,220,786)
Deposits from banks and financial institutions	-	(2,386,576)	(5,717,006)	(5,225,000)	(3,850,684)	(2,080,000)	-	(19,259,266)
Placements from banks and financial institutions	-	(204,699)	(11,215,440)	(26,129)	(2,389,161)	(2,049,961)	(546,161)	(16,431,551)
Financial liabilities at fair value through profit or loss	-	(39,268)	(1,760,089)	(1,909,044)	(220,673)	(2,865,055)	-	(6,794,129)
Financial assets sold under repurchase agreements	-	-	(4,542,000)	(1,088,267)	-	(1,000,000)	-	(6,630,267)
Investment contract liabilities for policy holders	-	-	-	-	(71)	(6,179)	(19,955,119)	(19,961,369)
Borrowings	-	-	(4,105,511)	(17,433,702)	(299,100,711)	(241,240,631)	(18,471,515)	(580,352,070)
Bonds issued	-	-	-	(7,306,883)	(20,659,867)	(106,895,115)	(71,620,779)	(206,482,644)
Accounts payable	(2,541,680)	(297,242)	(182,946)	-	(199,071)	-	-	(3,220,939)
Other financial liabilities	(23,070,449)	(24,991,662)	(1,637,180)	(592,949)	(4,025,264)	(10,655,186)	(497,369)	(65,470,059)
<b>Total financial liabilities</b>	<b>(26,598,187)</b>	<b>(130,699,843)</b>	<b>(85,917,177)</b>	<b>(74,343,186)</b>	<b>(361,825,368)</b>	<b>(373,643,242)</b>	<b>(111,175,948)</b>	<b>(1,164,202,951)</b>
<b>Net position</b>	<b>265,142,208</b>	<b>(54,517,780)</b>	<b>(133,926)</b>	<b>7,189,908</b>	<b>(161,518,416)</b>	<b>22,760,898</b>	<b>(11,388,451)</b>	<b>67,534,441</b>

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For the six months ended June 30, 2018  
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### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.4 Risk management of distressed assets

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 a decline in the 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.

The types of risk, their risk management procedures, fair value measurement techniques and impairment assessment are similar to those described in the consolidated financial statements for the year ended December 31, 2017.

##### 59.5 Insurance risk

Insurance risk refers to the uncertainty of claim amounts and timing arising from the unpredictable occurrence of the insured events. The major insurance risk to which the Group is exposed arises from the insurance payment exceeding the associated insurance or investment contract liabilities which the Group recognizes. The uncertainty mainly arises from the claim ratio, significance of claim, actual payment and the progress of long-term claims. Insurance risk management is one of the risk management objectives of the Group. Solvency is the primary indicator for the Group's insurance operation. The Group manages to provide sufficient insurance or investment contract liabilities to meet the obligation for insurance payment.

The types of risk and their risk management measures are the same as those described in the consolidated financial statements for the year ended December 31, 2017.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.5 Insurance risk (continued)

The table below summarizes the Group's gross written premiums by major types of insurance contracts:

	For the six months ended June 30,			
	2018 (Unaudited)		2017 (Unaudited)	
	Amount	%	Amount	%
Life insurance	<b>6,791,136</b>	<b>100.0</b>	16,741,820	95.3
Property insurance				
Motor vehicle insurance	–	–	703,479	4.0
General property insurance	–	–	42,283	0.2
Others	–	–	87,950	0.5
<b>Total</b>	<b>6,791,136</b>	<b>100.0</b>	17,575,532	100.0

The table below summarizes the Group's major types of insurance contract liabilities:

	As at June 30, 2018 (Unaudited)		As at December 31, 2017 (Audited)	
	Amount	%	Amount	%
Life insurance	<b>35,552,721</b>	<b>97.5</b>	38,966,618	98.5
Health insurance	<b>841,214</b>	<b>2.3</b>	547,758	1.4
Others	<b>64,922</b>	<b>0.2</b>	51,788	0.1
<b>Total</b>	<b>36,458,857</b>	<b>100.0</b>	39,566,164	100.0

##### 59.6 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.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 59. Financial risk management (continued)

##### 59.6 Capital management (continued)

In accordance with the requirements of Consolidated Supervision Guidelines on Financial Asset Management Companies (Provisional) (Yinjianfa [2011] No. 20), issued by the CBRC in 2011, the Group manages its capital based on the 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 the percentage of shareholdings, after making deduction as required by relevant rules and regulations. The Group is required to meet this minimum capital requirement stipulated by the CBRC.

