China Cinda Asset Management Co., Ltd.

中國信達資產管理股份有限公司

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

(Stock Code: 01359)

2016 INTERIM RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of China Cinda Asset Management Co., Ltd. (the "**Company**") is pleased to announce the unaudited results of the Company and its subsidiaries for the six months ended June 30, 2016. This announcement, containing the full text of the 2016 Interim Report of the Company, complies with the relevant content requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited in relation to preliminary announcements of interim results. The printed version of the Company's 2016 Interim Report will be delivered to the holders of the H Shares of the Company and available for viewing on the websites of Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk and of the Company at www.cinda.com.cn in late September 2016.

Contents

Definitions

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

"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 Corporation and China Orient Asset Management Corporation
"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
"BOC"	Bank of China Limited, a company listed on Hong Kong Stock Exchange (Stock Code: 03988) and Shanghai Stock Exchange (Stock Code: 601988)
"BOCHK"	Bank of China (Hong Kong) Limited, a company incorporated in Hong Kong and a subsidiary wholly owned by BOC Hong Kong (Holdings) Limited (a company listed on Hong Kong Stock Exchange (Stock Code: 02388))
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"China" 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. (信達資本管理有限公司), a subsidiary of the Company
"Cinda Financial"	Cinda Financial Holdings Co., Limited, a subsidiary of the Company
"Cinda Futures"	Cinda Futures Co., Ltd. (信達期貨有限公司), a subsidiary of the Company
"Cinda Hong Kong"	China Cinda (HK) Holdings Company Limited (中國信達(香港)控股有限公司), a subsidiary of the Company
"Cinda International"	Cinda International Holdings Limited (信達國際控股有限公司), a subsidiary of the Company (a company listed on Hong Kong Stock Exchange, stock code: 00111)
"Cinda Investment"	Cinda Investment Co., Ltd. (信達投資有限公司), a subsidiary of the Company
"Cinda Leasing"	Cinda Financial Leasing Co., Ltd. (信達金融租賃有限公司), a subsidiary of the Company

"Cinda P&C"	Cinda Property and Casualty Insurance Co., Ltd. (信達財產保險股份有限公司), a subsidiary of the Company
"Cinda Real Estate"	Cinda Real Estate Co., Ltd. (信達地產股份有限公司), a subsidiary of the Company (a company listed on Shanghai Stock Exchange, stock code: 600657)
"Cinda Securities"	Cinda Securities Co., Ltd. (信達證券股份有限公司), 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. (信達澳銀基金管理有限公司), 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. (幸福人壽保險股份有限公司), 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
"Jingu Trust"	China Jingu International Trust Co., Ltd. (中國金穀國際信託有限責任公司), 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 Hong Kong"	Nanyang Commercial Bank, Limited, a company incorporated in Hong Kong and a licensed bank in Hong Kong, a subsidiary of the Company since May 30, 2016
"NCB" or "Nanyang Commercial Bank"	NCB Hong Kong and its subsidiaries
"NCB China"	Nanyang Commercial Bank (China) Limited, a company incorporated in the PRC and a wholly-owned subsidiary of NCB Hong Kong
"NSSF"	National Council for Social Security Fund of the PRC

"(our) Company"	China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司)
"(our) Group"	China Cinda Asset Management Co., Ltd. and its subsidiaries
"PRC GAAP"	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by MOF, as well as other relevant regulations
"Preference Shares"	A maximum of 300,000,000 preference shares in an aggregate amount of not more than RMB30 billion or its equivalent to be issued by the Company in the offshore market pursuant to the issuance plan considered and approved at the 2015 annual general meeting, the 2016 first class meeting for Domestic Shareholders, and the 2016 first class meeting for H Shareholders, respectively
"Reporting Period"	the six months ended June 30, 2016
"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 People's Republic of China
"Supervisor(s)"	supervisor(s) of the Company
"Zhongrun Development"	Zhongrun Economic Development Co., Ltd. (中潤經濟發展有限責任公司)

1 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	Hou Jianhang
Authorized representatives	Zang Jingfan, 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	www.cinda.com.cn
Principal place of business in Hong Kong	12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong
Website of SEHK for publishing the H Share interim report	www.hkexnews.hk
Place for maintaining interim reports available for inspection	Board of Directors' Office of the Company
Place of listing of H Shares	The Stock Exchange of Hong Kong Limited
Stock Name	China Cinda
Stock Code	01359
Share Registrar	Computershare Hong Kong Investor Services Limited (Address: Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong)
Registration number of Business License as Legal Person	100000000031562

Organization Code	71092494-5
Registration number of Financial License	J0004H111000001
Registration number of Tax Certificate	Jing Shui Zheng Zi 110101710924945
Legal advisors as to PRC Law and the places of business	Haiwen & Partners 20/F, Fortune Financial Tower 5 Dong San Huan Central Road Chaoyang District Beijing, China Zhong Lun Law Firm 36–37/F, SK Tower 6A Jianguomenwai Avenue Chaoyang District Beijing, China Fangda Partner 32/F, Plaza 66 Tower 1 1266 Nan Jing West Road Shanghai, China
Legal advisors as to Hong Kong Law and the place of business	Davis Polk & Wardwell Hong Kong Solicitors 18/F, The Hong Kong Club Building 3A Chater Road Central, Hong Kong Hogan Lovells Hong Kong office 11th Floor, One Pacific Place 88 Queensway Hong Kong
International accounting firm and office address	Ernst & Young 22/F, CITIC Tower 1 Tim Mei Avenue Central, Hong Kong
Domestic accounting firm and office address	Ernst & Young Hua Ming LLP Level 16, Ernst & Young Tower Oriental Plaza No.1 East Chang An Avenue Dong Cheng District Beijing, China

2 Financial Summary

The financial information contained in this interim report was prepared in accordance with the International Financial Reporting Standards (the "**IFRS**"). Unless otherwise specified, the financial information herein is the consolidated data of the Group and denominated in RMB.

	As at and for the six months ended June 30,		As at and for the year ended December 31,			
	2016	**2015**	**2015**	**2014**	**2013**	**2012**
			(in millions of RMB)			
Income from distressed debt assets classified as receivables	**8,424.4**	9,498.4	18,883.9	18,113.6	10,144.2	3,518.4
Fair value changes on distressed debt assets	**2,236.3**	1,467.5	4,420.1	4,077.5	4,617.6	3,878.3
Fair value changes on other financial assets	**458.7**	1,990.5	1,971.2	2,180.5	539.0	399.3
Investment income	**10,454.8**	8,281.1	13,552.2	9,116.5	7,043.8	6,528.8
Other income and other net gains or losses	**23,931.3**	16,618.9	39,916.7	26,302.0	20,068.6	18,010.4
Total income	**45,505.5**	**37,856.4**	**78,744.1**	**59,790.1**	**42,413.2**	**32,335.2**
Impairment losses on assets	**(1,920.4)**	(1,580.5)	(4,376.5)	(5,438.1)	(6,153.3)	(4,601.0)
Interest expense	**(10,520.1)**	(9,806.2)	(20,185.3)	(15,961.1)	(7,803.8)	(3,697.6)
Other costs and expenses	**(21,103.9)**	(14,538.1)	(32,639.6)	(20,634.4)	(16,643.8)	(14,901.5)
Total costs and expenses	**(33,544.4)**	**(25,924.8)**	**(57,201.4)**	**(42,033.6)**	**(30,600.9)**	**(23,200.1)**
Change in net assets attributable to other holders of consolidated structured entities	**(1,135.2)**	(1,247.2)	(2,557.0)	(1,909.9)	(540.5)	(151.5)
Share of results of associates and joint ventures	**(103.7)**	55.2	312.2	460.2	500.3	612.3
Profit before tax	**10,722.1**	10,739.6	19,297.9	16,306.7	11,772.1	9,595.9
Income tax expense	**(2,938.8)**	(2,484.0)	(4,594.0)	(4,164.0)	(2,671.0)	(2,378.7)
Profit for the period/year	**7,783.3**	**8,255.7**	**14,703.9**	**12,142.7**	**9,101.0**	**7,217.2**
Profit attributable to:						
Equity holders of the Company	**8,008.8**	7,823.8	14,027.5	11,896.2	9,027.3	7,306.3
Non-controlling interests	**(225.5)**	431.9	676.4	246.5	73.7	(89.1)
Assets						
Cash and bank balances	**85,489.0**	76,969.0	58,070.0	43,891.2	57,059.1	42,726.3
Financial assets at fair value through profit or loss	**134,123.8**	82,832.9	117,287.4	57,220.5	25,178.5	16,923.0
Available-for-sale financial assets	**186,652.7**	101,162.6	120,604.3	85,794.6	72,747.2	64,376.6
Financial assets classified as receivables	**157,553.0**	172,209.7	181,058.3	180,913.1	116,662.7	51,195.1
Loans and advances to customers	**245,259.9**	108,537.2	104,738.5	80,224.7	48,636.4	25,041.5
Other assets	**199,753.6**	116,246.0	132,216.2	96,383.3	63,501.5	54,351.9
Total assets	**1,008,832.0**	**657,957.4**	**713,974.7**	**544,427.4**	**383,785.4**	**254,614.4**

	As at and for the six months ended June 30,		As at and for the year ended December 31,			
	2016	**2015**	**2015**	**2014**	**2013**	**2012**
			(in millions of RMB)			
Liabilities						
Borrowings from central bank	**986.1**	986.1	986.1	986.1	4,913.0	7,053.4
Due to customers	**195,791.3**	—	—	—	—	—
Accounts payable to brokerage clients	**17,555.0**	29,400.8	21,533.2	11,663.3	6,480.8	6,629.5
Borrowings	**349,185.3**	272,505.2	317,070.7	263,452.4	173,834.7	76,099.2
Accounts payable	**2,181.6**	11,068.0	4,970.8	13,891.2	22,814.1	39,539.4
Bonds issued	**136,489.7**	92,128.8	111,773.4	43,694.9	13,285.0	12,534.6
Other liabilities	**193,893.4**	141,312.8	146,746.5	108,876.3	79,695.7	51,873.5
Total liabilities	**896,082.3**	**547,401.7**	**603,080.7**	**442,564.1**	**301,023.3**	**193,729.6**
Equity						
Equity attributable to equity holders of the Company	**104,341.6**	100,533.6	101,710.2	93,368.9	75,998.3	54,773.6
Non-controlling interests	**8,408.1**	10,022.2	9,183.7	8,494.4	6,763.8	6,111.2
Total equity	**112,749.7**	**110,555.8**	**110,893.9**	**101,863.3**	**82,762.1**	**60,884.8**
Total equity and liabilities	**1,008,832.0**	**657,957.4**	**713,974.7**	**544,427.4**	**383,785.4**	**254,614.4**
Financial indicators						
Return on average shareholders' equity [(1)(3)] (%)	**15.5**	16.1	14.4	14.0	13.8	15.8
Return on average assets [(2)(3)] (%)	**2.1**[(7)]	2.7	2.34	2.62	2.85	3.4
Cost-to-income ratio [(4)] (%)	**22.5**	23.4	23.9	24.0	26.2	29.7
Earnings per share [(3)(5)] (RMB)	**0.22**	0.22	0.39	0.33	0.30	0.25
Net assets per share [(6)] (RMB)	**2.88**	2.77	2.81	2.58	2.50	1.90

Notes:

(1) Represents the percentage of profit attributable to the equity holders for the period in the average balance of equity attributable to the equity holders 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, return on average assets and earnings per share 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 equity holders of the Company during the period divided by the weighted average number of shares.

(6) Represents the net assets attributable to equity holders of the Company at the end of the period divided by the number of shares at the end of the period.

(7) NCB has been consolidated into the operating results of the Group since May 30, 2016. This figure was the return on average assets excluding the effect of the consolidation of NCB. The return on average assets for the six months ended June 30, 2016 was 1.8% if taking into account of the effect of the consolidation of NCB.

3 Management Discussion and Analysis

3.1 Economic and Regulatory Environment

In the first half of 2016, recovery of the global economy remained weak and fragile. Brexit, expectation of Fed rate hike, the negative interest rate policy of Japan and other factors further hindered the global economic recovery progress. In face of the complicated circumstances home and abroad as well as the continual economic downward pressure, the PRC government accelerated the supply-side structural reform while boosting the domestic demands moderately. The PRC economy experienced steady growth and the supply-side structural reform achieved satisfactory progress.

Firstly, key economic indicators were maintained within reasonable range and the general economy showed steady development. Secondly, the supply-side structural reform, transformation and upgrades proceeded smoothly with initial success in the five major tasks of cutting overcapacity, destocking, deleveraging, reducing costs and strengthening points of weakness. The industrial structure, demand structure and regional structure were further improved. Thirdly, new drivers for economic development were emerging as new enterprises, new industries, new products and new forms of business maintained rapid growth. Fourthly, momentum for economic growth was solidified as quality of economic operation and corporate profits improved.

Nonetheless, due to the combined effects of the complex and severe international environment and the continuous adjustment on the domestic economic structure, the existing economic operational problems of the PRC are yet to be solved, and effective demand in the PRC, especially private investments, remains insufficient. Economic developments of different industries and regions vary significantly. The supply-side structural reform raises the requirement for financial sector to serve the real economy, which will pose a greater challenge to financial reform and stability of the financial market. As the sources of risk such as significant fluctuations in stock and foreign exchange markets, property market bubble, distressed loans, corporate bond defaults, local government debts, distressed enterprises and illegal fund-raising continue to increase, the financial risk becomes more complicated, recessive and contagious.

As the PRC government places more emphasis on the prevention and solution of financial risks, all regulatory departments are cooperating closely and proactively to strengthen the effectiveness of risk solution and lead the market entities to accelerate the disposal of distressed assets. Firstly, banks and other financial institutions are directed to further improve innovative methods for the disposal of distressed assets so as to expand new channels such as distressed asset securitization and trial for transfer of rights to the yield of distressed assets. Moreover, market participants of distressed assets business including AMCs are further encouraged and regulated to enlarge the scale of distressed assets acquisition and improve the effectiveness of distressed assets disposal, so as to fully leverage their roles in the solution of financial risk. On the other hand, accelerating the disposal of these risks will generate recurring and sufficient supply of distressed assets. Therefore, the development prospect of the distressed assets business in the PRC is still promising.

3.2 Analysis of Financial Statements

3.2.1 Operating Results of the Group

In the first half of 2016, the net profit attributable to equity holders of the Company amounted to RMB8,008.8 million, representing an increase of RMB185.0 million, or 2.4%, as compared to the same period of the previous year. Annualized ROAE and ROAA were 15.5% and 1.8%, respectively. Excluding the effect of the consolidation of NCB, the annualized ROAA was 2.1%.

	For the six months ended June 30,			
	2016	2015	Change	Change in percentage (%)
	(in millions of RMB)			
Income from distressed debt assets classified as receivables	**8,424.4**	9,498.4	(1,073.9)	(11.3)
Fair value changes on distressed debt assets	**2,236.3**	1,467.5	768.8	52.4
Fair value changes on other financial assets	**458.7**	1,990.5	(1,531.9)	(77.0)
Investment income	**10,454.8**	8,281.1	2,173.7	26.2
Net insurance premiums earned	**12,333.6**	6,397.9	5,935.8	92.8
Interest income	**6,163.8**	5,205.2	958.6	18.4
Revenue from sales of inventories	**2,834.9**	2,039.4	795.4	39.0
Commission and fee income	**1,532.0**	2,349.6	(817.7)	(34.8)
Net gains on disposal of subsidiaries, associates and joint ventures	**237.7**	150.6	87.1	57.8
Other income and net gains or losses	**829.3**	476.2	353.1	74.1
Total income	**45,505.5**	**37,856.4**	**7,649.1**	**20.2**
Insurance costs	**(12,782.0)**	(6,618.4)	(6,163.6)	93.1
Commission and fee expense	**(978.3)**	(744.2)	(234.1)	31.5
Purchases and changes in inventories	**(2,270.3)**	(1,388.3)	(881.9)	63.5
Employee benefits	**(2,373.0)**	(2,723.0)	350.0	(12.9)
Impairment losses on assets	**(1,920.4)**	(1,580.5)	(339.9)	21.5
Interest expense	**(10,520.1)**	(9,806.2)	(713.9)	7.3
Other expenses	**(2,700.4)**	(3,064.1)	363.8	(11.9)
Total costs and expenses	**(33,544.4)**	**(25,924.8)**	**(7,619.6)**	**29.4**
Change in net assets attributable to other holders of consolidated structured entities	**(1,135.2)**	(1,247.2)	111.9	(9.0)
Share of results of associates and joint ventures	**(103.7)**	55.2	(158.9)	(287.9)
Profit before tax	**10,722.1**	10,739.6	(17.5)	(0.2)
Income tax expense	**(2,938.8)**	(2,484.0)	(454.8)	18.3
Profit for the period	**7,783.3**	**8,255.7**	**(472.3)**	**(5.7)**
Profit attributable to:				
Equity holders of the Company	**8,008.8**	7,823.8	185.0	2.4
Non-controlling interests	**(225.5)**	431.9	(657.3)	(152.2)

3.2.1.1 Total Income

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 classified as receivables, which is also known as income from debt restructuring; (2) fair value changes on distressed debt assets, including realized gains or losses from disposal of distressed debt assets designated as at fair value and unrealized fair value changes on such assets; (3) income from DES Assets, including dividend income and net gains on disposal of DES Assets, which is accounted for as investment income and net gains on disposal of associates and joint ventures; (4) net gains on disposal of assets in satisfaction of debts.

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

	For the six months ended June 30,			
	2016	2015	Change	Change in percentage (%)
	(in millions of RMB)			
Income from distressed debt assets classified as receivables	**8,424.4**	9,498.4	(1,073.9)	(11.3)
Fair value changes on distressed debt assets	**2,236.3**	1,467.5	768.8	52.4
Investment income from available-for-sale financial assets [(1)]	**4,137.0**	2,795.7	1,341.3	48.0
Net gains on disposal of assets in satisfaction of debts [(2)]	**62.8**	21.6	41.2	190.6
Total	**14,860.6**	**13,783.2**	**1,077.4**	**7.8**

Notes:

(1) Represents investment income from available-for-sale equity assets included in distressed asset management segment, comprising net gains realized on disposal of and dividend income from such equity assets, which is included as "investment income" in the consolidated income statement.

(2) Included in "other income and net gains or losses" in the consolidated income statement.

The income from distressed assets increased by 7.8% from RMB13,783.2 million in the first half of 2015 to RMB14,860.6 million in the first half of 2016, accounting for 36.4% and 32.7% of the total income for the respective periods.

Income from Distressed Debt Assets Classified as Receivables

The income from distressed debt assets classified as receivables decreased by 11.3% from RMB9,498.4 million in the first half of 2015 to RMB8,424.4 million in the first half of 2016, accounting for 25.1% and 18.5% of the total income for the respective periods. The decrease in income was primarily due to the decrease in average balance of distressed debt assets classified as receivables as a result of business restructuring and risk control of the Company. In the first half of 2015 and 2016, the monthly average balance of the Company's distressed debt assets classified as receivables was RMB169,745.7 million and RMB160,864.5 million, respectively. Annualized return of monthly average balance of the Company's distressed debt assets classified as receivables decreased from 11.2% in the first half of 2015 to 10.6% in the first half of 2016.

Fair Value Changes on Distressed Debt Assets

The fair value changes on distressed debt assets increased by 52.4% from RMB1,467.5 million in the first half of 2015 to RMB2,236.3 million in the first half of 2016, accounting for 3.9% and 4.9% of the total income for the respective periods. As at June 30, 2015 and 2016, the balance of distressed debt assets designated as at fair value through profit or loss was RMB60,116.8 million and RMB85,718.4 million, respectively.

The table below sets out the components of fair value changes on distressed debt assets for the periods indicated.

	For the six months ended June 30,			
	2016	2015	Change	Change in percentage (%)
	(in millions of RMB)			
Realized fair value changes	**1,806.6**	1,541.5	265.1	17.2
Unrealized fair value changes	**429.7**	(74.0)	503.7	(680.7)
Total	**2,236.3**	**1,467.5**	**768.8**	**52.4**

The table below sets out the changes on distressed debt assets designated as at fair value through profit or loss of the Group as at the dates and for the periods indicated.

	As at and for the six months ended June 30, *(in millions of RMB)*
As at December 31, 2014	**42,302.0**
Acquisition during the period	26,277.9
Disposal during the period	(8,389.1)
Unrealized fair value changes	(74.0)
As at June 30, 2015	**60,116.8**
As at December 31, 2015	**84,620.7**
Acquisition during the period	28,073.0
Disposal during the period	(27,405.0)
Unrealized fair value changes	429.7
As at June 30, 2016	**85,718.4**

The fair value changes on distressed debt assets of the Group increased by 52.4% in the first half of 2016 as compared to the same period in 2015, primarily due to an increase in the unrealized fair value changes, increasing by 680.7% from net loss of RMB74.0 million in the first half of 2015 to net profit of RMB429.7 million in the first half in 2016. The net gains on disposal of such assets of the Group also increased as compared to the same period of the previous year because of the speeding up of disposal process while maintaining stable annualized return. The disposal amount increased from RMB8,389.1 million in the first half of 2015 to RMB27,405.0 million in the first half of 2016.

Investment Income

The investment income of the Group increased by 26.2% from RMB8,281.1 million in the first half of 2015 to RMB10,454.8 million in the first half of 2016, accounting for 21.9% and 23.0% 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,			
	2016	2015	Change	Change in percentage (%)
	(in millions of RMB)			
Net realized gains from disposal of				
Available-for-sale financial assets	**7,046.5**	5,197.8	1,848.6	35.6
Interest income from investment in securities				
Available-for-sale financial assets	**552.4**	608.9	(56.4)	(9.3)
Debt instruments classified as receivables	**825.9**	918.0	(92.1)	(10.0)
Held-to-maturity investments	**204.8**	155.0	49.8	32.1
Dividend income				
Available-for-sale financial assets	**1,825.2**	1,401.4	423.8	30.2
Total	**10,454.8**	**8,281.1**	**2,173.7**	**26.2**

The total investment income of the Group increased by 26.2% in the first half of 2016 as compared to the same period of last year, primarily because: (1) the net gains from disposal of available-for-sale financial assets increased by 35.6% from RMB5,197.8 million in the first half of 2015 to RMB7,046.5 million in the first half of 2016; (2) the dividend income of available-for-sale financial assets increased by 30.2% from RMB1,401.4 million in the first half of 2015 to RMB1.825.2 million in the first half of 2016.

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,			
	2016	2015	Change	Change in percentage (%)
	(in millions of RMB)			
Net realized gains on disposal of available-for-sale financial assets	**7,046.5**	**5,197.8**	**1,848.6**	**35.6**
DES Assets of the Company[(1)]	**3,623.2**	2,525.6	1,097.6	43.5
Others	**3,423.3**	2,672.2	751.1	28.1
Interest income from available-for-sale financial assets	**552.4**	**608.9**	**(56.4)**	**(9.3)**
Dividend income from available-for-sale financial assets	**1,825.2**	**1,401.4**	**423.8**	**30.2**
DES Assets of the Company	**513.8**	270.1	243.7	90.2
Principal equity investment of the Company and others	**1,311.4**	1,131.3	180.1	15.9
Total	**9,424.1**	**7,208.1**	**2,216.0**	**30.7**

Note:

(1) Represents net realized gains on disposal of DES Assets under available-for-sale financial assets and does not include net realized gains from disposal of interests in associates and joint ventures included in DES Assets.

Investment income from available-for-sale financial assets increased by 30.7% from RMB7,208.1 million in the first half of 2015 to RMB9,424.1 million in the first half of 2016. Investment income from available-for-sale financial assets, which is the main component of the investment income, accounted for 87.0% and 90.1% of the total investment income in the first half of 2015 and 2016, respectively. Investment income from available-for-sale financial assets includes (1) net realized gains on disposal of available-for-sale financial assets; (2) interest income from available-for-sale financial assets; and (3) dividend income from available-for-sale financial assets.

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,			
	2016	2015	Change	Change in percentage (%)
	(in millions of RMB)			
Gross written premiums	**12,506.7**	6,455.3	6,051.4	93.7
Less: Premiums ceded to reinsurers	**74.1**	74.3	(0.2)	(0.3)
Change of unearned premium reserves	**98.9**	(16.9)	115.8	(685.2)
Net insurance premiums earned	**12,333.6**	**6,397.9**	**5,935.8**	**92.8**

The gross written premiums of the Group increased by 93.7% from RMB6,455.3 million in the first half of 2015 to RMB12,506.7 million in the first half of 2016, primarily attributable to the significant business expansion of Happy Life as compared to the same period in 2015 with the business foundation established in 2015. The gross written premiums of Happy Life increased by 126.0% from RMB4,817.4 million in the first half of 2015 to RMB10,886.7 million in the first half of 2016.

The premiums ceded to reinsurers of the Group decreased by 0.3% from RMB74.3 million in the first half of 2015 to RMB74.1 million in the first half of 2016, which was almost the same with the first half of 2015.

The change of unearned premium reserves of the Group increased by 685.2% from net reversal of RMB16.9 million in the first half of 2015 to net withdrawal of RMB98.9 million in the first half of 2016, primarily because of the increase in withdrawal of unearned premium reserves of Cinda P&C.

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,			
	2016	2015	Change	Change in percentage (%)
	(in millions of RMB)			
Securities and futures brokerage	**689.4**	1,716.0	(1,026.5)	(59.8)
Consultancy and financial advisory	**367.4**	93.3	274.1	293.8
Fund and asset management business	**188.0**	159.7	28.3	17.7
Trustee services	**120.9**	151.6	(30.6)	(20.2)
Banking business	**65.9**	—	65.9	—
Agency business	**53.2**	18.1	35.1	193.9
Securities underwriting	**14.3**	169.7	(155.5)	(91.6)
Others	**32.9**	41.3	(8.4)	(20.3)
Total	**1,532.0**	**2,349.6**	**(817.7)**	**(34.8)**

The commission and fee income of the Group decreased by 34.8% to RMB1,532.0 million in the first half of 2016 as compared to RMB2,349.6 million in the first half of 2015, primarily because: (1) commission and fee income from securities and futures brokerage decreased by 59.8% from RMB1,716.0 million in the first half of 2015 to RMB689.4 million in the first half of 2016, primarily due to the overall unsatisfactory performance of domestic stock markets resulting in the significant decrease in such income of Cinda Securities; (2) commission and fee income from consultancy and financial advisory increased by 293.8% from RMB93.3 million in the first half of 2015 to RMB367.4 million in the first half of 2016, mainly due to the increase in income from investment consultancy business of Cinda Hong Kong and its subsidiaries.

Revenue from sales of inventories and purchases and changes in inventories

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

	For the six months ended June 30,			
	2016	2015	Change	Change in percentage (%)
	(in millions of RMB)			
Revenue from sales of inventories	**2,834.9**	2,039.4	795.4	39.0
Purchases and changes in inventories	**(2,270.3)**	(1,388.3)	(881.9)	63.5
including:				
Revenue from sales of properties held for sale	**2,810.7**	1,994.3	816.3	40.9
Purchases and changes in properties held for sale	**(2,248.1)**	(1,353.0)	(895.1)	66.2
Gross profit from sales of properties held for sale	**562.6**	641.3	(78.8)	(12.3)
Gross profit margin from sales of properties held for sale (%)	**20.0**	32.2	(12.2)	(37.8)

The revenue from sales of inventories of the Group increased by 39.0% from RMB2,039.4 million in the first half of 2015 to RMB2,834.9 million in the first half of 2016 and the purchases and changes in inventories increased by 63.5% from RMB1,388.3 million in the first half of 2015 to RMB2,270.3 million in the first half of 2016.

The revenue from sales of properties held for sale of the Group increased by 40.9% from RMB1,994.3 million in the first half of 2015 to RMB2,810.7 million in the first half of 2016 while the purchases and changes in properties held for sale increased by 66.2% from RMB1,353.0 million in the first half of 2015 to RMB2,248.1 million in the first half of 2016. The gross profit margin from sales of properties decreased by 12.2 percentage points from 32.2% in the first half of 2015 to 20.0% in the first half of 2016 as the increase in revenue from sales of properties held for sale was offset by the significant increase in purchases and changes in properties held for sale.

Interest Income

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

	For the six months ended June 30,			
	2016	2015	Change	Change in percentage (%)
	(in millions of RMB)			
Loans and advances to customers	**4,886.0**	3,914.4	971.5	24.8
Financial assets held under resale agreements	**217.8**	240.7	(23.0)	(9.5)
Bank balances	**794.5**	831.7	(37.2)	(4.5)
Placements with the central bank	**11.0**	—	11.0	—
Placements with a financial institution	**27.5**	18.6	8.9	47.7
Accounts receivable	**41.3**	126.2	(84.9)	(67.3)
Others[1]	**185.7**	73.5	112.2	152.7
Total	**6,163.8**	**5,205.2**	**958.6**	**18.4**

Note:

(1) Consists primarily of interest income from deposits with exchanges, including deposits held on behalf of the clients.

The interest income of the Group increased by 18.4% to RMB6,163.8 million in the first half of 2016 from RMB5,205.2 million in the first half of 2015, primarily due to the increase in interest income from loans and advances to customers.

The interest income from loans and advances to customers increased by 24.8% to RMB4,886.0 million in the first half of 2016 as compared to RMB3,914.4 million in the first half of 2015, primarily due to (1) an increase in entrusted loans granted by consolidated structured entities; and (2) interest income from loans to customers for the consolidation of NCB.

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,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			(%)
Revenue from hotel operation	**261.7**	258.2	3.5	1.4
Rental income	**155.8**	176.2	(20.4)	(11.6)
Government grant and compensation	**125.5**	1.9	123.6	6,505.3
Revenue from property management business	**86.4**	90.6	(4.2)	(4.7)
Net gains on disposal of other assets	**62.8**	21.6	41.2	190.6
Net gains on exchange differences	**5.9**	3.2	2.7	84.4
Others	**131.1**	(75.6)	206.7	(273.5)
Total	**829.3**	**476.2**	**353.1**	**74.1**

The other income and other net gains and losses of the Group increased by 74.1% from RMB476.2 million in the first half of 2015 to RMB829.3 million in the first half of 2016, mainly due to an increase in tax refund of consolidated structured entities.

3.2.1.2 Total Costs and Expenses

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,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			(%)
Insurance costs	**(12,782.0)**	(6,618.4)	(6,163.6)	93.1
Commission and fee expense	**(978.3)**	(744.2)	(234.1)	31.5
Purchases and changes in inventories	**(2,270.3)**	(1,388.3)	(881.9)	63.5
Employee benefits	**(2,373.0)**	(2,723.0)	350.0	(12.9)
Business tax and surcharges	**(816.0)**	(1,269.5)	453.5	(35.7)
Depreciation and amortization	**(234.3)**	(218.9)	(15.4)	7.0
Impairment losses on assets	**(1,920.4)**	(1,580.5)	(339.9)	21.5
Interest expense	**(10,520.1)**	(9,806.2)	(713.9)	7.3
Other expenses	**(1,650.1)**	(1,575.7)	(74.4)	4.7
Total	**(33,544.4)**	**(25,924.8)**	**(7,619.6)**	**29.4**

The total costs and expenses of the Group increased by 29.4% from RMB25,924.8 million in the first half of 2015 to RMB33,544.4 million in the first half of 2016, mainly due to the increases in insurance costs, interest expense and purchases and changes in inventories.

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,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			(%)
Reserves for insurance contracts	**(5,567.7)**	(1,601.3)	(3,966.4)	247.7
Interests credited and policyholder dividends	**(1,216.3)**	(621.6)	(594.8)	95.7
Refund of reinsurance premiums	**83.6**	0.6	83.1	13,850.0
Other insurance expenses[(1)]	**(6,081.6)**	(4,396.1)	(1,685.5)	38.3
Total	**(12,782.0)**	**(6,618.4)**	**(6,163.6)**	**93.1**

Note:

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

The insurance costs of the Group increased by 93.1% from RMB6,618.4 million in the first half of 2015 to RMB12,782.0 million in the first half of 2016, primarily due to: (1) reserves for insurance contracts increased by 247.7% from RMB1,601.3 million in the first half of 2015 to RMB5,567.7 million in the first half of 2016; (2) other insurance expenses increased by 38.3% from RMB4,396.1 million in the first half of 2015 to RMB6,081.6 million in the first half of 2016. The increase in reserves for insurance contracts was in line with the growth of Happy Life's business. Meanwhile, the amount of surrender and maturity payment increased as a result of increased insurance premiums and insurance policies.

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,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Distressed debt assets classified as receivables	**223.0**	(667.0)	890.0	(133.4)
Available-for-sale financial assets	**(1,513.0)**	(144.5)	(1,368.5)	947.1
Loans and advances to customers	**(431.9)**	(885.2)	453.4	(51.2)
Accounts receivable	**(2.4)**	118.7	(121.1)	(102.0)
Other assets	**(196.1)**	(2.5)	(193.6)	7,744.0
Total	**(1,920.4)**	**(1,580.5)**	**(339.9)**	**21.5**

The impairment losses on assets increased by 21.5% to RMB1,920.4 million in the first half of 2016 as compared to RMB1,580.5 million in the first half of 2015, primarily due to the increase in provision for impairment losses on available-for-sale financial assets, which was partially offset by the decrease in the provision for impairment losses on distressed debt assets classified as receivables and loans and advances to customers.

The impairment losses on available-for-sale financial assets increased by 947.1% to RMB1,513.0 million in the first half of 2016 from RMB144.5million in the first half of 2015, primarily due to the impairment of certain shares of listing companies held by the Group as a result of the overall unsatisfactory performance of domestic stock markets.

The impairment losses on distressed debt assets classified as receivables decreased by RMB890.0 million to reversal of RMB223.0 million in the first half of 2016 from provision of RMB667.0 million in the first half of 2015, primarily due to the balance of distressed debt assets classified as receivables decreased from RMB169,479.5 million as at December 31, 2015 to RMB149,069.0 million as at June 30, 2016, resulting in the decrease in collective provisions for impairment losses of such assets.

The impairment loss on loans and advances to customers decreased by RMB453.4 million to RMB431.9 million in the first half of 2016 as compared to RMB885.2 million in the first half of 2015, primarily due to the decrease in collective provisions for impairment losses on loans and advances to customers because of the decrease of the balance of loans and advances to customers as at June 30, 2016 as compared to the balance as at December 31, 2015 excluding the effect of consolidation of NCB.

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,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			(%)
Borrowings	**(7,537.5)**	(7,891.6)	354.1	(4.5)
Bonds issued	**(2,546.6)**	(1,505.4)	(1,041.1)	69.2
Financial assets sold under repurchase agreements	**(170.3)**	(277.3)	107.1	(38.6)
Amount due to the MOF	**—**	(80.5)	80.5	(100.0)
Accounts payable to brokerage clients	**(36.0)**	(34.0)	(1.9)	5.7
Due to customers	**(149.3)**	—	(149.3)	—
Others	**(80.5)**	(17.3)	(63.2)	364.8
Total	**(10,520.1)**	**(9,806.2)**	**(713.9)**	**7.3**

The interest expense increased by 7.3% to RMB10,520.1 million in the first half of 2016 as compared to RMB9,806.2 million in the first half of 2015, primarily due to the increase in interest expense on bonds issued as a result of refining the structure of liabilities, which was partly offset by the decrease in interest expenses on borrowings.

The interest expense on bonds issued increased by 69.2% to RMB2,546.6 million in the first half of 2016 as compared to RMB1,505.4 million in the first half of 2015, primarily because the Company and relevant subsidiaries of the Group refined their liabilities structure and increased the bonds issuance resulting in the increase in interest expenses on bonds issued.

The interest expenses on the borrowings decreased by 4.5% to RMB7,537.5 in the first half of 2016 as compare to RMB7,891.6 in the first half of 2015, mainly because of the lower interest rate of borrowings under the easing monetary policy which led to decrease in interest expenses despite the increase in the amount of borrowings.

3.2.1.3 Income Tax Expense

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

	For the six months ended June 30,			
	2016	2015	Change	Change in Percentage
	(in million of RMB)			(%)
Profit before tax	**10,722.1**	10,739.6	(17.5)	(0.2)
Income tax expense	**(2,938.8)**	(2,484.0)	(454.8)	18.3
Effective tax rate (%)	**27.4**	23.1	4.3	18.5

The income tax expense increased by 18.3% to RMB2,938.8 million in the first half of 2016 as compared to RMB2,484.0 million in the first half of 2015, primarily due to an increase in the taxable income. In the first half of 2015 and 2016, the effective tax rates were 23.1% and 27.4%, respectively.

3.2.1.4 Segment Results of Operations

We report the financial results in three segments: (1) distressed asset management business, such as distressed debt asset management, DES Assets management, custody and liquidation and restructure services for distressed entities; (2) financial investment and asset management business, such as principal investment, asset management and the consulting and financial advisory services by the Company, Cinda Investment and Cinda Hong Kong; (3) financial services business such as banking, securities, futures, fund management, trusts, financial leasing and insurance, which were conducted mainly through our subsidiaries.