In accordance with the requirements of Off-site Supervision Reporting Index System on Financial Asset Management Companies (Yinjianfa [2016] No. 38) and Capital Rules for Financial Asset Management Companies (Provisional) (Yinjianfa [2017] No. 56), issued by the CBRC in 2016 and 2017 respectively, 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 June 30, 2018 and December 31, 2017, the Company complied with the regulatory requirements on the minimum CAR.

#### 60. 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 technique 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 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 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 impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio, etc.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 60. Fair values of financial instruments (continued)

60.1 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 considered that the carrying amounts of financial assets and financial liabilities in the interim condensed consolidated financial statements approximate to their fair values.

	As at June 30, 2018 (Unaudited)	
	Carrying amount	Fair value
Financial assets		
Financial assets at amortized cost		
– Distressed debt assets	<b>215,012,625</b>	<b>210,354,221</b>
– Other debt instruments	<b>28,538,766</b>	<b>28,455,375</b>
Accounts receivable	<b>4,903,829</b>	<b>4,828,113</b>
<b>Total</b>	<b>248,455,220</b>	<b>243,637,709</b>
Financial liabilities		
Borrowings	<b>(584,923,988)</b>	<b>(588,116,939)</b>
Bonds issued	<b>(250,864,372)</b>	<b>(244,895,355)</b>
<b>Total</b>	<b>(835,788,360)</b>	<b>(833,012,294)</b>

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
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### IV. EXPLANATORY NOTES (continued)

#### 60. Fair values of financial instruments (continued)

60.1 Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis (continued)

	As at December 31, 2017 (Audited)	
	Carrying amount	Fair value
Financial assets		
Financial assets classified as receivables	234,226,871	231,913,576
Accounts receivable	3,729,135	3,651,493
Held-to-maturity investments	13,227,363	13,261,641
<b>Total</b>	<b>251,183,369</b>	<b>248,826,710</b>
Financial liabilities		
Borrowings	(580,352,070)	(583,201,676)
Bonds issued	(206,482,644)	(199,642,290)
<b>Total</b>	<b>(786,834,714)</b>	<b>(782,843,966)</b>

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

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### IV. EXPLANATORY NOTES (continued)

#### 60. Fair values of financial instruments (continued)

60.1 Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis (continued)

	As at June 30, 2018			
	(Unaudited) Level 1	(Unaudited) Level 2	(Unaudited) Level 3	(Unaudited) Total
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	–	–	210,354,221	210,354,221
– Other debt instruments	4,865,600	7,291,980	16,297,795	28,455,375
Accounts receivable	–	–	4,828,113	4,828,113
<b>Total</b>	<b>4,865,600</b>	<b>7,291,980</b>	<b>231,480,129</b>	<b>243,637,709</b>
Financial liabilities				
Borrowings	–	–	(588,116,939)	(588,116,939)
Bonds issued	–	(172,008,407)	(72,886,948)	(244,895,355)
<b>Total</b>	<b>–</b>	<b>(172,008,407)</b>	<b>(661,003,887)</b>	<b>(833,012,294)</b>
	As at December 31, 2017			
	(Audited) Level 1	(Audited) Level 2	(Audited) Level 3	(Audited) Total
Financial assets				
Accounts receivable	–	–	3,651,493	3,651,493
Financial assets classified as receivables	–	–	231,913,576	231,913,576
Held-to-maturity investments	5,111,690	7,818,559	331,392	13,261,641
<b>Total</b>	<b>5,111,690</b>	<b>7,818,559</b>	<b>235,896,461</b>	<b>248,826,710</b>
Financial liabilities				
Borrowings	–	–	(583,201,676)	(583,201,676)
Bonds issued	–	(136,517,051)	(63,125,239)	(199,642,290)
<b>Total</b>	<b>–</b>	<b>(136,517,051)</b>	<b>(646,326,915)</b>	<b>(782,843,966)</b>

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.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
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### IV. EXPLANATORY NOTES (continued)

#### 60. Fair values of financial instruments (continued)

60.2 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 input(s) used.