The following table sets forth the segment financial results and positions of the Group as at the dates and for the periods indicated.

	For the six months ended June 30,									
	2016	2015	**2016**	2015	**2016**	2015	**2016**	2015	**2016**	2015
	Distressed asset management		**Financial investment and asset management**		**Financial services**		**Elimination**		**Consolidation**	
	(in millions of RMB)									
Total income	**17,092.8**	15,711.0	**10,337.1**	7,897.2	**18,644.3**	14,774.9	**(568.7)**	(526.7)	**45,505.5**	37,856.4
Percentage of total (%)	**37.6**	41.5	**22.7**	20.9	**41.0**	39.0				
Total costs and expenses	**(8,322.4)**	(9,604.7)	**(6,888.0)**	(4,410.0)	**(18,671.3)**	(12,103.8)	**337.2**	193.6	**(33,544.4)**	(25,924.8)
Profit before tax	**8,758.6**	6,145.4	**2,367.0**	2,541.7	**(170.1)**	2,385.6	**(233.4)**	(333.1)	**10,722.1**	10,739.6
Percentage of total tax (%)	**81.7**	57.2	**22.1**	23.7	**(1.6)**	22.2				
Profit margin (%)	**51.2**	39.1	**22.9**	32.2	**(0.9)**	16.1			**23.6**	28.4
Return on net assets before tax[(1)] (%)	**29.8**	24.9	**13.7**	13.4	**(1.3)**	19.8			**19.2**	20.2

	As at June 30, 2016	As at December 31, 2015	As at June 30, 2016	As at December 31, 2015	As at June 30, 2016	As at December 31, 2015	As at June 30, 2016	As at December 31, 2015	As at June 30, 2016	As at December 31, 2015
	Distressed asset management		Financial investment and asset management		Financial services		Elimination		Consolidation	
					(in millions of RMB)					
Total assets	**387,544.5**	392,863.3	**213,074.9**	159,558.7	**433,718.4**	177,526.8	**(25,505.8)**	(15,974.1)	**1,008,832.0**	713,974.7
Percentage of total (%)	**38.4**	55.0	**21.1**	22.3	**43.0**	24.9				
Net assets	**60,593.3**	56,906.9	**33,712.3**	35,631.6	**25,840.6**	25,959.8	**(7,396.5)**	(7,604.4)	**112,749.7**	110,893.9
Percentage of total (%)	**53.7**	51.3	**29.9**	32.1	**22.9**	23.4				

Note:

(1) 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.

Distressed asset management is our core business and one of our principal income contributors. In the first half of 2015 and 2016, the income generated from distressed asset management accounted for 41.5% and 37.6% of our total income, respectively, and the profit before tax generated from distressed asset management accounted for 57.2% and 81.7% of our total profit before tax, respectively. As at December 31, 2015 and June 30, 2016, the total assets of our distressed asset management accounted for 55.0% and 38.4% of our total assets and the net assets of our distressed asset management accounted for 51.3% and 53.7% of our total net assets, respectively.

The profit contribution from the financial investment and asset management services remained stable in the first half of 2015 and 2016, accounting for 23.7% and 22.1% of the total profit before tax of the Group, respectively. In the first half of 2015 and 2016, the profit margin before tax of this segment accounted for 32.2% and 22.9%, respectively, and average annualized return on net asset before tax were 13.4% and 13.7%, respectively.

As a key component 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 2016 increased continuously by 26.2%, as compared to the same period of 2015, mainly due to the significant increase in premium income from insurance business of Happy Life, but the profit before tax of this segment decreased significantly due to unfavourable investment climate.

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

3.2.2 Summary of Financial Position of the Group

As at December 31, 2015 and June 30, 2016, the total assets of the Group amounted to RMB713,974.7 million and RMB1,008,832.0 million, respectively, representing an increase of 41.3%; total liabilities of the Group amounted to RMB603,080.7 million and RMB896,082.3 million, respectively, representing an increase of 48.6%; total equity amounted to RMB110,893.9 million and RMB112,749.7 million, respectively, representing an increase of 1.7%.

Excluding the effect of consolidation of NCB, as at December 31, 2015 and June 30, 2016, the total assets of the Group amounted to RMB713,974.7 million and RMB786,455.4 million, respectively, representing an increase of 10.2%; and total liabilities of the Group amounted to RMB603,080.7 million and RMB673,705.8 million, respectively, representing an increase of 11.7%.

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, 2016		As at December 31, 2015	
	Amount	**Percentage (%)**	Amount	Percentage (%)
		(in millions of RMB)		
Assets				
Cash and bank balances	**85,489.0**	**8.5**	58,070.0	8.1
Financial assets at fair value through profit or loss	**134,123.8**	**13.3**	117,287.4	16.4
Available-for-sale financial assets	**186,652.7**	**18.5**	120,604.3	16.9
Financial assets classified as receivables	**157,553.0**	**15.6**	181,058.3	25.4
Loans and advances to customers	**245,259.9**	**24.3**	104,738.5	14.7
Goodwill	**22,487.7**	**2.2**	393.0	0.1
Other assets	**177,265.9**	**17.6**	131,823.2	18.5
Total assets	**1,008,832.0**	**100.0**	**713,974.7**	**100.0**
Liabilities				
Borrowings from Central Bank	**986.1**	**0.1**	986.1	0.2
Accounts payable to brokerage clients	**17,555.0**	**2.0**	21,533.2	3.6
Due to customers	**195,791.3**	**21.8**	—	—
Borrowings	**349,185.3**	**39.0**	317,070.7	52.6
Accounts payable	**2,181.6**	**0.2**	4,970.8	0.8
Bonds issued	**136,489.7**	**15.2**	111,773.4	18.5
Other liabilities	**193,893.4**	**21.6**	146,746.5	24.3
Total liabilities	**896,082.3**	**100.0**	**603,080.7**	**100.0**
Equity				
Equity attributable to equity holders of the Company	**104,341.6**	**92.5**	101,710.2	91.7
Non-controlling interests	**8,408.1**	**7.5**	9,183.7	8.3
Total equity	**112,749.7**	**100.0**	**110,893.9**	**100.0**
Total equity and liabilities	**1,008,832.0**		**713,974.7**	

3.2.2.1 *Assets*

Cash and Bank Balances

Cash and bank balances primarily consist of cash, the Group's bank deposits and deposits with banks and other financial institutions that Cinda Securities holds on behalf of its customers in securities brokerage business. As at December 31, 2015 and June 30, 2016, cash and bank balances amounted to RMB58,070.0 million and RMB85,489.0 million, respectively, representing an increase of 47.2%. The increase was primarily due to a significant increase in bank deposits as a result of the consolidation of NCB.

Financial Assets at Fair Value through Profit or Loss

The financial assets at fair value through profit or loss are divided into two categories, including held-for-trading financial assets and financial assets designated as 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, 2016	As at December 31, 2015	Change	Change in Percentage (%)
	(in millions of RMB)			
Held-for-trading financial assets				
Listed investment				
Debt securities	**17,741.9**	14,605.3	3,136.6	21.5
Equity instruments	**4,575.3**	4,508.4	66.9	1.5
Funds	**1,680.2**	325.7	1,354.4	415.8
Derivative financial assets	**296.8**	—	296.8	—
Unlisted investment				
Funds	**3,298.6**	1,616.2	1,682.4	104.1
Derivative financial assets	**404.2**	252.4	151.8	60.1
Subtotal	**27,996.9**	**21,308.1**	**6,688.8**	**31.4**
Financial assets designated as at fair value through profit or loss				
Listed investment				
Corporate convertible bonds	**70.1**	18.0	52.1	289.4
Unlisted investment				
Distressed debt assets	**85,718.4**	84,620.7	1,097.8	1.3
Financial institution convertible bonds	**66.7**	—	66.7	—
Corporate convertible bonds	**28.3**	50.0	(21.6)	(43.3)
Wealth management products	**7,897.9**	5,882.7	2,015.2	34.3
Equity instruments	**12,345.4**	5,407.9	6,937.5	128.3
Subtotal	**106,126.9**	**95,979.3**	**10,147.5**	**10.6**
Total	**134,123.8**	**117,287.4**	**16,836.4**	**14.4**

As at December 31, 2015 and June 30, 2016, held-for-trading financial assets amounted to RMB21,308.1 million and RMB27,996.9 million, respectively, representing an increase of 31.4%. The sharp increase was mainly due to (1) the increase in the debt securities investment of Cinda Securities; and (2) the increase in held-for-trading funds held by the Company and consolidated structured entities.

As at December 31, 2015 and June 30, 2016, financial assets designated as at fair value through profit or loss amounted to RMB95,979.3 million and RMB106,126.9 million, respectively, representing an increase of 10.6%, mainly due to the increase in unlisted equity instruments, wealth management products and traditional distressed debt assets acquired by the Company. Distressed debt assets designated as at fair value through profit or loss increased by 1.3% from RMB84,620.7 million as at December 31, 2015 to RMB85,718.4 million as at June 30, 2016, and the total size remained relatively stable. The value of wealth management products increased by 34.3% from RMB5,882.7 million as at December 31, 2015 to RMB7,897.9 as at June 30, 2016, which was primarily because Cinda Investment increased investment in more flexible wealth management products to pursue higher yield of the short-term capital.

Available-for-sale Financial Assets

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

	As at June 30, 2016	As at December 31, 2015	Change	Change in Percentage (%)
	(in millions of RMB)			
Debt securities	**50,291.0**	10,106.4	40,184.6	397.6
Equity instruments	**41,357.9**	51,886.9	(10,529.1)	(20.3)
Funds	**52,479.9**	30,737.5	21,742.4	70.7
Trust products and right to trust assets	**13,286.0**	10,712.9	2,573.1	24.0
Asset management scheme	**13,077.8**	8,507.1	4,570.7	53.7
Certificates of deposit and interbank deposit	**10,883.0**	3,840.3	7,042.7	183.4
Wealth management products	**1,915.5**	1,702.9	212.5	12.5
Assets backed securities	**600.4**	630.0	(29.5)	(4.7)
Others	**2,761.1**	2,480.3	280.8	11.3
Total	**186,652.7**	**120,604.3**	**66,048.4**	**54.8**

As at December 31, 2015 and June 30, 2016, available-for-sale financial assets amounted to RMB120,604.3 million and RMB186,652.7 million, respectively, representing an increase of 54.8%. The increase was mainly due to the significant increase in available-for-sale debt securities as a result of the consolidation of NCB.

Funds are the largest component of available-for-sale financial assets of the Group. As at December 31, 2015 and June 30, 2016, available-for-sale funds amounted to RMB30,737.5 million and RMB52,479.9 million, respectively, representing an increase of 70.7%. The increase was mainly due to the increase of public funds investment by the Company and Happy Life.

Debt securities are the main component of available-for-sale financial assets of the Group. As at December 31, 2015 and June 30, 2016, available-for-sale debt securities amounted to RMB10,106.4 million and RMB50,291.0 million, respectively, representing an increase of 397.6%, which was mainly due to the consolidation of the large amount of debt securities held by NCB.

The table below sets forth the principal components of debt securities in available-for-sale financial assets of the Group by issuers as at the dates indicated.

	As at June 30, 2016	As at December 31, 2015	Change	Change in Percentage (%)
	(in millions of RMB)			
Issuers				
Government bonds	**14,877.0**	80.6	14,796.4	18,357.8
Public sector and quasi-government bonds	**14,856.0**	4,617.2	10,238.8	221.8
Financial institution bonds	**8,118.3**	1,566.6	6,551.7	418.2
Corporate bonds	**12,439.7**	3,842.0	8,597.7	223.8
Subtotal	**50,291.0**	**10,106.4**	**40,184.6**	**397.6**

Equity instruments decreased by RMB10,529.1 million, or 20.3%, from RMB51,886.9 million as at December 31, 2015 to RMB41,357.9 million as at June 30, 2016.

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

	As at June 30, 2016	As at December 31, 2015	Change	Change in Percentage (%)
	(in millions of RMB)			
The Group				
Listed	**8,937.8**	17,401.1	(8,463.3)	(48.6)
Unlisted	**32,420.1**	34,485.8	(2,065.7)	(6.0)
Total	**41,357.9**	**51,886.9**	**(10,529.1)**	**(20.3)**
The Company				
Listed	**2,717.4**	3,615.9	(898.5)	(24.8)
Unlisted	**30,856.5**	32,589.6	(1,733.1)	(5.3)
Sub-total	**33,573.9**	**36,205.5**	**(2,631.6)**	**(7.3)**
DES Assets[(1)]	**32,124.2**	34,521.1	(2,396.9)	(6.9)
Financial equity investments by the Company[(2)]	**1,449.7**	1,684.5	(234.8)	(13.9)
Sub-total	**33,573.9**	**36,205.5**	**(2,631.6)**	**(7.3)**

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 made provisions for the impairment losses and recognized the impairment losses of such assets.

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

	As at and for the six months ended June 30, *(in millions of RMB)*
As at December 31, 2014	(3,310.6)
Provisions for impairment losses	(144.4)
Disposal	737.6
As at June 30, 2015	(2,717.4)
As at December 31, 2015	(2,900.6)
Provisions for impairment losses	(1,513.0)
Disposal	17.9
As at June 30, 2016	**(4,395.7)**

In the first half of 2015 and 2016, provisions for impairment losses of available-for-sale financial assets of the Group amounted to RMB144.4 million and RMB1,513.0 million, respectively, which mainly reflected the market price changes of certain listed companies' shares held by the Group.

Financial Assets Classified as Receivables

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

	As at June 30, 2016	As at December 31, 2015	Change	Change in Percentage (%)
	(in millions of RMB)			
Distressed debt assets				
Loans acquired from financial institutions	**29,271.6**	37,187.2	(7,915.6)	(21.3)
Accounts receivable acquired from non-financial institutions	**119,797.4**	132,292.3	(12,494.9)	(9.4)
Subtotal	**149,069.0**	**169,479.5**	**(20,410.4)**	**(12.0)**
Allowance for impairment losses	**(5,711.8)**	(6,334.6)	622.8	(9.8)
Net balance	**143,357.2**	**163,144.9**	**(19,787.7)**	**(12.1)**
Other debt investments				
Trust products	**4,958.8**	3,950.5	1,008.3	25.5
Debt investment plans	**4,268.3**	3,985.5	282.8	7.1
Structured debt arrangements	**5,049.9**	10,058.6	(5,008.7)	(49.8)
Subtotal	**14,277.0**	**17,994.6**	**(3,717.6)**	**(20.7)**
Allowance for impairment losses	**(81.2)**	(81.2)	—	—
Net balance	**14,195.8**	**17,913.4**	**(3,717.6)**	**(20.8)**
Total	**157,553.0**	**181,058.3**	**(23,505.3)**	**(13.0)**

As at December 31, 2015 and June 30, 2016, the total distressed debt assets classified as receivables amounted to RMB169,479.5 million and RMB149,069.0 million, respectively, representing a decrease of 12.0%.

As at December 31, 2015 and June 30, 2016, the impaired distressed debt assets classified as receivables of the Company were RMB3,040.4 million and RMB2,759.2 million, accounting for 1.78% and 1.82% of the total distressed debt assets classified as receivables, respectively. As at December 31, 2015 and June 30, 2016, the allowance for impairment losses on distressed debt assets classified as receivables of the Company was RMB6,385.4 million and RMB5,799.3 million, the coverage of distressed debt assets classified as receivables was 210.0% and 210.2%, and the coverage ratio of allowance to total distressed debt assets classified as receivables was 3.73% and 3.83%, respectively.

As at December 31, 2015 and June 30, 2016, the balance of structured debt arrangements amounted to RMB10,058.6 million and RMB5,049.9 million, respectively. Such assets were acquired by the Company from banks through structured fund arrangements, and are non-derivative financial assets with fixed return which have no active market quotes. Such assets were managed as loans and receivables and accounted for as financial assets classified as receivables.

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, 2016	As at December 31, 2015	Change	Change in Percentage (%)
	(in millions of RMB)			
By business type				
Loans and advances to customers	**203,046.2**	55,307.9	147,738.3	267.1
Loans to margin clients	**6,122.7**	8,938.2	(2,815.5)	(31.5)
Finance lease receivables	**41,735.3**	44,520.9	(2,785.6)	(6.3)
Subtotal	**250,904.1**	**108,767.0**	**142,137.1**	**130.7**
By form of guarantee				
Loan secured by properties	**70,916.7**	35,498.9	35,417.8	99.8
Pledged loan	**53,861.3**	29,864.4	23,996.9	80.4
Guaranteed loan	**39,232.7**	36,236.3	2,996.4	8.3
Credit loan	**86,893.4**	7,167.4	79,726.0	1,112.3
Subtotal	**250,904.1**	**108,767.0**	**142,137.1**	**130.7**
Allowance for impairment losses	**(5,644.2)**	(4,028.5)	(1,615.7)	40.1
Net balance of loans and advances to customers	**245,259.9**	**104,738.5**	**140,521.4**	**134.2**

As at December 31, 2015 and June 30, 2016, net balance of loans and advances to customers amounted to RMB104,738.5 million and RMB245,259.9 million, respectively, representing an increase of 134.2%. The increase was mainly due to the significant increase in loans to customers after the consolidation of NCB. Loans and advances to customers increased by 267.1% from RMB55,307.9 million as at December 31, 2015 to RMB203,046.2 million as at June 30, 2016.

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

	As at June 30, 2016	As at December 31, 2015	Change	Change in percentage (%)
	(in millions of RMB)			
Corporate loans and advances				
Loans and advances	**163,189.5**	55,307.9	107,881.6	195.1
Discount	**8,917.5**	—	8,917.5	—
Subtotal	**172,107.0**	**55,307.9**	**116,799.0**	**211.2**
Personal loans and advances				
Mortgage loans	**21,274.7**	—	21,274.7	—
Personal consumption loans	**499.3**	—	499.3	—
Others	**9,165.2**	—	9,165.2	—
Subtotal	**30,939.2**	**—**	**30,939.2**	**—**
Total loans and advances	**203,046.2**	**55,307.9**	**147,738.3**	**267.1**

Net finance lease receivables (before allowance for impairment losses) decreased by 6.3% from RMB44,520.9 million as at December 31, 2015 to RMB41,735.3 million as at June 30, 2016, mainly because (1) capital demand decreased and the pressure on investments in new projects increased as China's real economy has entered into a consolidation period in the first half of 2016 following the accelerating implementation of supply-side reform; (2) new investments and the balance of leased assets decreased in the first half of 2016 as a result of the dual effects of a possible increase in credit risks and tightened risk control on new projects under the macroeconomic circumstances. As at December 31, 2015 and June 30, 2016, finance lease receivables accounted for 40.9% and 16.6% of total loans and advances to customers, respectively.

The table below sets forth the net amount of finance lease receivables to be settled within the periods indicated, as at the dates indicated.

	As at June 30, 2016	As at December 31, 2015	Change	Change in percentage (%)
	(in millions of RMB)			
Gross investment in finance leases	**45,943.7**	49,234.0	(3,290.2)	(6.7)
Less: Unearned finance income	**4,208.4**	4,713.1	(504.7)	(10.7)
Net finance lease receivables	**41,735.3**	**44,520.9**	**(2,785.6)**	**(6.3)**
Within 1 year (inclusive)	**14,664.8**	14,758.4	(93.6)	(0.6)
1 year to 5 years (inclusive)	**26,103.7**	28,315.3	(2,211.6)	(7.8)
Over 5 years	**966.7**	1,447.2	(480.5)	(33.2)
Allowance for impairment losses	**(1,181.6)**	(976.7)	(204.9)	21.0
Net investment in finance leases	**40,553.7**	**43,544.2**	**(2,990.5)**	**(6.9)**

Goodwill

On May 30, 2016 ("**Date of Acquisition**"), Cinda Financial, an indirect wholly-owned subsidiary of the Company, acquired all the issued shares of NCB Hong Kong from BOCHK at a total consideration of HK$68 billion. The Group has evaluated identifiable net assets of NCB as at the date of acquisition according to the relevant requirements of the PRC GAAP. The consolidated goodwill as at the date of acquisition amounted to RMB21.8 billion based on the consolidated costs and the fair value of identifiable net assets.

3.2.2.2 Liabilities

Liabilities of the Group mainly consist of borrowings, due to customers and bonds issued, accounting for 39.0%, 21.8% and 15.2% of the total liabilities of the Group as at June 30, 2016, respectively.

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

	As at June 30, 2016		As at December 31, 2015	
		Percentage		Percentage
	Amount	**(%)**	Amount	(%)
		(in millions of RMB)		
Borrowings	**349,185.3**	**47.7**	317,070.7	68.5
Due to customers	**195,791.3**	**26.8**	—	—
Deposits from financial institutions	**8,439.9**	**1.2**	—	—
Accounts payable to brokerage clients	**17,555.0**	**2.4**	21,533.2	4.6
Financial assets sold under repurchase agreements	**12,890.4**	**1.8**	10,949.4	2.4
Placements from banks and financial institution	**11,318.7**	**1.5**	1,807.0	0.4
Bonds issued	**136,489.7**	**18.7**	111,773.4	24.1
Total	**731,670.3**	**100.0**	**463,133.7**	**100.0**

As at December 31, 2015 and June 30, 2016, the total interest-bearing liabilities of the Group amounted to RMB463,133.7 million and RMB731,670.3 million, respectively, representing an increase of 58.0%. Excluding the effect of consolidation of NCB, the total interest-bearing liabilities of the Group increased by 11.3% from RMB463,133.7 million as at December 31, 2015 to RMB515,320.4 million as at June 30, 2016.

Due to customers

As at June 30, 2016, the balance of due to customers of the Group amounted to RMB195,791.3 million. The due to customers of the Group comprised due to customers of NCB.

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

	As at June 30, 2016
	(in millions of RMB)
Demand Deposits	**76,306.3**
Corporate Customers	41,406.6
Individual Customers	34,899.7
Time Deposits	**109,174.2**
Corporate Customers	68,962.0
Individual Customers	40,212.2
Guarantee Deposits	10,211.8
Others	99.0
Total	**195,791.3**

Borrowings

As at December 31, 2015 and June 30, 2016, the balance of borrowings of the Group amounted to RMB317,070.7 million and RMB349,185.3 million, respectively. The increase in borrowings was primarily due to (1) the increase of the Company's borrowings by 4.5% from RMB245,839.5 million as at December 31, 2015 to RMB256,923.6 million as at June 30, 2016, to meet the capital requirement for the development of core business; and (2) the increase in borrowings of Cinda Hong Kong for the acquisition of NCB.

Bonds Issued

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

	As at June 30, 2016	As at December 31, 2015
	(in millions of RMB)	
Financial Bonds	**63,727.2**	62,192.7
USD Guaranteed Senior Notes	**33,243.9**	32,453.7
Subordinated Bonds	**6,101.4**	6,280.4
Mid-term Notes	**3,054.7**	3,154.1
Capital Supplement Bonds	**3,060.0**	3,001.0
Corporate Bonds	**15,546.8**	2,984.5
Beneficiary Certificates	**1,175.2**	1,139.1
Redeemable Subordinated Bonds	**522.0**	504.2
HKD Bonds	**75.7**	63.7
Tier-2 Capital Bonds	**9,982.8**	—
Total	**136,489.7**	**111,773.4**

As at December 31, 2015 and June 30, 2016, the balance of bonds issued by the Group amounted to RMB111,773.4 million and RMB136,489.7 million, respectively. Bonds issued in the first half of 2016 further increased mainly because the Group actively refined the structure of assets and liabilities by carrying out direct financing business with focus on bond financing while consolidating the inter-bank financing business. Additional bonds issued in the first half of 2016 mainly consist of (1) the tier-2 capital bonds of RMB10 billion issued by the Company in June 2016; (2) the corporate bonds of RMB2.0 billion and RMB3.0 billion issued by Cinda Investment in January 2016 and May 2016, respectively; (3) the corporate bonds of RMB2.5 billion and RMB0.5 billion issued by Cinda Real Estate in March 2016 and May 2016, respectively; (4) the financial bonds of RMB2.0 billion issued by Cinda Leasing in June 2016.

3.2.3 Contingent Liabilities

Due to the nature of our business, our Company and its subsidiaries are involved in certain legal proceedings in the ordinary course of business, including litigation and arbitration. The Company makes provisions, as appropriate, for the probable losses with respect to those claims when its management can reasonably estimate the outcome of the proceedings based on the advice of legal counsel. The Company does not make provisions for pending litigation when the outcome of the litigation cannot be reasonably estimated or when its management believes that the probability of loss is remote or that any resulting liabilities will not have a material and adverse effect on the financial condition or operating results of the Company.

As at December 31, 2015 and June 30, 2016, the claims of pending litigations of which the Group was defendant were RMB1,845 million and RMB1,749 million, and provision of RMB94 million and RMB89 million were made for the periods ended on the dates based on court judgments or the advice of legal counsel, respectively. The Directors believe that the final results of these lawsuits will not have material impacts on the financial position or operations of the Group.

3.2.4 Difference between Interim 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.

3.3 Business Overview

The principal business segments of our Group include: (1) distressed asset management business, such as distressed debt asset management, management of DES Assets and custody, liquidation and restructuring services for distressed entities; (2) financial investment and asset management business, such as principal investment, asset management and the consulting and financial advisory services conducted by the Company, Cinda Investment and Cinda Hong Kong; and (3) financial services business such as banking, securities, futures, fund management, trusts, financial leasing and insurance.

The table below sets out the total income and profit before tax of each of the business segments for the periods indicated.

	For the six months ended June 30			
	2016		2015	
	Total income	**% of total**	Total income	% of total
	(in millions of RMB)			
Distressed Asset Management	**17,092.8**	**37.6**	15,711.0	41.5
Financial Investment and Asset Management	**10,337.1**	**22.7**	7,897.2	20.9
Financial Services	**18,644.3**	**41.0**	14,774.9	39.0
Elimination	**(568.7)**	**(1.3)**	(526.7)	(1.4)
Total	**45,505.5**	**100.0**	**37,856.4**	**100.0**

	For the six months ended June 30			
	2016		2015	
	Profit before tax	**% of total**	Profit before tax	% of total
	(in millions of RMB)			
Distressed Asset Management	**8,758.6**	**81.7**	6,145.4	57.2
Financial Investment and Asset Management	**2,367.0**	**22.1**	2,541.7	23.7
Financial Services	**(170.1)**	**(1.6)**	2,385.6	22.2
Elimination	**(233.4)**	**(2.2)**	(333.1)	(3.1)
Total	**10,722.1**	**100.0**	**10,739.6**	**100.0**

For the six months ended June 30, 2016, the income from business segments of distressed asset management, financial investment and asset management and financial services represented 37.6%, 22.7% and 41.0% of the total income of the Group, respectively, and these segments' profit before tax represented 81.7%, 22.1% and (1.6)% of the total profit before tax of the Group, respectively.

3.3.1 Distressed Asset Management

Distressed asset management is the core business of the Company and is the primary source of income and profit. For the six months ended June, 2015 and 2016, income from the distressed asset management business accounted for 41.5% and 37.6% of the total income of the Group, respectively, and profit before tax from the distressed asset management business accounted for 57.2% and 81.7% of the profit before tax of the Group, respectively.

The scope of the Company's distressed asset management business includes (1) the management and disposal of distressed debt assets acquired from or entrusted by financial institutions and non-financial enterprises; (2) the management and disposal of the DES Assets; and (3) custody, liquidation and restructuring of distressed financial institutions and non-financial enterprises.

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

	As at June 30, 2016	As at December 31, 2015
	(in millions of RMB)	
Net balance of distressed debt assets[(1)]	**230,311.9**	248,068.4
Balance of entrusted distressed assets	**31,577.9**	32,671.5
Book value of DES Assets	**40,876.1**	38,750.7

	For the six months ended June 30, 2016	2015
	(in millions of RMB)	
Acquisition and disposal of distressed debt assets		
Acquisition cost of distressed debt assets	**69,193.1**	57,738.8
Income from distressed debt assets[(2)]	**10,780.7**	10,991.8
Management and disposal of DES Assets		
Dividend income from DES Assets	**513.8**	270.1
Acquisition cost of DES Assets disposed (net of allowance for impairment, if any)	**1,282.5**	1,258.3
Net gain from the disposal of DES Assets	**3,623.2**	2,525.6

Notes:

(1) Equivalent to the sum of the Company's "distressed debt assets designated as at fair value through profit or loss", and "distressed debt assets classified as receivables", as appeared 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 from distressed debt assets classified as receivables", as appeared in the interim condensed consolidated financial statements.

3.3.1.1 Classification by Source of Acquisition[1]

The Company classifies its distressed debt assets into two main categories depending on the source of acquisition of the distressed assets: (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 institutions ("**NFE Distressed Assets**").

1 The Traditional Model and Restructuring Model can both be utilized for the management of distressed assets acquired from financial institutions (FI Distressed Assets) and distressed assets acquired from non-financial institutions (NFE Distressed Assets). Accounting treatment of distressed assets are determined in accordance with business models and not sources of acquisition. For example, for distressed assets acquired from financial institutions (FI Distressed Assets), those managed under the Traditional Model will be classified as "distressed debt assets designated as at fair value through profit or loss" while those managed under the Restructuring Model will be classified as "distressed debt assets classified as receivables" in the Statement of Financial Position.

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, 2016		As at December 31, 2015	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Net balance of distressed debt assets[(1)]				
FI Distressed Assets	**105,446.4**	**45.8**	111,607.7	45.0
NFE Distressed Assets	**124,865.5**	**54.2**	136,460.7	55.0
Total	**230,311.9**	**100.0**	**248,068.4**	**100.0**

	For the six months ended June 30,			
	2016		2015	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Acquisition cost of distressed debt assets				
FI Distressed Assets	**32,638.4**	**47.2**	32,443.4	56.2
NFE Distressed Assets	**36,554.7**	**52.8**	25,295.4	43.8
Total	**69,193.1**	**100.0**	**57,738.8**	**100.0**
Income from distressed debt assets[(2)]				
FI Distressed Assets	**3,864.7**	**35.8**	3,708.4	33.7
NFE Distressed Assets	**6,916.0**	**64.2**	7,283.4	66.3
Total	**10,780.7**	**100.0**	**10,991.8**	**100.0**

Notes:

(1) Equivalent to the Company's "distressed debt assets designated as at fair value through profit or loss", and "distressed debt assets classified as receivables", as appeared in the interim condensed consolidated financial statements.

(2) Equivalent to the Company's "fair value changes on distressed debt assets", and "income from distressed debt assets classified as receivables" as appeared 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 acquired distressed debt assets from non-bank financial institutions.

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,			
	2016		2015	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Large commercial banks	**15,144.2**	**46.3**	11,581.9	35.7
Joint-stock commercial banks	**14,349.3**	**44.0**	9,964.5	30.7
City and rural commercial banks	**2,580.5**	**7.9**	3,560.0	11.0
Other banks[1]	**279.4**	**0.9**	118.2	0.4
Non-bank financial institutions	**285.0**	**0.9**	7,218.8	22.2
Total	**32,638.4**	**100.0**	**32,443.4**	**100.0**

Note:

(1) Includes policy banks, the Postal Savings Bank of China and foreign banks.

NFE Distressed Assets

The NFE Distressed Assets acquired by the Company are primarily accounts receivable and other receivables of non-financial enterprises, including overdue receivables, receivables expected to be overdue and receivables from borrowers with liquidity issues.

3.3.1.2 Classification by Business Model

We mainly employ two business models in our distressed debt asset management, which are the Traditional Model and the Restructuring Model.

The table below sets forth the details of the acquisition and disposal of distressed assets by the Company using the Traditional Model and the Restructuring Model as at the dates and for the periods indicated.

	As at June 30, 2016		As at December 31, 2015	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Net balance of distressed debt assets				
Traditional Distressed Assets[1]	**84,777.7**	**36.8**	83,264.3	33.6
Restructured Distressed Assets[2]	**145,534.2**	**63.2**	164,804.1	66.4
Total	**230,311.9**	**100.0**	**248,068.4**	**100.0**

	For the six months ended June 30,			
	2016		2015	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Acquisition cost of distressed debt assets[3]				
Traditional Distressed Assets	**28,073.0**	**40.6**	26,203.8	45.4
Restructured Distressed Assets	**41,120.1**	**59.4**	31,535.0	54.6
Total	**69,193.1**	**100.0**	**57,738.8**	**100.0**
Income from distressed debt assets				
Traditional Distressed Assets[4]	**2,221.8**	**20.6**	1,500.9	13.7
Restructured Distressed Assets[5]	**8,558.9**	**79.4**	9,490.9	86.3
Total	**10,780.7**	**100.0**	**10,991.8**	**100.0**

Notes:

(1) Equivalent to the Company's "distressed debt assets designated as at fair value through profit or loss" as appeared in the interim condensed consolidated financial statements.

(2) Equivalent to the Company's "distressed debt assets classified as receivables" net of any identified impairment losses as appeared in the interim condensed consolidated financial statements.

(3) Equivalent to the amounts of distressed debt assets acquired for the periods indicated.

(4) Equivalent to the realized and unrealized "fair value changes on distressed debt assets" of the Company, as appeared in the interim condensed consolidated financial statements.

(5) Equivalent to the Company's "income from distressed debt assets classified as receivables" as appeared in the interim condensed consolidated financial statements.

Traditional Distressed Assets

The primary source of Company's Traditional Distressed Assets is banks. Upon completion of debt acquisition, the Company assumes the pre-existing rights and obligations between banks and debtors. The Company realizes and enhances the value of assets primarily through approaches such as debt restructuring, litigation and sales.

The table below sets forth certain details of the Company's acquisition and disposal of Traditional Distressed Assets as at the dates and for the periods indicated.

	As at June 30, 2016	As at December 31, 2015
	(in millions of RMB)	
Net balance of Traditional Distressed Assets	**84,777.7**	83,264.3

	For the six months ended June 30,	
	2016	2015
	(in millions of RMB)	
Acquisition cost of Traditional Distressed Assets	**28,073.0**	26,203.8
Carrying amount of Traditional Distressed Assets disposed[(1)]	**26,660.4**	8,531.0
Unrealized fair value changes	**468.4**	79.8
Net income from Traditional Distressed Assets	**2,221.8**	1,500.9
Internal rate of return[(2)] (%)	**16.2**	19.2

Notes:

(1) Represents the amounts of Traditional Distressed Assets disposed in a given period.

(2) Represents the return that equates the present value of all capital invested in the Traditional Distressed Assets to the present value of all returns of capital, the discount rate that will provide a net present value of all cash flows equal to zero.

Restructured Distressed Assets

The primary sources of our Restructured Distressed Assets are non-financial enterprises, as well as banks and non-bank financial institutions. When acquiring debts, the Company would enter into agreements with creditors and debtors respectively to confirm the contractual rights and obligations and then acquire the debts from the creditor, concurrent to the debts acquisition. The Company, the debtor and its related parties also enter into a restructuring agreement that details the repayment amounts, the repayment method, repayment schedule, and any collateral and guarantee arrangements. The restructuring returns and payment schedule are fixed at the time of executing the restructuring agreements.

The table below sets forth certain details of our Company's acquisition and disposal of Restructured Distressed Assets as at the dates and for the periods indicated.

	As at June 30, 2016	As at December 31, 2015
	(in millions of RMB)	
Net balance of Restructured Distressed Assets	**145,534.2**	164,804.1
Balance of impaired Restructured Distressed Assets	**2,759.2**	3,040.4
Impaired Restructured Distressed Assets ratio[1] (%)	**1.82**	1.78
Allowance for impairment losses	**5,799.3**	6,385.4
Impaired Restructured Distressed Assets coverage ratio[2] (%)	**210.2**	210.0

	For the six months ended June 30,	
	2016	2015
	(in millions of RMB)	
Acquisition cost of Restructured Distressed Assets	**41,120.1**	31,535.0
Income from Restructured Distressed Assets	**8,558.9**	9,490.9
Annualized return on monthly average balance[3] (%)	**10.6**	11.2

Notes:

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

(2) Equals 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.

3.3.1.3 Entrusted Distressed Asset Management

In addition to aforementioned acquiring and disposing of distressed assets, the Company also manages and disposes of distressed assets entrusted by financial institutions, non-financial enterprises and local government authorities, and our income is primarily derived from commissions based on the cash recovery. As at December 31, 2015 and June 30, 2016, the balance of the entrusted distressed assets was RMB32.7 billion and RMB31.6 billion, respectively.

3.3.1.4 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 DES Assets held by us can be classified, on the basis of their nature, as unlisted shares of DES Companies ("**Unlisted DES Assets**") and listed shares of DES Companies ("**Listed DES Assets**"). As at December 31, 2015 and June 30, 2016, the total book value of our Unlisted DES Assets in 164 and 160 DES Companies amounted to RMB31,638.1 million and RMB29,904.9 million, respectively, and the total book value of the Listed DES Assets in 19 DES Companies amounted to RMB7,112.6 million and RMB10,971.2 million, respectively.