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)				
1) Held-for-trading financial assets and other financial assets at fair value through profit or loss	<b>442,407,523</b>	27,084,032				
Debt securities	<b>10,391,554</b>	12,702,985				
– Traded in stock exchanges	<b>4,712,609</b>	6,605,189	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inter-bank markets	<b>1,695,905</b>	2,916,027	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	<b>3,803,767</b>	3,181,769				
– Traded in inactive markets	<b>179,273</b>	–	Level 3	• Discounted cash flow for the debt component and binomial option pricing model for the option component. • Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of the counterparty.	• Discount rates that correspond to expected risk level. • Risk-free rates that are specific to the market. • Volatility rates that are in line with those of similar products.	• The lower the discount rates, the higher the fair value. • The lower the risk-free rate, the higher the fair value. • The lower the volatility rate, the higher the fair value.
Equity investments listed or traded on exchanges	<b>9,652,446</b>	6,546,153				
Unrestricted listed equity investments	<b>7,182,449</b>	5,120,819	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Manufacturing	<b>1,541,187</b>	2,095,859				
– Finance	<b>1,319,269</b>	1,434,428				
– Leasing and commercial services	<b>1,114,148</b>	–				
– Mining	<b>840,217</b>	–				
– Transportation, warehousing and postal services	<b>620,070</b>	–				

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For the six months ended June 30, 2018

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### IV. EXPLANATORY NOTES (continued)

#### 60. Fair values of financial instruments (continued)

60.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)				
– Information transmission, software and information technology services	351,893	224,289				
– Culture, sports and entertainment	349,177	–				
– Health and social security industry	340,134	–				
– Real estate	328,683	475,384				
– Others	377,671	890,859				
Preference shares	403,921	–	Level 2	• Quoted market prices from dealers or independent pricing service vendors	N/A	N/A
– Financial service	403,921	–				
Restricted listed equity investments	2,066,076	1,425,334	Level 3	• Option Pricing Model	• Stock volatility	• The lower the stock volatility, the higher the fair value.
– Manufacturing	1,078,215	1,425,334				
– Culture, sports and entertainment	229,886	–				
– Mining	597,956	–				
– Others	160,019	–				
Equity investments in unlisted companies	58,582,479	–				
	29,998,310	–	Level 3	• Comparable listed company method.	• 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.
	3,533,336	–	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.
	25,050,833	–	Level 3	• Comparable transaction cases.	N/A	N/A

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### IV. EXPLANATORY NOTES (continued)

#### 60. Fair values of financial instruments (continued)

60.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)				
Mutual funds	<b>115,492,695</b>	6,116,354				
– Mutual fund with open or active quotations	<b>16,693,912</b>	5,932,210	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	<b>2,912,104</b>	184,144	Level 2	• Quoted market prices from dealers or independent pricing service vendors	N/A	N/A
– Investing in debt instruments	<b>18,287,673</b>	–	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	<b>139,158</b>	–	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Investing in restricted listed equity	<b>600,168</b>	–	Level 3	• Option Pricing Model	• Stock volatility	• The lower the stock volatility, the higher the fair value.
– Investing in other equity instruments	<b>76,859,680</b>	–	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.

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### IV. EXPLANATORY NOTES (continued)

#### 60. Fair values of financial instruments (continued)

60.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)				
Debt instruments	19,915,019	–				
– Other debt instruments	18,211,902	–	Level 3	<ul style="list-style-type: none"> <li>Discounted cash flow with future cash flow that is estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>Expected recoverable amounts.</li> <li>Expected recovery date.</li> <li>Discount rates that correspond to the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the recoverable amounts, the higher the fair value.</li> <li>The earlier the recovery date, the higher the fair value.</li> <li>The lower the discount rates, the higher the fair value.</li> </ul>
– Embedded derivative debts	1,703,117	–				
	181,267	–	Level 2	<ul style="list-style-type: none"> <li>Recent transaction prices.</li> </ul>	N/A	N/A
	1,521,850	–	Level 3	<ul style="list-style-type: none"> <li>Discounted cash flow for the debt component and binomial option pricing model for the option component.</li> </ul>	<ul style="list-style-type: none"> <li>Expected future cash flow.</li> <li>Discount rates that correspond to the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the future cash flow, the higher the fair value.</li> <li>The lower the discount rate, the higher the fair value.</li> </ul>
Derivative financial assets	677,126	381,271				
	514,248	273,341	Level 1	<ul style="list-style-type: none"> <li>Quoted bid prices in an active market.</li> </ul>	N/A	N/A
	162,878	107,930	Level 2	<ul style="list-style-type: none"> <li>Valuation techniques based on market data including interest rate and foreign exchange rate.</li> </ul>	N/A	N/A
Interbank negotiate certificate of deposit	2,029,518	1,337,269	Level 2	<ul style="list-style-type: none"> <li>Quoted market prices from dealers or independent pricing service vendors.</li> </ul>	N/A	N/A

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For the six months ended June 30, 2018  
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## IV. EXPLANATORY NOTES (continued)