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

	As at June 30, 2016	As at December 31, 2015
	(in millions of RMB, except number of DES Companies)	
Number of DES Companies	**179**	183
Unlisted	**160**	164
Listed	**19**	19
Total book value	**40,876.1**	38,750.7
Unlisted	**29,904.9**	31,638.1
Listed	**10,971.2**	7,112.6

DES Assets Disposal Gain

For the six months ended June 30, 2015 and 2016, the Company disposed of the investments in 15 and 8 DES Companies, respectively, with total acquisition cost (net of provisions for impairment, if any) of RMB1,258.3 million and RMB1,282.5 million, respectively, realizing net gain of RMB2,525.6 million and RMB3,623.2 million, respectively. The dividend income amounted to RMB270.1 million and RMB513.8 million, respectively. For the six months ended June 30, 2016, the exit multiple of the DES Assets disposed of by the Company[1] was 3.83, and 3.78 for the unlisted ones.

1 The formula of the exit multiple of DES Assets disposed: (Net gain + acquisition cost (net of provisions for impairment, if any))/acquisition cost of DES Assets disposed (net of provisions for impairment, if any)

The table below sets forth details of disposal of DES Assets by the Company for the periods indicated.

	For the six months ended June 30,	
	2016	2015
	(in millions of RMB, except number of DES Companies)	
Number of DES Companies disposed	**8**	15
Acquisition cost of DES Assets disposed (net of allowance for impairment, if any)	**1,282.5**	1,258.3
Net gain on disposal of DES Assets[1]	**3,623.2**	2,525.6
Dividend income	**513.8**	270.1

Note:

(1) Net gain on DES Assets disposed and the exit multiple do not include the interest income of RMB35.8 million from DES receivables.

3.3.2 Financial Investment and Asset Management

The financial investment and asset management business is conducted together by the Company, Cinda Investment, Cinda Hong Kong, Zhongrun Development, Cinda Capital and their subsidiaries, which primarily includes principal investment, asset management and other businesses. For the six months ended June 30, 2015 and 2016, the income from financial investment and asset management business accounted for 20.9% and 22.7% of the total income, respectively, and the profit before tax accounted for 23.7% and 22.1% of the profit before tax of the Group, respectively.

The table below sets forth the key financial data of Cinda Investment, Cinda Hong Kong and Zhongrun Development as at the dates and for the periods indicated.

	For the six months ended June 30,							
	2016		2015		**As at June 30, 2016**		As at December 31, 2015	
	Income	**Profit before tax**	Income	Profit before tax	**Total assets**	**Net assets**	Total assets	Net assets
	(in millions of RMB)							
Cinda Investment	**7,514.0**	**2,885.4**	5,025.9	1,889.4	**93,943.9**	**22,745.0**	83,672.7	17,016.4
Cinda Hong Kong	**1,264.3**	**(560.2)**	1,037.3	396.1	**68,922.5**	**10,480.3**	47,139.7	3,748.0
Zhongrun Development	**155.0**	**80.2**	191.8	93.7	**4,196.7**	**3,847.8**	4,456.2	1,128.8

3.3.2.1 Principal Investment

Our principal investment business primarily includes (1) equity investments related to our distressed asset management business; (2) real estate investment and development related to our distressed asset management business; and (3) other investments, including investments in fund products, debt securities, trust products and wealth management products. As at December 31, 2015 and June 30, 2016, balance of the principal investment of the Group totalled RMB82.2 billion and RMB111.9 billion, respectively. For the six months ended June 30, 2015 and 2016, income from the principal investment of the Group, primarily including investment income, net income from investment properties and hotel operation revenue under the financial investment and asset management business segment, totalled RMB4.1 billion and RMB5.1 billion, respectively. As at June 30, 2016, the equity investments, real estate investments, fund investment and other investments of the Group represented 28.7%, 1.9%, 33.6% and 35.8%, respectively of the total principal investments.

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

	As at June 30, 2016		As at December 31, 2015	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Balance of principal investments — by investment type				
Equity investments[1]	**32,091.9**	**28.7**	30,427.8	37.0
Real estate investments[2]	**2,130.0**	**1.9**	2,143.6	2.6
Fund investments	**37,617.0**	**33.6**	23,063.2	28.1
Other investments[3]	**40,094.7**	**35.8**	26,545.2	32.3
Total	**111,933.6**	**100.0**	**82,179.8**	**100.0**
Balance of principal investments — by investment entities				
The Company	**62,798.3**	**56.1**	43,119.7	52.5
Cinda Investment	**21,783.7**	**19.5**	20,395.1	24.8
Cinda Hong Kong	**31,515.8**	**28.2**	19,598.4	23.8
Zhongrun Development	**1,770.7**	**1.6**	2,678.9	3.3
(Elimination)	**(5,934.9)**	**(5.3)**	(3,612.3)	(4.4)
Total	**111,933.6**	**100.0**	**82,179.8**	**100.0**

Notes:

(1) Equivalent to equity instruments classified under "Financial assets at fair value through profit or loss", "Available-for-sale financial assets" and "Interests in associates and joint ventures" as appeared in the consolidated financial statements attributable to financial investment and asset management business segment.

(2) Equivalent to "Investment properties" as appeared in the consolidated financial statements.

(3) Includes primarily investments in debt securities, trust products and wealth management products.

3.3.2.2 Equity Investment

The Company, Cinda Investment, Cinda Hong Kong and Zhongrun Development are all engaged in equity investments related to distressed assets, although with different focuses. The Company primarily focuses on minority financial investments, and mainly invests in industries of which it has substantial experience such as energy, construction and environmental protection industries. Cinda Investment invests primarily in projects related to the Company's distressed asset management business. Cinda Hong Kong mainly handles equity investments outside of the PRC in relation to the Company's distressed asset management business. Zhongrun Development's equity investments are closely related to its custody, liquidation and restructuring business.

Equity Investments by the Company

The Company is engaged in financial investments and receives dividend income and investment income from the disposal of its equity holdings. As at December 31, 2015 and June 30, 2016, the balance of the Company's direct equity investments classified under financial assets at fair value through profit or loss, available-for-sale financial assets and interests in associates and joint ventures in the consolidated financial statements, was RMB7.3 billion and RMB4.2 billion, respectively.

Equity Investments by Cinda Investment

Cinda Investment serves as the Group's professional investment platform. As at December 31, 2015 and June 30, 2016, the balance of Cinda Investment's equity investments classified under financial assets at fair value through profit or loss, available-for-sale financial assets and interests in associates and joint ventures in the consolidated financial statements was RMB5.9 billion and RMB5.0 billion, respectively.

Equity Investments by Cinda Hong Kong

Cinda Hong Kong and its relevant subsidiaries serve as our overseas business platform. As at December 31, 2015 and June 30, 2016, the balance of Cinda Hong Kong's equity investments classified under financial assets at fair value through profit or loss, available-for-sale financial assets and interests in associates and joint ventures in the consolidated financial statements was RMB16.5 billion and RMB22.5 billion, respectively.

Equity Investments by Zhongrun Development

Zhongrun Development's investment business is primarily expanded through the Company's distressed asset management operations and the custody and liquidation of Distressed Entities business. As at December 31, 2015 and June 30, 2016, the balance of Zhongrun Development's equity investments classified under available-for-sale financial assets and interests in associates and joint ventures in the consolidated financial statements was RMB640 million and RMB700 million, respectively.

3.3.2.3 Real Estate Investment and Development

Cinda Investment, together with its certain subsidiaries, serves as the Group's primary platform for real estate investment and development. Cinda Real Estate, one of the subsidiaries of Cinda Investment which is principally engaged in property development, is the operation platform for property development business of the Company. As at December 31, 2015 and June 30, 2016, the balance of investment properties of the Group amounted to RMB1.9 billion and RMB2.1 billion, respectively. For the six months ended June 30, 2015 and 2016, the real estate development business generated real estate sales revenue of RMB2.0 billion and RMB2.8 billion, respectively.

3.3.2.4 Other Investments

Other principal investments we conduct include investments in fund products, debt securities, trust products and wealth management products through the Company, Cinda Investment, Cinda Hong Kong and Zhongrun Development. As at December 31, 2015 and June 30, 2016, the balance of the investments in all types of funds was RMB23.1 billion and RMB37.6 billion, respectively. The Group invests in debt securities directly or through investment funds. As at December 31, 2015 and June 30, 2016, the balance of the debt securities investments was RMB2.6 billion and RMB7.3 billion, respectively. We also invest in wealth management products from banks and securities companies, as well as trust products. As at December 31, 2015 and June 30, 2016, the balance of the investments in wealth management and trust products of the Group totalled RMB12.9 billion and RMB15.9 billion, respectively.

3.3.2.5 Asset Management Business

The asset management business of the Group consists of (1) the private fund business included in financial investment and the asset management segment; and (2) the securities investment management, trust and mutual fund businesses included in the financial services segment.

As at June 30, 2016, the Group has established 83 private funds that raised third-party capital and for which its subsidiaries act as a general partner (or manager).

The table below sets forth details of the private fund business of the Group as at the dates and for the periods indicated.

	As at June 30, 2016	As at December 31, 2015
Number of funds[1]	**83**	74
Total committed capital (AUM) *(in billions of RMB)*	**182.7**	168.6
Total paid-in capital *(in billions of RMB)*	**91.4**	95.5
Paid-in capital from third parties *(in billions of RMB)*[2]	**48.7**	48.5
Number of projects invested[3]	**188**	192

	For the six months ended June 30,	
	2016	2015
Fund management income for the year *(in millions of RMB)*	**276.8**	245.2

Notes:

(1) Includes funds that raised third-party capital and in which our subsidiaries act as a general partner (or manager).

(2) Represents paid-in capital contributed by investors not affiliated with Group.

(3) Includes only the existing projects.

As of June 30, 2016, the actual investment in private funds amounted to RMB91.4 billion, representing a decrease of 4.3% as compared to the end of the previous year. The decrease was mainly because the Company started to expand its wealth management business since 2013 with each project having a term of normally 2 to 3 years, and most of the projects have entered the settlement cycle in the first half of 2016. All the projects due had been settled successfully with the investment fully recovered.

3.3.2.6 Other Businesses

For the six months ended June 30, 2015 and 2016, the fees and commission income from consulting and advisory services by the Company, Cinda Investment and Cinda Hong Kong totalled RMB90 million and RMB290 million, respectively.

3.3.3 Financial Services

We have established a synergistic and diversified financial services platform covering banking, securities, futures, fund management, trusts, financial leasing and insurance. We are committed to providing customized financial solutions to clients.

For the six months ended June 30, 2015 and 2016, income from financial services represented 39.0% and 41.0%, respectively, of the total income of the Group. Profit before tax accounted for 22.2% and (1.6)%, respectively, of the profit before tax of the Group.

The table below sets forth the primary 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,							
	2016		2015		**As at June 30, 2016**		As at December 31, 2015	
	Income	**Profit before tax**	Income	Profit before tax	**Total assets**	**Net assets**	Total assets	Net assets
				(in millions of RMB)				
NCB [(1)]	**2,605.5**	**1,291.1**	2,445.8	1,322.4	**266,421.5**	**32,634.4**	255,687.8	31,080.6
Securities, Futures and Fund Management[(2)]	**1,976.7**	**293.3**	4,034.7	1,327.9	**57,430.5**	**9,336.6**	57,639.0	9,667.5
Jingu Trust	**226.4**	**93.2**	234.5	73.0	**4,423.7**	**3,205.3**	4,940.9	3,401.6
Cinda Leasing	**1,339.5**	**459.1**	1,346.7	439.6	**43,054.4**	**6,258.9**	46,477.3	6,143.8
Cinda P&C	**1,672.8**	**(125.1)**	2,072.2	99.2	**6,278.1**	**2,746.9**	6,376.7	2,921.7
Happy Life	**12,688.1**	**(595.7)**	7,086.9	445.9	**70,749.4**	**2,599.0**	60,827.9	4,178.2

Note:

(1) The data of NCB contained in this chapter includes the financial data before and after the consolidation of NCB by the Company on May 30, 2016.

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

3.3.3.1 Banking Business

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

NCB Hong Kong was incorporated in Hong Kong in 1949. It has cherished the spirit of "Customer-Oriented and Courteous Service" and upheld the principle of "Reputation First and Service-Driven". While establishing a strong foothold in Hong Kong with the backing up of the Motherland, NCB Hong Kong has taken on the mission to look globally and serve customers around the world. Currently, NCB Hong Kong has 42 branches in Hong Kong and approximately 1,500 employees in total. In 1982, NCB Hong Kong set up a branch in Shenzhen, which was the first foreign bank branch in the PRC.

NCB China has commenced operation in China since 2007 and its head office is in Shanghai. Currently, it has 38 branches and sub-branches (i.e. 14 branches and 24 sub-branches), mainly located in developed coastal areas such as Beijing, Tianjin and Hebei, Yangtze River Delta and Pearl River Delta. It has a total of approximately 1,400 employees.

Upon the completion of the equity transfer of NCB on May 30, 2016, NCB has officially become an important part of the financial services segment of the Group.

Nanyang Commercial Bank

Nanyang Commercial Bank (also referred to as "NCB" in this interim report, including NCB Hong Kong and its subsidiaries in this interim report) mainly engages in the provision of various wealth management services to individual customers, including deposits in various currencies, foreign exchange, trading of securities, funds and bonds, foreign currencies and securities margin, housing mortgage, as well as tax and personal loans and insurance services. It also provides import and export bills, trade financing, commercial loans, project financing and syndicate loans for corporate customers.

From 2011 to 2015, Nanyang Commercial Bank was ranked continuously as top 10 in Hong Kong on the List of the Top 300 Asian Banks by Asiaweek.

As at December 31, 2015 and June 30, 2016, NCB had total assets of RMB255.7 billion and RMB266.4 billion, respectively, total loans of RMB130.9 billion and RMB143.2 billion respectively, and total deposits of RMB182.9 billion and RMB196.6 billion, respectively. For the six months ended June 30, 2015 and 2016, its net interest income was RMB1.9 billion and RMB1.8 billion, respectively, and the net commission and fee income was RMB0.56 billion and RMB0.65 billion, respectively.

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, 2016	As at December 31, 2015
Asset quality indicators (%)		
Non-performing loan ratio(1)	**0.43**	0.44
Capital Adequacy ratio indicators (%)		
Total debt-to-capital ratio(2)	**18.57**	18.41
Tier-1 capital ratio(3)	**16.46**	16.20
Tier-1 capital ratio of common equities(4)	**16.46**	16.20
Other indicators (%)		
Liquidity coverage ratio(5)	**145.26**	120.02

	As at and for the six months ended June 30	
	2016	2015
Profitability indicators (%)		
Return on average assets(6)	**0.82**	0.91
Return on average shareholder's equity(7)	**6.70**	7.92
Net interest margin(8)	**1.56**	1.67
Cost-to-income ratio(9)	**41.94**	38.92

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.

NCB Hong Kong

NCB Hong Kong has been growing along with the economic development in Hong Kong. Through its efforts in the past 66 years, NCB Hong Kong has become a full-service commercial bank.

NCB Hong Kong has been famous for its personal wealth management and corporate banking services. It serves individual customers with a wide range of wealth management products. Its key wealth management products include various types of deposits and investment products, such as deposits of different currencies or investment-linked deposits, foreign exchange, trading of securities, funds and bonds, and life insurance. As at December 31, 2015 and June 30, 2016, personal deposits in Hong Kong amounted to RMB62.4 billion and RMB64.5 billion, accounting for 48.7% and 49% of the total deposits of NCB Hong Kong, respectively. NCB Hong Kong also provides a series of personal loan products, including mortgage, tax and various personal loans. As at December 31, 2015 and June 30, 2016, total personal loans amounted to RMB17.9 billion and RMB19.0 billion, accounting for 19.7% and 20% of the total loans to customers of NCB Hong Kong, respectively. In recent years, cooperating with its subsidiaries in Mainland China and taking advantage of its cross-border business, NCB Hong Kong has provided credit plans for cross-border customers, using their properties in Mainland China as security. For the six months ended June 30, 2016, net interest income and net commission and fee income from personal customers amounted to RMB230 million and RMB280 million, respectively.

In respect of corporate banking business, NCB Hong Kong provides local industrial and commercial customers in Hong Kong with a range of credit financing products, such as import and export bills, trade financing, overdraft, industrial and commercial loans, project loans, syndicate loans and other services, and provides financing channels for all types of small-to-medium-sized enterprises. NCB Hong Kong has promoted a number of cross-border products to meet the financing needs of cross-border enterprises. As at December 31, 2015 and June 30, 2016, deposits from corporate customers amounted to RMB65.8 billion and RMB67.2 billion, accounting for 51.3% and 51% of the total deposits from customers of NCB Hong Kong, respectively. Loans to corporate customers amounted to RMB72.8 billion and RMB75.9 billion, accounting for 80.3% and 80% of the total loans to customers of NCB Hong Kong, respectively. For the six months ended June 30, 2016, net interest income and net commission and fee income from corporate customers amounted to RMB670 million and RMB250 million, respectively.

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 area 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

In the first half of 2016, NCB China overcame the challenges and strived to make progress in the face of the pressures from external economic downturn and internal shareholding restructuring. With the efforts of relevant parties, NCB China has implemented a series of measures to facilitate the equity transfer, foster the business synergy, reduce non-performing loans, optimize the service quality, refine the management and pave way for future development. As a result, NCB China maintained stable customer base and achieved sustainable operation and employee retention, which ensured the successful transfer of equity and stable operation.

In 2016, NCB China was accredited as Class A in the comprehensive assessment of banking institutions in Shanghai for 2015 by the People's Bank of China, Shanghai Branch. NCB China was also rated as AAA credit class by Dagong Global Credit Rating Co., Ltd. As at June 30, 2016, the major operating indicators of NCB China were higher than the average of foreign owned banks in Shanghai.

In the first half of 2016, the annualized ROAE and annualized ROAA of NCB China were 3.86% and 0.34%, respectively. As of June 30, 2016, both of the core tier-1 capital adequacy ratio and tier-1 capital adequacy ratio of NCB China were 15.13%, and the capital adequacy ratio, non-performing loan ratio and provision coverage ratio were 15.61%, 1.01% and 151.01%, respectively.

As at December 31, 2015 and June 30, 2016, NCB China had total assets of RMB96.7 billion and RMB105.1 billion, respectively, total loans of RMB45.7 billion and RMB54.6 billion, respectively, and total deposits of RMB62.7 billion and RMB72.5 billion, respectively. For the six months ended June 30, 2015 and 2016, its net interest income were RMB590 million and RMB680 million, respectively, and the net commission and fee income were RMB160 million and RMB180 million, respectively.