### 60. Fair values of financial instruments (continued)

60.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)				
Distressed debt assets	177,224,709	–	Level 3	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Expected recoverable amounts.</li> <li>Expected recovery date.</li> <li>Discount rates that correspond to the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the recoverable amounts, the higher the fair value.</li> <li>The earlier the recovery date, the higher the fair value.</li> <li>The lower the discount rates, the higher the fair value.</li> </ul>
Wealth management products	2,556,637	–	Level 3	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Expected future cash flow.</li> <li>Expected recovery date.</li> <li>Discount rates that correspond to the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the future cash flow, the higher the fair value</li> <li>The earlier the recovery date, the higher the fair value</li> <li>The lower the discount rate, the higher the fair value.</li> </ul>
Assets management plans	13,760,240	–	–	–	–	–
– Assets management plans with open or active quotations	3,522,592	–	Level 1	<ul style="list-style-type: none"> <li>Quoted bid prices in an active market.</li> </ul>	N/A	N/A
– Investing in the portfolio with open or active quotations	1,031,369	–	Level 2	<ul style="list-style-type: none"> <li>Quoted market prices from dealers or independent pricing service vendors.</li> </ul>	N/A	N/A
– Investing in debt instruments	8,135,783	–	Level 3	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Expected future cash flow.</li> <li>Expected recovery date.</li> <li>Discount rates that correspond to the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the future cash flow, the higher the fair value.</li> <li>The earlier the recovery date, the higher the fair value</li> <li>The lower the discount rate, the higher the fair value.</li> </ul>

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 60. Fair values of financial instruments (continued)

60.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)				
- Investing in equity instruments	1,070,496	-	Level 3	<ul style="list-style-type: none"> <li>Comparable listed company method, comparable transaction cases, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Market multiplier.</li> <li>Discount for lack of marketability (DLOM).</li> </ul>	<ul style="list-style-type: none"> <li>The higher the market multiplier, the higher the fair value.</li> <li>The lower the DLOM, the higher the fair value.</li> </ul>
Asset-backed securities	1,476,288	-	Level 3	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Expected future cash flow.</li> <li>Expected recovery date.</li> <li>Discount rates that correspond to the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the future cash flow, the higher the fair value.</li> <li>The earlier the recovery date, the higher the fair value.</li> <li>The lower the discount rate, the higher the fair value.</li> </ul>
Trust products and rights to trust assets	30,541,820	-	-	-	-	-
- Investing in the portfolio with open or active market quotations	1,000	-	Level 2	<ul style="list-style-type: none"> <li>Quoted market prices from dealers or independent pricing service vendors.</li> </ul>	N/A	N/A
- Investing in debt instruments	30,042,554	-	Level 3	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Expected future cash flow.</li> <li>Expected recovery date.</li> <li>Discount rates that correspond to the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the future cash flow, the higher the fair value.</li> <li>The earlier the recovery date, the higher the fair value.</li> <li>The lower the discount rate, the higher the fair value.</li> </ul>

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 60. Fair values of financial instruments (continued)

60.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)				
- Investing in equity instruments	498,266	-	Level 3	<ul style="list-style-type: none"> <li>Comparable listed company method, comparable transaction cases, etc.</li> </ul>	<ul style="list-style-type: none"> <li>Market multiplier.</li> <li>Discount for lack of marketability (DLOM).</li> </ul>	<ul style="list-style-type: none"> <li>The higher the market multiplier, the higher the fair value.</li> <li>The lower the DLOM, the higher the fair value.</li> </ul>
Others	106,992	-	Level 2	<ul style="list-style-type: none"> <li>Quoted market prices from dealers or independent pricing service vendors.</li> </ul>	N/A	N/A
2) Financial assets designated as at fair value through profit or loss	-	186,711,827				
Distressed debt assets	-	148,790,133	Level 3	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Expected recoverable amounts.</li> <li>Expected recovery date.</li> <li>Discount rates that correspond to the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the recoverable amounts, the higher the fair value.</li> <li>The earlier the recovery date, the higher the fair value.</li> <li>The lower the discount rates, the higher the fair value.</li> </ul>
Debt securities	-	695,702				
- Traded in stock exchanges	-	309,224	Level 1	<ul style="list-style-type: none"> <li>Quoted bid prices in an active market.</li> </ul>	N/A	N/A
- Traded in inactive markets	-	386,478	Level 3	<ul style="list-style-type: none"> <li>Discounted cash flow for the debt component and binomial option pricing model for the option component.</li> </ul>	<ul style="list-style-type: none"> <li>Discount rates that correspond to expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>The lower the discount rates, the higher the fair value.</li> </ul>