Based on the types of products and services provided, business of NCB China divides into three segments, namely retail banking, corporate banking and treasury services.

Retail banking refers to the provision of banking services to individual customers, including deposits, credit and debit cards, consumption loans, mortgage loans and personal asset management. As at December 31, 2015 and June 30, 2016, the total retail loans provided by NCB China amounted to RMB11.3 billion and RMB12.1 billion, accounting for 24.6% and 22.1% of the total balance of loans, respectively. The total retail deposits were RMB13.0 billion and RMB10.7 billion, accounting for 20.7% and 14.8% of the total balance of deposits, respectively.

Corporate banking refers to the provision of banking services to corporate customers, including deposits, loans, settlement, trade-related products and other services. As at December 31, 2015 and June 30, 2016, the total corporate loans provided by NCB China amounted to RMB34.4 billion and RMB42.5 billion, accounting for 75.4% and 77.9% of the total balance of loans, respectively. Total corporate deposits amounted to RMB49.8 billion and RMB61.8 billion, accounting for 79.3% and 85.2% of the total balance of deposits, respectively.

Treasury services include: (1) foreign exchange market business, which primarily consists of spot, forward and swap foreign exchange trading; (2) monetary market business, which primarily consists of inter-bank deposits or borrowings and repurchase and reverse-repurchase agreements; (3) derivative products, which primarily consists of interest rate swap and structural wealth management on behalf of customers; and (4) fixed income market business, which primarily include bonds (including large negotiable certificate of time deposit).

Progress and Prospects of the Consolidation of Nanyang Commercial Bank

The acquisition of Nanyang Commercial Bank is a strategic decision of the Company after fully reviewing its development direction and model. It has profound significance for the Company to establish more sustainable business system, accelerate overseas business expansion, and provide customers with more comprehensive and quality domestic and overseas financial services. The successful completion of the transaction is just the first step of the acquisition. The success of the acquisition depends on whether effective integration and expected synergy will be achieved. As such, the Company has established a specialized consolidation management team, engaged world-class consultants and formulated a carefully designed consolidation plan to develop an effective project management mechanism.

Strategies and objectives of the consolidation

The acquisition and consolidation of NCB involves highly complicated procedures. The Company is confident that the consolidation of NCB will be completed within the next two to three years and NCB will, relying on the synergetic comprehensive financial group, develop into a leading commercial bank mainly engaging in asset management and inter-bank businesses with cross-border financial services and corporate financial services as the key products. In the course of consolidation of NCB, the Company mainly aims to ensure smooth equity transfer and stable operation, and achieve the expected transaction benefits and business synergies.

Progress and results of the consolidation

To date, the planning, negotiation and preparation for completion of the acquisition had been completed, it is at the stage of stabilizing business operation and transfer. The consolidation has made preliminary progress, mainly in the following three aspects:

Firstly, the normal operation of NCB has remained consistent and sustainable with stable customer base and staff at different levels, laying a sound foundation for further integration. The Company has also maintained smooth and good communication with BOC and BOCHK, to ensure their stable and efficient services during the transition period.

Secondly, the Company has effectively integrated business resources of both parties and strengthened the internal synergy of the Group. All banking services offered by NCB have been incorporated into our business process. The Company has cooperated with NCB in paying visits and made referrals to quality customers of the Group in order to explore potential business opportunities.

Thirdly, future development strategies of NCB have been formulated as follows: (1) In respect of regional layout, NCB will promote balanced and coordinated development in Hong Kong and Mainland China, in order to achieve dual drivers for business expansion. Taking Hong Kong as an important development base, NCB will steadily develop Hong Kong and overseas businesses. On the other hand, taking Mainland China as a key growth spot, NCB will develop Mainland and cross-border businesses. In addition, cooperation between domestic and overseas businesses will be enhanced to fully utilize their synergistic advantages. (2) For business positioning, leveraging the advantages of sound foundation and high synergy of the corporate banking business, NCB will accelerate the development of corporate banking business to realize significant growth. With a focus on wealth management and asset management, NCB will further develop more specialized services under its personal banking business to establish a distinctive brand in the medium-to-high-end customer market. (3) In respect of customer selection, NCB will further consolidate and expand customer base by progressively optimizing customer structure, classifying different customers, providing multi-level services and improving resource allocation. For corporate customers, NCB will focus on providing a package of services including financing, financial advisory and asset management for large and medium enterprises with industry advantages and demands for cross-border services of the Group and NCB as well as small and medium high-growth enterprises with sound development prospect and standardized corporate governance. For personal customers, NCB will explore public customers in key cities with a focus on medium to high net worth individuals with cross-border asset allocation needs.

Prospects for consolidation

Capturing the opportunity arising from the acquisition and consolidation of NCB, the Group will focus on Mainland and cross-border businesses. With its internal synergy, the Group will fully leverage the advantages of its Hong Kong business as a bridge tower for the development of overseas businesses. The Group will transform its financial services into a customer-oriented integrated operation model, in order to improve the overall competitiveness of its financial services.

3.3.3.2 Securities, Futures and Fund Management

The Group conducts securities and futures businesses in Mainland China through Cinda Securities and Cinda Futures, a wholly-owned subsidiary of Cinda Securities and conducts public fund management business and other asset management business in Mainland China through First State Cinda Fund, a subsidiary of Cinda Securities. The Group also conducts securities and futures businesses in Hong Kong through Cinda International.

Cinda Securities

The table below sets forth the amount of income from securities brokerage, futures and other businesses and their percentages in total operating income of Cinda Securities for the periods indicated.

	For the six months ended June 30,			
	2016		2015	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Securities brokerage	**622.9**	**53.8**	1,513.1	57.2
Futures	**81.4**	**7.0**	94.9	3.6
Others(1)	**454.3**	**39.2**	1,039.1	39.2
Total	**1,158.6**	**100.0**	**2,647.1**	**100.0**

Note:

(1) Includes primarily investment banking, securities investment and asset management.

The intensifying fluctuation of the capital market in the first half of 2016 has adversely affected certain operating indicators of Cinda Securities.

Securities brokerage: As at December 31, 2015 and June 30, 2016, the number of clients of Cinda Securities' securities brokerage business amounted to 1.4 million and 1.5 million, respectively, the total value of its AUM amounted to RMB207.5 billion and 167.8 billion, respectively. For the six months ended June 30, 2015 and 2016, the total transaction volume of Cinda Securities' securities brokerage business amounted to RMB2,482.3 billion and 1,001.5 billion, respectively.

Investment banking: For the six months ended June 30, 2015 and 2016, Cinda Securities' underwriting fee and commission income amounted to RMB153.0 million and RMB80.3 million, respectively.

Asset management: As at December 31, 2015 and June 30, 2016, the AUM balance of Cinda Securities amounted to RMB54.7 billion and RMB56.9 billion, respectively. For the six months ended June 30, 2015 and 2016, fee and commission income from Cinda Securities' asset management business amounted to RMB102.8 million and RMB93.9 million, respectively.

Innovative businesses and other businesses: As at December 31, 2015 and June 30, 2016, the turnover of margin financing and securities lending business of the Cinda Securities amounted to RMB9.0 billion and RMB6.2 billion, respectively.

Cinda Futures

For the six months ended June 30, 2015 and 2016, income from the futures business of Cinda Futures amounted to RMB94.9 million and RMB81.4 million, respectively, and the operating profit of Cinda Futures amounted to RMB35.3 million and RMB31.6 million, respectively.

First State Cinda Fund

As at December 31, 2015 and June 30, 2016, the Group managed 12 and 13 public securities investment funds with total AUM of RMB29.2 billion and RMB11.4 billion, respectively. For the six months ended June 30, 2015 and 2016, management fee income from such funds amounted to RMB44.3 million and RMB59.1 million, respectively. Those public funds are classified into equity funds, bond funds and hybrid funds, and are primarily invested in equity assets and fixed income assets.

Cinda International

For the six months ended June 30, 2015 and 2016, Cinda International generated revenue of RMB88.3 million and RMB81.9 million, respectively.

3.3.3.3 Trusts

We conduct trust business through Jingu Trust. As at December 31, 2015 and June 30, 2016, the outstanding trust AUM totalled RMB121.1 billion and RMB113.5 billion, respectively, and we managed 144 and 127 existing trust projects, respectively. For the six months ended June 30, 2015 and 2016, the fees and commission incomes generated from trust business were RMB150 million and RMB140 million, respectively, accounting for 62.6% and 74.9%, respectively, of Jingu Trust's total revenue in respective periods.

Products

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

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

	As at June 30, 2016		As at December 31, 2015	
	Amount	**% of total**	Amount	% of total
		(in millions of RMB)		
Individual trust schemes	**75,115.5**	**66.2**	97,089.0	80.2
Collective trust schemes	**38,347.7**	**33.8**	24,031.0	19.8
Total	**113,463.2**	**100.0**	**121,120.0**	**100.0**

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 trust products of each type as at the dates indicated.

	As at June 30, 2016		As at December 31, 2015	
	Amount	**% of total**	Amount	% of total
		(in millions of RMB)		
Financing	**22,030.3**	**19.4**	24,737.0	20.4
Investment	**19,805.9**	**17.5**	13,039.0	10.8
Non-discretionary	**71,627.0**	**63.1**	83,344.0	68.8
Total	**113,463.2**	**100.0**	**121,120.0**	**100.0**

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

	As at June 30, 2016		As at December 31, 2015	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Infrastructure	**15,758.2**	**13.9**	6,065.0	5.0
Real estate	**12,980.3**	**11.4**	19,352.0	16.0
Industry and commerce	**5,879.1**	**5.2**	13,482.0	11.1
Financial institutions	**1,251.9**	**1.1**	1,512.0	1.2
Asset securitization products	**31,450.2**	**27.7**	48,950.2	40.4
Others	**46,143.5**	**40.7**	31,758.8	26.3
Total	**113,463.2**	**100.0**	**121,120.0**	**100.0**

Clients

As at June 30, 2016, the trust business had a total of 11,949 clients, including 11,124 individual customers and 825 institutional clients.

3.3.3.4 Financial Leasing

We conduct the financial leasing business through Cinda Leasing. As at December 31, 2015 and June 30, 2016, the net finance lease receivables of the Group was RMB43.5 billion and RMB40.6 billion, respectively. For the six months ended June 30, 2015 and 2016, the net revenue generated from the financial leasing business of the Group was RMB607.8 million and RMB709.4 million, respectively, and the net profit generated from the financial leasing business of the Group was RMB328.3 million and RMB342.9 million, respectively.

Products

For the six months ended June 30, 2016, the total income from specialized products and non-specialized products was RMB81.1 million and RMB1,258.4 million, respectively, representing 6.1% and 93.9%, respectively, of Cinda Leasing's total income for the same period.

Clients

The financial leasing clients of the Group are 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, 2016		As at December 31, 2015	
	Amount	**% of total**	Amount	% of total
		(in millions of RMB)		
Manufacturing	**18,618.1**	**44.3**	20,190.1	45.4
Mining	**5,299.6**	**12.6**	6,238.8	14.0
Water conservancy, environment and public utilities management	**10,972.1**	**26.1**	10,678.7	24.0
Construction	**468.0**	**1.1**	775.1	1.7
Transportation, logistics and postal services	**2,807.7**	**6.7**	3,146.3	7.1
Others	**3,842.4**	**9.1**	3,491.9	7.8
Total	**42,007.9**	**100.0**	**44,520.9**	**100.0**

3.3.3.5 Insurance Business

We engage in P&C insurance business and life and health insurance business through Cinda P&C and Happy Life, respectively.

The table below sets forth the original premium income of Cinda P&C and Happy Life for the periods indicated.

	For the six months ended June 30,			
	2016		2015	
	Amount	**% of total**	Amount	% of total
		(in millions of RMB)		
Cinda P&C	**1,621.0**	**13.0**	1,635.1	25.3
Happy Life	**10,886.6**	**87.0**	4,819.8	74.7
Total	**12,507.6**	**100.0**	**6,454.9**	**100.0**

Cinda P&C

Cinda P&C mainly offers motor vehicle insurance, various kinds of property insurance, liability insurance, credit insurance, guarantee insurance, short-term health insurance and accidental injury insurance as well as reinsurance.

The table below sets forth details of original premium incomes of major products of Cinda P&C and their respective percentage of the total income for the periods indicated.

	For the six months ended June 30,			
	2016		2015	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Motor vehicle insurance	**1,340.2**	**82.7**	1,383.7	84.6
Compulsory motor vehicle liability insurance	**585.5**	**36.1**	598.2	36.6
Commercial automobile insurance	**754.7**	**46.6**	785.5	48.0
Non-motor vehicle insurance	**280.8**	**17.3**	251.4	15.4
Total	**1,621.0**	**100.0**	**1,635.1**	**100.0**

Happy Life

Happy Life mainly offers various types of life and health insurance, accident insurance as well as reinsurance.

The table below sets forth details of original premium incomes of the three 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,			
	2016		2015	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Life insurance	**10,506.4**	**96.5**	4,580.4	95.0
Ordinary life insurance	**9,457.3**	**86.9**	3,558.0	73.8
Participating life insurance	**1,042.1**	**9.6**	1,015.9	21.1
Others	**7.0**	**0.1**	6.4	0.1
Health insurance	**260.6**	**2.4**	116.5	2.4
Accidental injury insurance	**119.6**	**1.1**	122.9	2.6
Total	**10,886.6**	**100.0**	**4,819.8**	**100.0**

3.3.3.6 Business Synergy

In the first half of 2016, the Group continued to promote the development of investment and asset management business related to our core business of distressed asset management, and provided domestic and overseas clients with a wide range of financial services including banking, financial leasing, insurance, asset management, financial and financing advisory services through its diversified business platform.

Upon consolidation to the Group, NCB will become the major platform of account management, cross-selling and integrated financial services of the Group. The overall strategy for the business synergy of the Group is to develop an integrated financial service model concentrating on banking customers with the support of other product lines.

Currently, the Group and NCB mainly cooperate through cross-selling in order to promote the growth of operating income and market share, and enhance the synergy effect into full play by making use of relevant resources of both parties and strengthening cost efficiency.

In the first half of 2016, the branches and subsidiaries of the Group had recommended a total of 400 corporate customers to NCB with 61 projects in progress and the scale of business synergies amounted to RMB29.6 billion. In addition, NCB China and the Group have successfully launched the Joint Debit Cards and Credit Cards and operated the No. 1 Assets Management Scheme (南商 — 信達1號資管計劃). Moreover, a number of collaborative projects have been unfolded progressively, such as Cinda Urbanization Development (Shanghai) Promotion Fund — Shanghai Pengxin Affordable Housing Project at North Sheshan (信達城鎮化發展(上海)促進基金—上海鵬欣佘山北經濟適用房項目).

In the first half of 2016, the Group has established 44 funds and asset management projects through various platforms including Cinda Securities, First State Cinda Fund and Cinda Capital. In the first half of 2016, the total paid-in capital amounted to RMB29.4 billion; the investment channel of Happy Life and Cinda P&C was expanded by taking advantage of the professional competitive edges of the branches and subsidiaries of the Group in the field of asset management, and the insurance funds used amounted to RMB1.8 billion.

3.3.4 Material Investment and Acquisition

On May 30, 2016, the Company completed the acquisition of all issued shares of NCB Hong Kong from BOCHK through Cinda Financial, an indirectly wholly-owned subsidiary of the Company, for a total consideration of HK$68 billion. For further details of such acquisition, please refer to announcements dated August 27, 2015, September 15, 2015, December 18, 2015, February 24, 2016, May 27, 2016 and May 30, 2016 and the circular dated January 30, 2016 issued by the Company in respect of the acquisition.

Save as the above acquisition, the Company did not enter into any other material acquisition and disposal of assets or merger of enterprises during the Reporting Period.

3.3.5 Human Resources Management

In the first half of 2016, focusing on the objectives of promoting strategic transformation and optimizing integrated operation model, the Company duly adjusted its organizational structure and refined human resources system to strengthen the recruitment of talents, improve business training and accelerate skill enhancement, in order to enhance staff training and team building. Market-oriented employment mechanism and income distribution mechanism were reformed, and the remuneration management was further enhanced. All these measures focused on refining the mechanism, improving efficiency and standardizing management in line with the Company's strategic planning.

3.3.5.1 Employees

As at June 30, 2016, the Group had 21,395 employees (excluding employees through labour dispatch agents), of which 19,700 were in Mainland China and 1,695 were in Hong Kong and Macau. Within the Company and its tier-one subsidiaries (headquarter), employees with postgraduate degrees or above, and with undergraduate degree accounted for 60% and 37% of the total employees, respectively, and employees aged 45 or below accounted for 76% of the total employees.

3.3.5.2 Remuneration Policy

Consistent with the strategies, business development and talent recruitment of the Group, the Company strengthened the linkage between performance-based remuneration and operating results as well as risk control and put more performance-based resources into employees on the frontline of business with outstanding contributions and units with effective risk control, so as to enhance and optimize the effectiveness of performance-based remuneration allocation. Through matching revenue with risks and maintaining the consistency between long-term and short-term incentives, the Company established a healthy and competitive remuneration management system which is consistent with its operating results and is fair to all.

3.3.6 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 of the Listing Rules since the publication of the last annual report.

3.4 Risk Management

In the first half of 2016, the Company adhered strictly to its risk management concept of "protecting the bottom-line by managing risks proactively". Through establishment of comprehensive risk management system and strengthening the overall risk management and control of the Group, the Company was able to enhance the effectiveness and responsiveness of risk prevention and solution. The Company further enhanced the quality of assets and improved the risk management techniques and measures to overcome the challenges and difficulties arising from the adverse changes in external markets, and ensure the stable operations of all businesses. The overall risks of the Company were managed within an acceptable level and a solid foundation was laid for the realization of the Company's strategic targets and operating plans.

The Company strengthened the risk governance at all levels. It has set up a Risk Management Committee under its management level, optimized the internal structure of the risk management department at the head office, and designated responsible persons in charge of risk management and established independent risk management organizations at branches and subsidiaries. Through the above measures, the independence and professionalism of risk management were enhanced, providing stronger support for the business operations of the Company. The Company also further refined its risk management system to satisfy the regulatory requirements and its internal management needs. In the first half of 2016, the Company formulated and revised various rules, including the Measures for Penalties in Relation to the Operating Risk Liabilities (經營風險責任處罰辦法), the Administrative Measures on the Risk Classification of Assets (資產風險分類管理辦法) and the Administrative Measures on Internal Rating Management (內部評級管理辦法), and further refined relevant management policies and working procedures.

The Company attached great importance to establish unified risk management policy of the Group. In particular, it promoted the review of risk management policies and embarked on the preparation of risk appetite statement with an aim to centralize the risk preference of the Group. Management policies on the concentration degree of industries and areas relevant with businesses and products were clarified. The Company closely followed the changes in risk rules as the overall economy entered into the New Normal cycle, and prudently implemented the risk appetite transmission mechanism with an attempt to strengthen the policy guidance in risk selection and risk asset allocation. In addition, the implementation of risk appetite was monitored and analyzed on a regular basis, and the risk management supervision and appraisal mechanism was improved, so as to enhance the overall risk management capability of the Group.

The Company continued to strengthen monitoring and management on major risks such as credit risk, market risk, operation risk and concentration risk. The risk monitoring plans and assessment standards were refined continuously. The risk assessment indicators for the branches and subsidiaries were further improved based on the requirements for the economic capital management, and the risk monitoring and assessment plan for 2016 was formed accordingly. In the first half of 2016, the risk management awareness of the branches and subsidiaries was strengthened while management process for risk management and all business lines was improved through risk inspections by the Company. With economic capital management at the top of the agenda, the Company optimized the risk limit control standard and reasonably assigned the economic capital quota for each business line, with an aim to promote proper allocation of business and management resources and boost the overall risk-adjusted profitability. Meanwhile, the Company adopted various risk alleviation measures, including strengthening the risk accountability, in order to ensure the overall asset quality of the Group and maintain the overall risk within an acceptable range.

Furthermore, the Company enhanced its informatization level of risk management through consolidating the construction of information system for risk management so as to guarantee the timeliness, accuracy and effectiveness of risk management.

3.4.1 Management of Credit Risk

Credit risk refers to the risk of business losses of the Group resulting from an obligor or counterparty's failure or unwillingness to perform its repayment obligations in a timely manner, or the deterioration of its financial conditions. Credit risk of the Group is primarily related to its distressed debt asset portfolio, the 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 CBRC 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 2016, the Company actively refined its credit risk management policies in response to the changes in the macroeconomy and financial regulatory requirements. In particular, 11 regulations were refined including the Guidelines on Buyer's Due Diligence of Restructured Distressed Asset Business (附重組條件類業務買方盡職調查操作指南), the Guidelines on Financial Due Diligence and Analysis of Financial Statement of Restructured Distressed Asset Business (附重組條件類業務財務盡職調查及財務報表分析指南), the Regulations for Management of Restructured Distressed Asset Business (附重組條件業務操作規程), the Regulations for Management of Asset Management Business (資產管理業務管理規程) and the Regulations for Business Review and Approval (業務審核操作規程).

In the first half of 2016, the Company continued to enhance the level of risk measurement. The customer credit rating model was optimized with the support of internal data in order to fully identify risk. Furthermore, the customer risk limit model was refined based on the actual operating conditions of the Company, which strengthened the control over debt levels and financial leverage of debtors. In addition, the Company also established the management procedure and control mechanism for the customers which exceed the risk limits.

3.4.2 Management of Market Risk

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

The Company has managed interest rate risks mainly by increasing the proportion of floating-rate loans, flexibly adjusting the maturity and frequency of financing and strengthening the matching of assets and liabilities of different maturities.

With respect to foreign exchange risks, the Company has effectively controlled its exposure of foreign exchange risks mainly by matching currencies used in assets and liabilities. As to the USD Guaranteed Senior Notes issued by its overseas subsidiaries, since investment assets are mainly denominated in USD or HKD which is pegged to the exchange rate of USD, thereby currencies for assets and liabilities are basically the same, the foreign exchange risk is controllable.

With respect to risks arising from the fluctuation of stock prices of listed companies owned by the Company, the Company has cooperated with professional institutions to strengthen research and analysis on changes in macro economy, national policies, capital markets and industries. It has closely monitored the operations and development planning of the enterprises in which the Company owns equities and reasonably formulated and adjusted the management strategies of listed companies for optimized and effective management.

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

3.4.3 Management of Liquidity Risk

Liquidity risk refers to the risk that, while the Company remains solvent, it fails to obtain sufficient funds or obtain sufficient funds at reasonable cost to either deal with asset growth or repay debts when they fall due. Liquidity risk can be further divided into financing liquidity risk and market liquidity risk. Financing liquidity risk arises when the Company fails to meet its funding requirements without affecting its daily operations or financial conditions. Market liquidity risk arises when the Company fails to obtain funds by promptly disposing of its assets at a reasonable price due to the limited depth of the market or market fluctuations. The potential sources of its liquidity risk include the slower-than-expected recovery of funds, insufficient financing to support business development, maturity mismatch of assets and liabilities and insufficient liquidity reserve.

The Company has implemented a centralized liquidity management mechanism and strengthened its liquidity management system. The Company has reinforced its liquidity management by strengthening market research, appropriately formulating and adjusting position management strategy, financing management strategy as well as capital operation strategy, and raising the accuracy and responsiveness of its plans according to its actual needs. The Company also refined the internal funding interest rate system and strengthened liquidity stress tests in order to prevent liquidity risks.

The Company has strengthened the management of cash flow gap by holding regular meetings with front and middle functional departments to discuss various fund arrangement plans and estimate reasonable budgets. The Company closely monitors the collection of project fund and oversees the exposure of assets and liabilities with different maturities in order to maintain dynamic supervision and control over the risks relating to the mismatch between maturities. In accordance with regulatory requirements, the Company has set up and supervised liquidity risk monitoring indicators to maintain dynamic supervision and control over liquidity risk. In order to ensure sufficient liquidity of the Group, the Company estimates its liquidity gap based on different time intervals, conducts liquidity stress tests for different scenarios, and determines financing plans, approaches and channels in advance. The Company has further reinforced the management and monitoring of liabilities and liquidity of its subsidiaries and ensured smooth and efficient financing channels.

The Company has consolidated the foundation of liability management and financing management and increased credit facilities from banks. While controlling costs, the Company has cooperated with more banks and adjusted the loan mix from different banks. The Company has actively expanded funding sources from tier-2 capital bonds, financial bonds and non-bank institutions, in order to establish a stable, diversified and decentralized financing system focusing on exploring low-cost financing channels.

3.4.4 Management of Operational Risk

Operational risk refers to the risk of losses resulting from an inadequacy or deficiency of internal processes, working staff and information technology systems or from external events. In the first half of 2016, 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 completed comprehensive risk detection of the Group in the first half of 2016 in accordance with the Administrative Measures on Operational Risk (操作風險管理辦法). Each unit of the Group has strictly analyzed and effectively rectified the identified risks and potential risks, and timely mitigated certain business risks and operational risks. After three years of risk detection, the Company has completed risk detection and onsite inspection of all branches and subsidiaries, which enabled each unit of the Group to enhance its risk awareness, risk responsiveness and qualities of risk inspectors. Based on the results, the Company directed various business lines to complete regulation revision, process optimization and system development, resulting in stronger and more effective control over operational risk.

The Company has compiled case studies and organized risk management training programs and seminars to enhance the risk awareness of all employees, develop their operational technique, promote the risk management philosophy and encourage them to embrace a proper risk management culture.

Aiming to further raise the information technology management standard, the Company has, under the guidance of an information technology management committee, pushed forward the planning of informatization, improved information security, and enhanced the prevention and control of information technology risk. In addition, the Company initiated the establishment of its risk management information system and refined internal rating system, related party transaction management system and credit reference system, thus the informationization of risk management have been enhanced.

3.4.5 Management of Reputation Risk

The Company has put a great emphasis on the monitoring of reputation risk. An operating mechanism for monitoring, handling and reporting public sentiment has been strengthened and refined in its daily management. The Company has dealt with negative public sentiment proactively and has formulated the contingency plan for reputation risk to maintain effective communication of risk information. In addition, it has promoted the establishment of the management system of reputation risk to improve its management standard.

3.4.6 Anti-money Laundering

The Company has diligently performed its responsibility of anti-money laundering and strictly complied with the relevant anti-money laundering laws and regulations. The Company has imposed regulatory requirements of anti-money laundering with focus on risk prevention and further enhanced the compliance management of anti-money laundering.

3.4.7 Internal Audit

The Company has implemented an internal audit system and allocated professional 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 2016, the Company carried out internal audit in an organized and orderly manner by focusing on risks and efficiency in accordance with the annual internal audit plan. In respect of key areas of internal control, the Company conducted special audit investigation on its collateral management, information management and procurement. The Company organized regular audits on certain branches in terms of their key businesses, major projects, key processes, as well as finance and internal control. The Company completed the evaluation and formulated report on the internal control of the Company for 2015, and relevant rectification measures were implemented properly. Economic responsibility audit on the performance of the mid-level management of the Group during their term of offices was also conducted. In addition, the Company further improved the sustainable capability of its internal audit by improving their audit skills and efficiency as well as strengthening training of audit personnel.

3.5 Capital Management

In strict compliance with relevant capital regulations, the Company has strengthened capital constraint and capital return management to support the business growth and implementation of strategic planning. The Company implemented comprehensive capital management, which covered the regulatory capital, economic capital and book capital, and prioritized the management on capital adequacy, capital planning, capital raising and economic capital.

The Company has committed to enhance its basic capability of capital management. In the first half of 2016, the Company formulated its mid-term capital plan, which focused on reducing capital consumption by increasing internal capital reserve, managing the scale and speed of business development at a reasonable level and strengthening risk mitigation and other measures. In addition, emphasis was put on improving capital allocation by further optimising the on- and off-balance sheet asset structure in order to upgrade capital management level and ensure sound and sustainable business development of the Company while fulfilling the regulatory requirements.

The Company also proactively motivated the innovation for capital management instruments. In June 2016, the Company successfully issued tier-2 capital bonds of RMB10 billion in the domestic inter-bank market, which marked the first issuance of such bond among the AMCs in China. The proceeds net of issuance fees were entirely used to replenish the tier-2 capital of the Company. Furthermore, the Company is also seeking other fund raising channels for tier-1 capital and promoting the issuance of overseas preference shares.

On February 25, 2016, the CBRC promulgated the Notice of the General Office of the CBRC on Issuing the Indicator System of Off-site Supervision Report of the Financial Asset Management Companies (Yinjianbanfa [2016] No. 38) (中國銀監會辦公廳關於印發金融資產管理公司非現場監管報表指標體系的通知 (銀監辦發 [2016]38 號)), which became effective on March 1, 2016. The notice showed substantial adjustments to capital measurement. In particular, the capital measurement requirement was further classified into core tier-1 capital adequacy ratio of not less than 9%, tier-1 capital adequacy ratio of not less than 10% and capital adequacy ratio of not less than 12.5% from the former single capital adequacy ratio requirement of not less than 12.5% under the original indicator system. The Company calculated its capital adequacy ratio in different categories in accordance with the above new indicator system. The table below sets out the capital adequacy ratio, net capital and risk-weighted assets of the Company on the indicated date.

	As at June 30, 2016 *(in millions of RMB)*
Core tier-1 capital adequacy ratio (%)	12.17
Tier-1 capital adequacy ratio (%)	12.17
Capital adequacy ratio[(1)] (%)	15.63
Net core tier-1 capital	45,941.7
Net tier-1 capital	45,941.7
Net capital	59,013.0
Risk-weighted assets	377,598.5

Note:

(1) As at December 31, 2015, the capital adequacy ratio of the Company based on the original indicator system was 16.11%.

As at December 31, 2015 and June 30, 2016, the leverage ratio[1] of the Company was 4.2:1 and 6.5:1 respectively.

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

3.6 Prospects

In the second half of 2016, the global economy still lacks growth momentum due to the increasing risks and uncertainties. In the PRC, the government is determined to promote the restructuring of domestic economy with the characteristics of the New Normal becoming more apparent, and prioritizes a more sustainable economic growth model. Domestic economic development trend remains divided in general during the transition from the conventional development motives to the new ones. As the PRC government accelerates its supply-side reform, the default risks in the overall debt financing system will increase. It is estimated that the non-performing loan ratio of commercial banks will continue to be under upward pressure. Repayment risks are also likely to further increase in non-banking financial institutions. Operating environment for real economy is yet to be improved, so cross defaults and risk contagion are likely to be on the rise. In view of the increasing distressed assets in both financial and non-financial sectors and increasing business opportunities arising from mergers and acquisitions in conventional industries and restructuring of distressed entities, the Company still faces sound development opportunities.

The Company will, in line with the national 13th Five-Year Plan and the changing economic situations, firmly grasp external opportunities to implement the strategies. The Company will accelerate innovative development to improve development quality, and consolidate and leverage its core advantages in distressed assets business. Being committed to building a brand of featured asset management and comprehensive financial services, the Company will develop into an integrated, international and modern financial group with core competitiveness.

Firstly, the Company will further reinforce the edges of its distressed asset business. By innovating the acquisition and disposal models, improving the overall efficiency of distressed assets management, developing the coverage and diversity of distressed asset business, innovating solutions of distressed assets and distressed entities and refining business models, the Company will reinforce the competitive edges of its core business. Secondly, the Company will exert greater efforts in exploring alternative investment and asset management business. By leveraging the core advantages of distressed asset business, the Company will provide customers with risk solutions, financing plans, wealth management and asset management services to build a brand of featured asset management and wealth management. Thirdly, the Company will speed up the development of differentiated integrated financial services by orderly consolidating NCB upon its acquisition and integrating existing platforms, customers, products, channels and human resources for better synergy effects. As such, the Company will provide differentiated integrated financial solutions for customers.

To achieve its strategic targets, the Company will deepen the reforms in respect of its system and mechanism and constantly adjust and refine the organizational structure of the Group. The Company will further consolidate the Group's resources through the acquisition of NCB for better synergy effects and stronger competitive edges. The Company will strengthen the integration of the Group's information systems to facilitate informationization and the construction of internet finance. The Company will also continue to carry out comprehensive risk management according to the international advanced risk management standards. The Company will enhance the Group's capital and financial management to optimize the allocation of the Group's funds and capital resources. The Company will also build up a team of professional staff and promote the transformation of the corporate culture, in order to ensure its sustainable development.

4 Changes in Share Capital and Information on Substantial Shareholders

4.1 Changes in Share Capital

The share capital of the Company as at June 30, 2016 was as follows:

Name of Shareholder	Class	Number of Shares	Approximate Percentage to the total issued Share capital of the Company
MOF	Domestic Shares	24,596,932,316	67.84%
Holders of H Shares	H Shares	11,659,757,719	32.16%
Total		**36,256,690,035**	**100.00%**

4.2 Substantial Shareholders and De Facto Controller

4.2.1 Interests and Short Positions held by the Substantial Shareholders and Other Persons

The Company had 1,883 registered Shareholders as at June 30, 2016. So far as the Directors and Supervisors are aware, the following persons had, or were deemed to have, an interest or short position in the Shares and underlying Shares which have been recorded in the register kept by the Company pursuant to Rule 336 of the SFO:

Name of substantial shareholders	Capacity	Number of Shares held directly and indirectly	Class of Share	Nature of interest	Approximate percentage to the total issued Share capital	Approximate percentage to the relevant class of Shares
MOF	Beneficial owner	24,596,932,316	Domestic Shares	Long position	67.84%	100.00%
NSSF	Beneficial owner	2,914,843,174	H Shares	Long position	8.04%	25.00%
UBS AG[1]	Beneficial owner	334,326,572	H Shares	Long position	0.92%	2.87%
	Beneficial owner	318,468,284	H Shares	Short position	0.88%	2.73%
	Person holding a security interest in shares	69,318,218	H Shares	Long position	0.19%	0.59%
	Interest of controlled corporation	444,910,536	H Shares	Long position	1.23%	3.82%
	Interest of controlled corporation	5,727,000	H Shares	Short position	0.02%	0.05%
UBS Group AG[2]	Person holding a security interest in shares	46,334,708	H Shares	Long position	0.13%	0.40%
	Interest of controlled corporation	767,559,334	H Shares	Long position	2.12%	6.58%
	Interest of controlled corporation	333,070,718	H Shares	Short position	0.92%	2.86%

Note:

(1) Based on the information on the website of the Hong Kong Stock Exchange, no updates were made to the disclosure of interest submitted by UBS AG on September 2, 2015.

(2) UBS Group AG holds 100% equity interest in UBS AG and is therefore deemed to be interested in all the H Shares held by UBS AG in the Company.

4.2.2 Major Shareholders

During the Reporting Period, the major shareholder and de facto controller of the Company remained unchanged. Details of the major 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 and expenditures and taxation policies of the PRC.

5 Directors, Supervisors and Senior Management

5.1 General Information

Directors

As at the date of this interim report, the Board of the Company consisted of Mr. Hou Jianhang (Chairman) and Mr. Zang Jingfan as executive Directors, Mr. Li Honghui, Mr. Song Lizhong, Ms. Xiao Yuping, Ms. Yuan Hong and Mr. Lu Shengliang as non-executive Directors, and Mr. Li Xikui, Mr. Qiu Dong, Mr. Chang Tso Tung, Stephen and Mr. Xu Dingbo 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. Zang Jingfan as President, Mr. Chen Xiaozhou as senior management member, Mr. Yang Junhua as senior management member, Mr. Zhuang Enyue as Vice President, Mr. Li Yuejin as Vice President, Mr. Wu Songyun 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.

5.2 Information of Changes

Directors

On June 30, 2016, Mr. Chen Xiaozhou was elected as an executive Director, and Mr. Zhu Wuxiang and Mr. Sun Baowen were elected as independent non-executive Directors at the annual general meeting for 2015 of the Company. As at the date of this interim report, their qualifications are still pending approval by the CBRC and their appointments will become effective upon the approval.

In order to maintain sufficient number of independent non-executive Directors in the Board in compliance with the Listing Rules, Mr. Li Xikui and Mr. Qiu Dong, the former independent non-executive Directors of the Company, shall continue to act as independent non-executive Directors until the qualifications of Mr. Zhu Wuxiang and Mr. Sun Baowen, the newly appointed independent non-executive Directors, are approved by the CBRC.

Supervisors

On June 24, 2016, Mr. Lin Dongyuan and Ms. Jia Xiuhua were elected as employee representative Supervisors of the Company at the third session of the employees' general meeting of the Company.

Since June 24, 2016, Mr. Wei Jianhui ceased to be the employee representative Supervisor of the Company due to other work arrangement.

On June 30, 2016, Mr. Zhang Zheng was elected as external Supervisor of the Company at the annual general meeting of the Company for 2015.

Senior Management

On December 18, 2015, Mr. Liang Qiang and Mr. Chen Yanqing were appointed as assistants to the President of the Company at the eighth Board meeting in 2015. Their qualifications were approved by the CBRC on February 5, 2016.