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

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### IV. EXPLANATORY NOTES (continued)

#### 60. Fair values of financial instruments (continued)

60.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)				
Funds	-	4,339,492	Level 3	<ul style="list-style-type: none"> <li>Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of the counter party.</li> <li>Recent transaction prices.</li> </ul>	<ul style="list-style-type: none"> <li>Risk-free rates that are specific to the market.</li> <li>Volatility rates that are in line with those of similar products.</li> </ul>	<ul style="list-style-type: none"> <li>The lower the risk-free rate, the higher the fair value.</li> <li>The higher the volatility rate, the higher the fair value.</li> </ul>
Wealth management products issued by banks or other financial institutions	-	1,646,200	Level 2	<ul style="list-style-type: none"> <li>Calculated based on the quoted prices of bonds and equity instruments in which the wealth management products invested in.</li> </ul>	N/A	N/A
	-	232,140	Level 3	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Expected recoverable amounts.</li> <li>Expected recovery date.</li> <li>Discount rates that correspond to the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the recoverable amounts, the higher the fair value.</li> <li>The earlier the recovery date, the higher the fair value.</li> <li>The lower the discount rates, the higher the fair value.</li> </ul>
Equity investments	-	28,933,536				
- Equity investments in unlisted companies	-	11,052,501	Level 3	<ul style="list-style-type: none"> <li>Comparable company method.</li> </ul>	<ul style="list-style-type: none"> <li>Market multiplier.</li> <li>Discount for lack of marketability (DLOM).</li> </ul>	<ul style="list-style-type: none"> <li>The higher the market multiplier, the higher the fair value.</li> <li>The lower the DLOM, the higher the fair value.</li> </ul>
	-	9,652,577	Level 3	<ul style="list-style-type: none"> <li>Net worth method.</li> </ul>	N/A	N/A
	-	8,228,458	Level 3	<ul style="list-style-type: none"> <li>Recent transaction prices.</li> </ul>	N/A	N/A
Asset management plans	-	411,074	Level 2	<ul style="list-style-type: none"> <li>Quoted market prices from dealers or independent pricing service vendors.</li> </ul>	N/A	N/A

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
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### IV. EXPLANATORY NOTES (continued)

#### 60. Fair values of financial instruments (continued)

60.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)				
Asset-backed securities	-	54,636	Level 3	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Expected future cash flow.</li> <li>Discount rates that correspond to the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the market multiplier, the higher the fair value.</li> <li>The lower the discount rate, the higher the fair value.</li> </ul>
Embedded derivative debts	-	404,298	Level 3	<ul style="list-style-type: none"> <li>Discounted cash flow for the debt component and binomial option pricing model for the option component.</li> </ul>	<ul style="list-style-type: none"> <li>Expected future cash flow.</li> <li>Discount rates that correspond to the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the future cash flow, the higher the fair value.</li> <li>The lower the discount rate, the higher the fair value.</li> </ul>
Others	-	1,204,616	Level 3	<ul style="list-style-type: none"> <li>Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates.</li> </ul>	<ul style="list-style-type: none"> <li>Expected future cash flow.</li> <li>Discount rates that correspond to the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the future cash flow, the higher the fair value.</li> <li>The lower the discount rate, the higher the fair value.</li> </ul>
3) Financial assets at fair value through other comprehensive income	<b>89,983,503</b>	-				
Debt investments at fair value through other comprehensive income	<b>87,036,095</b>	-				
Debt securities	<b>87,027,903</b>	-				
- Traded on stock exchanges	<b>17,490,940</b>	-	Level 1	<ul style="list-style-type: none"> <li>Quoted bid prices in an active market.</li> </ul>	N/A	N/A
- Traded in inter-bank markets	<b>25,556,247</b>	-	Level 2	<ul style="list-style-type: none"> <li>Quoted market prices from dealers or independent pricing service vendors.</li> </ul>	N/A	N/A
- Traded over the counter	<b>43,980,716</b>	-				

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For the six months ended June 30, 2018

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### IV. EXPLANATORY NOTES (continued)

#### 60. Fair values of financial instruments (continued)

60.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)				
Asset-backed securities	8,192	-	Level 3	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Expected future cash flow.</li> <li>Expected recovery date.</li> <li>Discount rates that correspond to the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the future cash flow, the higher the fair value.</li> <li>The earlier the recovery date, the higher the fair value.</li> <li>The lower the discount rate, the higher the fair value.</li> </ul>
Equity instruments designated as at fair value through other comprehensive income	2,947,408	-				
Restricted listed equity investments	2,920,552	-				
- Manufacturing	2,920,552	-	Level 3	<ul style="list-style-type: none"> <li>Option pricing model.</li> </ul>	<ul style="list-style-type: none"> <li>Stock volatility.</li> </ul>	<ul style="list-style-type: none"> <li>The lower the stock volatility, the higher the fair value.</li> </ul>
Unlisted equity instruments	26,856	-				
- Financial service	26,856	-	Level 3	<ul style="list-style-type: none"> <li>Income approach.</li> </ul>	<ul style="list-style-type: none"> <li>Expected future cash flow.</li> <li>Discount rates that correspond to the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the future cash flow, the higher the fair value.</li> <li>The lower the discount rate, the higher the fair value.</li> </ul>
4) Available-for-sale financial assets	-	233,120,966				
Debt securities	-	65,774,760				
- Traded on stock exchanges	-	15,194,337	Level 1	<ul style="list-style-type: none"> <li>Quoted bid prices in an active market.</li> </ul>	N/A	N/A
- Traded in inter-bank markets	-	20,731,042	Level 2	<ul style="list-style-type: none"> <li>Quoted market prices from dealers or independent pricing service vendors.</li> </ul>	N/A	N/A
- Traded over the counter	-	29,849,381				

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For the six months ended June 30, 2018  
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### IV. EXPLANATORY NOTES (continued)

#### 60. Fair values of financial instruments (continued)

60.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)				
Unrestricted listed equity investments	-	4,145,851	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Mining	-	1,652,621				
- Manufacturing	-	915,143				
- Financial service	-	134,657				
- Other industries	-	1,443,430				
Preference shares	-	403,921				
- Financial service	-	403,921	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Restricted listed equity investments	-	191,367	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
- Mining	-	35,571				
- Financial service	-	63,331				
- Other industries	-	92,465				
Certificates of deposit	-	27,929,436	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Funds	-	87,296,029				
- Listed	-	10,654,305	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Quoted	-	16,122,911	Level 1	• Quoted bid prices in an active market.	N/A	N/A
- Investing in entrusted loans	-	60,373,941	Level 3	• Discounted cash flow with future cash flow 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 flow. • Expected recovery date.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

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### IV. EXPLANATORY NOTES (continued)

#### 60. Fair values of financial instruments (continued)

60.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)				
- Investing in listed restricted equity investments	-	144,872	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
Trust products and rights to trust assets	-	20,612,962				
- Investing in the underlying assets with open or active market quotations	-	79,925	Level 2	• Calculated based on the quoted prices of equity instruments on which the trust products invested in.	N/A	N/A
- Others	-	20,533,037	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 flow. • 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	-	13,992,002				
- Investing in the underlying assets with open or active quotations	-	6,360,932	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
- Investing in debt instruments	-	7,631,070	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 flow. • 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.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
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### IV. EXPLANATORY NOTES (continued)

#### 60. Fair values of financial instruments (continued)

60.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)				
Wealth management products – Issued by banks or other financial institutions without quoted prices	-	11,820,000	Level 3	<ul style="list-style-type: none"> <li>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.</li> </ul>	<ul style="list-style-type: none"> <li>Expected future cash flow.</li> <li>Expected recovery date.</li> <li>Discount rates that correspond to the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the future cash flow, the higher the fair value.</li> <li>The earlier the recovery date, the higher the fair value.</li> <li>The lower the discount rate, the higher the fair value.</li> </ul>
-	11,820,000					
Asset-backed securities	-	863,483				
Others – Issued by banks or other financial institutions	-	91,155	Level 3	<ul style="list-style-type: none"> <li>Discounted cash flow with future cash flows that are estimated based discounted at rates that reflect management's best estimation of the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>Expected future cash flow.</li> <li>Expected recovery date.</li> <li>Discount rates that correspond to the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>The higher the future cash flow, the higher the fair value.</li> <li>The earlier the recovery date, the higher the fair value.</li> <li>The lower the discount rate, the higher the fair value.</li> </ul>
-	42,323					

## Notes to the Interim Condensed Consolidated Financial Statements

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### IV. EXPLANATORY NOTES (continued)

#### 60. Fair values of financial instruments (continued)

60.2 Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
	As at June 30, 2018 (Unaudited)	As at December 31, 2017 (Audited)				
- Others	-	48,832	Level 2	• Calculated based on the quoted prices of bonds, equity instruments on which the asset portfolios invested in.	N/A	N/A
5) Financial liabilities at fair value through profit or loss	<b>(6,806,176)</b>	(6,794,129)				
Exchange-traded derivative financial liabilities	-	-	Level 1	• Quoted bid prices in an active market.	N/A	N/A
OTC derivative financial liabilities	<b>(463,283)</b>	(386,647)	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
Short positions in exchange fund bills and notes	<b>(3,567,893)</b>	(3,632,482)	Level 2	• Calculated based on quoted prices of bonds, equity instruments on which the asset portfolios invested in.	N/A	N/A
Forward payment plan	<b>(2,775,000)</b>	(2,775,000)	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected payable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	<ul style="list-style-type: none"> <li>• Expected future cash flow.</li> <li>• Expected payment date.</li> <li>• Discount rates that correspond to the expected risk level.</li> </ul>	<ul style="list-style-type: none"> <li>• The higher the future cash flow, the higher the fair value.</li> <li>• The earlier the payment date, the higher the fair value.</li> <li>• The lower the discount rate, the higher the fair value.</li> </ul>

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 60. Fair values of financial instruments (continued)

60.2 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:

	As at June 30, 2018 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	32,764,968	12,328,721	397,313,834	442,407,523
Financial assets at fair value through other comprehensive income	17,490,940	69,536,963	2,955,600	89,983,503
<b>Total assets</b>	<b>50,255,908</b>	<b>81,865,684</b>	<b>400,269,434</b>	<b>532,391,026</b>
Financial liabilities at fair value through profit or loss	–	(4,031,176)	(2,775,000)	(6,806,176)
<b>Total liabilities</b>	<b>–</b>	<b>(4,031,176)</b>	<b>(2,775,000)</b>	<b>(6,806,176)</b>

	As at December 31, 2017 (Audited)			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	18,240,783	9,784,413	185,770,663	213,795,859
Available-for-sale financial assets	46,117,404	85,403,469	101,600,093	233,120,966
<b>Total assets</b>	<b>64,358,187</b>	<b>95,187,882</b>	<b>287,370,756</b>	<b>446,916,825</b>
Financial liabilities at fair value through profit or loss	–	(4,019,129)	(2,775,000)	(6,794,129)
<b>Total liabilities</b>	<b>–</b>	<b>(4,019,129)</b>	<b>(2,775,000)</b>	<b>(6,794,129)</b>

There were no transfers between Level 1 and Level 2 for the assets and liabilities measured at fair value during the period/year.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 60. Fair values of financial instruments (continued)

##### 60.3 Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL	(Unaudited) Financial assets at FVOCI	Financial liabilities at FVTPL
As at January 1, 2018	348,556,155	5,086,552	(2,775,000)
Recognized in profit or loss	6,819,514	–	–
Recognized in other comprehensive income	–	(1,612,661)	–
Purchases	106,928,598	4,547,290	–
Settlements/disposals at cost	(64,845,561)	(5,065,581)	–
Transfer out from Level 3	(144,872)	–	–
As at June 30, 2018	397,313,834	2,955,600	(2,775,000)
Unrealized gains or losses for the period included in profit or loss for assets held as at June 30, 2018	6,351,246	–	–

	Financial assets at FVTPL	(Audited) Available-for-sale financial assets	Financial liabilities at FVTPL
As at January 1, 2017	117,435,866	62,858,423	(2,775,000)
Recognized in profit or loss	(986,082)	(2,301,737)	–
Recognized in other comprehensive income	–	35,565	–
Purchases	104,670,244	71,615,975	–
Settlements/disposals at cost	(35,349,365)	(29,789,539)	–
Transfer out from Level 3	–	(818,594)	–
As at December 31, 2017	185,770,663	101,600,093	(2,775,000)
Unrealized gains or losses for the year included in profit or loss for assets held at end of the year	(790,050)	(2,217,167)	–

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 60. Fair values of financial instruments (continued)

##### 60.3 Reconciliation of Level 3 fair value measurements (continued)

Certain restricted equity instruments became tradable during the first half of year 2018, and quoted prices in active markets were available for these securities. Therefore, these securities were transferred from Level 3 to Level 1 of the fair value hierarchy at the end of the reporting period.

Total gains or losses for the six months ended June 30, 2018 and the year ended December 31, 2017 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 June 30, 2018 and December 31, 2017 are presented in unrealized gains included in “fair value changes on distressed debt assets”, “fair value changes on other financial instruments”, “impairment losses on assets” depending on the nature or category of the related financial instruments.

#### 61. Acquisition of a subsidiary

Huaikuang Real Estate Co., Ltd. (the “Huaikuang Real Estate”)

On February 28, 2018, the Group acquired 60% of the issued share capital of Huaikuang Real Estate for a consideration of equivalent RMB4,700 million in order to take over non-core assets of large state-owned enterprises and achieve the scale effect of real estate business. This acquisition has been accounted for using the acquisition method. Huaikuang Real Estate was established in Huainan City, Anhui Province, PRC with limited liability and the main business is real estate development and sales.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 61. Acquisition of a subsidiary (continued)

Huaikuang Real Estate Co., Ltd. (the "Huaikuang Real Estate") (continued)

The relevant financial information of Huaikuang Real Estate as at the date of acquisition was as follows:

	As at February 28, 2018 (Carrying amount)	As at February 28, 2018 (Fair Value)
Cash and balances with central banks	23	23
Deposits with banks and financial institutions	3,242,170	3,242,170
Accounts receivable	232,068	232,068
Properties held for sale	15,908,739	17,686,797
Interests in associates and joint ventures	1,547	1,547
Investment properties	537,482	749,838
Property and equipment	7,007	8,244
Other intangible assets	242	252
Deferred tax assets	361,121	361,121
Other assets	2,305,678	2,305,678
Less: Borrowings	5,504,850	5,504,850
Accounts payable	1,454,162	1,454,162
Tax payable	275,251	275,251
Deferred tax liabilities	5,466	503,381
Other liabilities	8,097,793	8,097,793
<b>Net assets</b>	<b>7,258,555</b>	<b>8,752,301</b>
Including: Net assets attributable to the shareholders of Huaikuang Real Estate	<b>7,088,879</b>	<b>8,396,779</b>
Net assets attributable to non-controlling interests	<b>169,676</b>	<b>355,522</b>

The fair values of accounts receivables as at the date of acquisition amounted to RMB232 million. The gross contractual amounts of accounts receivables was RMB242 million, of which accounts receivables of RMB10 million are expected to be uncollectible.

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018  
(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 61. Acquisition of a subsidiary (continued)

Huaikuang Real Estate Co., Ltd. (the "Huaikuang Real Estate") (continued)

	As at February 28, 2018 (Unaudited)
Consideration paid	4,699,768
Net assets acquired	8,396,779
Proportion of ownership held by the Group	60%
Share of the Group	5,038,068
Gain on bargain purchase arising in the acquisition	(338,300)

Gain on bargain purchase arising in the acquisition was due to the increase of net assets between the pricing date and the acquisition date caused by operating profit and the increase of fair value of assets with the rising real estate price in the business region.

Net cash outflow due to acquisition of Huaikuang Real Estate:

	As at February 28, 2018 (Unaudited)
Cash consideration paid	4,699,768
Less: cash and cash equivalent balances acquired	2,399,668
Net cash outflow due to the acquisition	2,300,100

From the date of acquisition, the operating results and cash flows that Huaikuang Real Estate has contributed to the Group are as follows:

Revenue	2,505,101
Net profit	139,977
Net cash inflow	153,126

## Notes to the Interim Condensed Consolidated Financial Statements

For the six months ended June 30, 2018

(Amounts in thousands of RMB, unless otherwise stated)

### IV. EXPLANATORY NOTES (continued)

#### 61. Acquisition of a subsidiary (continued)

Huaikuang Real Estate Co., Ltd. (the “Huaikuang Real Estate”) (continued)

If the combination had taken place at the beginning of the year, the operating results of the Group during the six months ended June 30, 2018 would be as follows:

Revenue	<b>2,945,317</b>
Net profit	<b>210,920</b>

### V. EVENTS AFTER THE REPORTING PERIOD

The meeting of the Board of Directors approved the resolution on the dividend allocation of Offshore Preference Shares on August 29, 2018, allowing the Company to distribute dividends of Offshore Preference Shares on October 2, 2018, at the rate of 4.45% per annum (after tax). The aggregate dividend distribution amounted to USD142.4 million (after tax).

On July 27, 2018, Cinda Real Estate Co., Ltd., a subsidiary of the Company, completed the major assets restructuring. Cinda Real Estate Co., Ltd. privately issued 796,570,892 shares and 531,047,261 shares to the Company and Huainan Mining Industry (Group) Co., Ltd. to acquire 60% and 40% of the issued shares of Huaikuang Real Estate respectively.

### VI. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have been approved by the Board of Directors of the Company on August 29, 2018.





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