On January 29, 2016, Mr. Zhang Weidong resigned as the Board Secretary due to other work arrangement. The resignation became effective on April 13, 2016.

On January 29, 2016, Mr. Ai Jiuchao was appointed as the Board Secretary of the Company at the first Board meeting in 2016. His qualification was approved by the CBRC on April 13, 2016.

Since May 26, 2016, Mr. Gu Jianguo ceased to be the Vice President of the Company due to other work arrangement.

6 Significant Events

6.1 Corporate Governance

The Company has strictly complied with the requirements of the Company Law of the People's Republic of China, the Listing Rules, other laws and regulations, regulatory documents and the Articles. The Company has further optimized its corporate governance system and mechanism and continuously enhanced its corporate governance based on its operation conditions in pursuit of sound corporate governance. By enhancing its risk management and internal control continuously, the Company has maintained stable operation and protected the legitimate rights and interests of domestic and overseas investors.

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

Shareholders' General Meetings

The first extraordinary general meeting for 2016 of the Company was held in Beijing on February 24, 2016, at which four resolutions were considered and approved, including the acquisition of NCB Hong Kong and the execution of the sale and purchase agreement (the "**SPA**"), the capital injection into Cinda Hong Kong, the remuneration settlement scheme for Directors for 2014 and the remuneration settlement scheme for Supervisors for 2014. Resolutions in relation to the acquisition of NCB Hong Kong and the execution of the SPA and the capital injection into Cinda Hong Kong were approved by way of special resolutions.

The annual general meeting for 2015 of the Company was held in Beijing on June 30, 2016, at which 11 resolutions were considered and approved, including the work report of the Board for 2015, the report of the Board of Supervisors for 2015, the final financial account plan for 2015, the profit distribution plan for 2015, the fixed assets investment budget for 2016, the election of Directors for the third session of the Board of the Company, the election of Supervisors for the third session of the Board of Supervisors of the Company, the appointment of accounting firms for 2016, the granting of general mandate to issue additional H Shares to the Board, the non-public issuance of offshore preference shares by the Company and the amendments to the Articles. Resolutions in relation to the granting of general mandate to issue additional H Shares to the Board, the non-public issuance of offshore preference shares by the Company and the amendments to the Articles were approved by way of special resolutions. The work report of the independent non-executive Directors for 2015 was also received at the annual general meeting.

The first class meeting of Domestic Shareholders for 2016 and the first class meeting of H Shareholders for 2016 were held in Beijing on June 30, 2016, at which a special resolution in relation to the non-public issuance of offshore preference shares by the Company was considered and approved.

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 of the Company attended the relevant meetings and the Company issued announcements regarding the poll results of the Shareholders' general meetings according to the regulatory requirements in a timely manner.

Board

As at the date of this interim report, the Board of the Company comprised 11 members, including 2 executive Directors, 5 non-executive Directors and 4 independent non-executive Directors. The independent non-executive Directors accounted for more than one-third of the Board members.

The information regarding the offices of Directors is consistent with the information disclosed in the circular dated May 16, 2016 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 held five meetings, at which 25 resolutions were passed, including, among others, the operation plan for 2016, the fixed assets investment budget for 2016, the annual report (annual results announcement) for 2015, the internal audit work plan for 2016, the internal control evaluation report for 2015, the non-public issuance of offshore preference shares and the amendments to the Articles.

Board of Supervisors

As at the date of this interim report, the Board of Supervisors of the Company comprised 7 members, including 1 Shareholder representative Supervisor, 3 external Supervisors and 3 employee representative Supervisors.

During the Reporting Period, in addition to the Supervisory Committee, the Board of Supervisors established the Nomination Committee. Mr. Gong Jiande served as the chairman of the Nomination Committee while Mr. Zhang Zheng and Ms. Gong Hongbing served as the members of the Nomination Committee. Ms. Liu Yanfen served as the chairman of the Supervisory Committee while Mr. Li Chun, Mr. Lin Dongyuan and Ms. Jia Xiuhua served as the members of the Supervisory Committee.

With effect from March 22, 2016, May 9, 2016 and May 17, 2016, Mr. Li Chun, an external Supervisor of the Company, ceased to act as the independent director of Shangdong Airlines Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 200152), Shenzhen Laibao Hi-Tech Co., Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002106) and EDAN Instruments, INC. (a company listed on the Shenzhen Stock Exchange, stock code: 300206), respectively. With effect from June 28, 2016, Mr. Li ceased to act as the independent non-executive director of Long Ji Tai He Holding Limited (a company listed on the Hong Kong Stock Exchange, stock code: 01281). Saved as disclosed above, the information regarding the offices of Supervisors is consistent with the information disclosed in the circular and announcement of the Company dated May 16, 2016 and June 24, 2016, respectively, 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 of the Company duly performed its duty to consider and review proposals. During the Reporting Period, the Supervisory Committee under the Board of Supervisors convened two meetings and reviewed the relevant proposals for the consideration and approval of the Board of Supervisors. The Board of Supervisors held four meetings and considered and approved 16 resolutions, including, among others, the work report of the Board of Supervisors for 2015, the appraisal report on the performance of the Directors and Senior Management, the final financial account plan, the internal control evaluation report, the major tasks of the Board of Supervisors in 2016, the election of the new session of the Board of Supervisors and terms of reference of the special committees of the Board of Supervisors.

During the Reporting Period, the Board of Supervisors performed its duty in compliance with laws and rules to protect the interest of the Shareholders. In order to support the development and sound operation of the Company, the Board of Supervisors analyzed changes in risk indicators based on changes in the regulatory requirements and economic situation in a timely manner and paid close attention to credit risks, concentration risks, liquidity risks and reputation risks. The Board of Supervisors issued risk alerts and gave recommendations in a timely manner. The supervisory work will focus on the second Five-Year development plan, the decision making on issues regarding significant events, the appointment and dismissal of major employees, investment in major projects and the use of large amount of capital, and economic capital management, so as to enhance supervision efficiency.

Senior Management

During the Reporting Period, in the face of complicated domestic and global economic and financial situations, the Senior Management improved its analysis, judgment and insight, in order to take appropriate response measures. Within the authorized scope of the Articles and the Board, the Senior Management put great effort in implementing the second Five-Year development plan of the Company and encouraged innovation in operation and management. In addition, the Senior Management implemented the annual operation plan and further consolidated the strengths of the Company in distressed assets. Through enhancing risk management, the senior management was able to maintain the sound operation of the Company. The Company maintained its healthy business development and recorded satisfactory operating indicators. As such, the quality and efficiency of the development of the Company were enhanced.

Code of Corporate Governance

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

Amendments to the Articles

In order to satisfy the requirements for issuance of Preference Shares and meet the needs of corporate governance, the Company has made amendments to the Articles upon approval from the annual general meeting for 2015 held on June 30, 2016 and the CBRC. For details of such amendments to the Articles, please refer to the circular and the announcement of the Company dated May 16, 2016 and July 29, 2016, respectively.

6.2 Internal Control

In the first half of 2016, the Company implemented regulatory requirements in respect of internal control as stipulated by relevant regulatory authorities to further improve its internal control system.

During the Reporting Period, the Company proactively kept track of the external laws and regulations in its implementation of regulatory requirements. It continued to improve the system management and revise the internal management policies in accordance with the updated regulatory requirements. In addition, internal control and compliance culture were further promoted to raise the awareness of all employees on such issues. The Company organized and implemented risk examination in its branches to carry out inspection on their anti-money laundering efforts and prevent and control possible cases. Frontline business units were better equipped with the understanding of the external regulatory requirements and company management systems.

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

6.3 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 is 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 2015 held on June 30, 2016, the Company, on August 18, 2016, distributed cash dividends of RMB1.161 per 10 Shares (tax inclusive) to all Shareholders whose names appear on the register of members on July 12, 2016, representing total cash dividends of approximately RMB4,209 million. No interim dividends will be declared for 2016 and no capital reserves will be converted to the share capital of the Company.

6.4 Material Litigation and Arbitration

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

6.5 Major Acquisition and Disposal of Assets and Merger

On May 30, 2016, the Company completed the acquisition of all the issued shares of NCB Hong Kong from BOCHK through Cinda Financial, its indirectly wholly-owned subsidiary, for a total consideration of HK$68 billion. For details of this acquisition, please refer to the announcements dated August 27, 2015, September 15, 2015, December 18, 2015, February 24, 2016, May 27, 2016 and May 30, 2016, and the circular dated January 30, 2016, which were issued for the purpose of the acquisition.

Save for the abovementioned acquisition, during the Reporting Period, the Company did not enter into any other material acquisition and disposal of assets or merger of enterprises.

6.6 Implementation of Share Incentive Plan

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

6.7 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 in accordance with Chapter 14A of the Listing Rules during the Reporting Period.

6.8 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 make any material guarantee which was required to be disclosed during the Reporting Period.

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

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

6.10 Issuance of Preference Shares and Amendments to the Articles

On June 30, 2016, the 2015 annual general meeting, 2016 First Class Meeting of Domestic Shareholders and 2016 First Class Meeting of H Shareholders considered and approved the resolution on the non-public issuance of Preference Shares by the Company respectively. Besides, the 2015 annual general meeting considered and approved the resolution on the amendments to the Articles. Accordingly, the Company shall conduct a non-public issuance of not more than 300 million Preference Shares with a total amount of not exceeding RMB30 billion or its equivalent to replenish the Company's additional tier 1 capital and support its business development. In connection with the proposed issuance of Preference Shares and in order to satisfy the relevant requirements on the corporate governance of the Company, the Company has also proposed relevant amendments to the Articles. The above issuance of Preference Shares and amendments to the

Articles have been approved by the CBRC. For details of the issuance and the amendments to the Articles, please refer to the announcement dated May 10, 2016, the circular dated May 16, 2016 as well as the announcement and revised Articles dated July 29, 2016 of the Company. The Company will announce the progress of the issuance in due course.

As of the date of this interim report, save as the abovementioned issues, the Company did not have any other outstanding preference shares or issuance plans for preference shares.

6.11 Purchase, Sale and Redemption of Listed Securities

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

6.12 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 for regulating 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 and the requirements set out therein during the Reporting Period.

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

As at June 30, 2016, none of the Directors, Supervisors and chief executive officers of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the 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.

6.14 Review of Interim Report

The interim financial statements for 2016 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.

6.15 Statement for Changes of Auditors in the Past Three Years

In accordance with relevant requirement under the Administrative Measures of the Tendering Procedures for the Appointment of Accounting Firms by Financial Enterprises (Provisional) (Cai Jin [2010] No.169) (《金融企業選聘會計師事務所招標管理辦法 (試行)》(財金 [2010]169 號)) issued by the MOF, the term of appointment of an accounting firm by a financial enterprise shall not exceed five years in principle. Since the terms of service of Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu, the former domestic and international auditors of the Company, respectively, have reached the maximum term stipulated in the above-mentioned regulation, the first extraordinary general meeting for 2015 held on February 10, 2015 and the annual general meeting for 2014 held on June 29, 2015 approved the appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the domestic and international auditors for 2015, respectively, responsible for the audit of annual financial statements, review of the interim financial statements, audit of internal control and other professional services for the Company for 2015.

The annual general meeting for 2015 held on June 30, 2016 approved the re-appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the domestic and international auditors for 2016, respectively, 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 2016.

REVIEW REPORT AND INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

CONTENTS

REPORT ON REVIEW OF INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

TO THE BOARD OF DIRECTORS OF CHINA CINDA ASSET MANAGEMENT CO., LTD.
(Incorporated 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 of June 30, 2016, the related interim condensed consolidated statement of profit or loss, statement of comprehensive income, statement of cash flows and statement of changes in equity for the six-month period then ended, and certain explanatory notes. The Main Board Listing 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, and to report our conclusion 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 these 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.

Certified Public Accountants
Hong Kong

August 30, 2016

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30, 2016 (Unaudited)	2015 (Unaudited)
Income from distressed debt assets classified as receivables	*1*	**8,424,445**	9,498,357
Fair value changes on distressed debt assets	*2*	**2,236,321**	1,467,510
Fair value changes on other financial assets	*3*	**458,673**	1,990,526
Investment income	*4*	**10,454,785**	8,281,078
Net insurance premiums earned	*5*	**12,333,648**	6,397,870
Interest income	*6*	**6,163,792**	5,205,164
Revenue from sales of inventories	*7*	**2,834,874**	2,039,436
Commission and fee income	*8*	**1,531,973**	2,349,648
Net gains on disposal of subsidiaries, associates and joint ventures		**237,660**	150,591
Other income and other net gains or losses	*9*	**829,304**	476,231
Total		**45,505,475**	37,856,411
Interest expense	*10*	**(10,520,095)**	(9,806,182)
Insurance costs	*11*	**(12,782,035)**	(6,618,442)
Employee benefits		**(2,372,958)**	(2,722,998)
Purchases and changes in inventories	*7*	**(2,270,251)**	(1,388,332)
Commission and fee expense		**(978,321)**	(744,196)
Business tax and surcharges		**(816,004)**	(1,269,514)
Depreciation and amortization expenses		**(234,296)**	(218,909)
Other expenses		**(1,650,077)**	(1,575,705)
Impairment losses on assets	*12*	**(1,920,353)**	(1,580,487)
Total		**(33,544,390)**	(25,924,765)
Change in net assets attributable to other holders of consolidated structured entities	*27*	**(1,135,240)**	(1,247,186)
Profit before share of results of associates and joint ventures and tax		**10,825,845**	10,684,460
Share of results of associates and joint ventures		**(103,716)**	55,187
Profit before tax		**10,722,129**	10,739,647
Income tax expense	*13*	**(2,938,812)**	(2,483,985)
Profit for the period		**7,783,317**	8,255,662
Profit attributable to			
Equity holders of the Company		**8,008,784**	7,823,803
Non-controlling interests		**(225,467)**	431,859
		7,783,317	8,255,662
Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)	*14*		
— Basic		**0.22**	0.22
— Diluted		**0.22**	0.22

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, 2016

(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2016	2015
	(Unaudited)	*(Unaudited)*
Profit for the period	**7,783,317**	8,255,662
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on available-for-sale financial assets		
— fair value changes arising during the period	**(2,191,083)**	6,132,168
— amounts reclassified to profit or loss upon disposal	**(251,068)**	(2,067,008)
— amounts reclassified to profit or loss upon impairment	**437,392**	—
Income tax effect	**325,463**	(780,107)
	(1,679,296)	3,285,053
Share of other comprehensive income/(expense) of associates and joint ventures	**(91,431)**	22,021
Exchange differences arising on translation of foreign operations	**81,148**	32,590
Other comprehensive income/(expense) for the period, net of income tax	**(1,689,579)**	3,339,664
Total comprehensive income for the period	**6,093,738**	11,595,326
Total comprehensive income attributable to:		
Equity holders of the Company	**6,840,763**	10,633,931
Non-controlling interests	**(747,025)**	961,395
	6,093,738	11,595,326

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, 2016

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	**As at June 30, 2016** *(Unaudited)*	As at December 31, 2015 *(Audited)*
Assets			
Cash and bank balances	*16*	**85,488,952**	58,069,970
Clearing settlement funds		**4,851,170**	6,567,709
Deposits with exchanges and financial institutions		**1,040,671**	1,364,230
Placements with banks and financial institutions	*17*	**20,885,862**	300,000
Financial assets at fair value through profit or loss	*18*	**134,123,819**	117,287,436
Financial assets held under resale agreements	*19*	**29,269,230**	30,982,266
Available-for-sale financial assets	*20*	**186,652,669**	120,604,306
Financial assets classified as receivables	*21*	**157,553,018**	181,058,288
Loans and advances to customers	*22*	**245,259,926**	104,738,490
Accounts receivable	*23*	**3,553,458**	3,434,791
Held-to-maturity investments	*24*	**14,021,792**	6,703,763
Properties held for sale	*25*	**32,430,812**	31,085,307
Investment properties	*26*	**2,129,963**	1,901,785
Interests in associates and joint ventures		**20,640,176**	13,270,176
Property and equipment	*29*	**9,771,354**	3,918,234
Goodwill	*30*	**22,487,665**	392,935
Other intangible assets		**4,403,139**	190,408
Deferred tax assets	*31*	**5,709,524**	5,029,152
Other assets	*32*	**28,558,755**	27,075,429
Total assets		**1,008,831,955**	713,974,675

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT JUNE 30, 2016

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	**As at June 30, 2016** ***(Unaudited)***	As at December 31, 2015 *(Audited)*
Liabilities			
Borrowings from the central bank	*33*	**986,058**	986,058
Accounts payable to brokerage clients		**17,554,954**	21,533,181
Financial liabilities at fair value through profit or loss	*34*	**6,436,723**	2,779,923
Financial assets sold under repurchase agreements	*35*	**12,890,428**	10,949,445
Placements from banks and financial institutions	*36*	**11,318,724**	1,807,000
Borrowings	*37*	**349,185,273**	317,070,650
Due to customers	*38*	**195,791,346**	—
Deposits from banks and financial institutions	*39*	**8,439,851**	—
Accounts payable	*40*	**2,181,582**	4,970,775
Investment contract liabilities for policyholders	*41*	**29,387,201**	20,057,746
Tax payable		**2,583,652**	2,373,094
Insurance contract liabilities	*42*	**33,823,324**	28,275,174
Bonds issued	*43*	**136,489,698**	111,773,372
Deferred tax liabilities	*31*	**2,213,833**	886,161
Other liabilities	*44*	**86,799,654**	79,618,167
Total liabilities		**896,082,301**	603,080,746
Equity			
Share capital	*45*	**36,256,690**	36,256,690
Capital reserve	*46*	**17,666,143**	17,666,143
Investment revaluation reserve	*47*	**338,392**	1,587,561
Surplus reserve		**4,292,386**	4,292,386
General reserve	*48*	**9,670,313**	6,739,459
Retained earnings		**36,514,750**	35,646,222
Foreign currency translation reserve		**(397,092)**	(478,240)
Equity attributable to equity holders of the Company		**104,341,582**	101,710,221
Non-controlling interests		**8,408,072**	9,183,708
Total equity		**112,749,654**	110,893,929
Total equity and liabilities		**1,008,831,955**	713,974,675

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 CASH FLOWS

FOR THE SIX MONTHS ENDED JUNE 30, 2016

(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2016	2015
	(Unaudited)	*(Unaudited)*
OPERATING ACTIVITIES		
Profit before tax	**10,722,129**	10,739,647
Adjustments for:		
Impairment losses on assets	**1,920,353**	1,580,487
Depreciation of property and equipment, and investment properties	**184,684**	159,922
Amortization of intangible assets and other long-term assets	**49,612**	58,987
Share of results of associates and joint ventures	**103,716**	(55,187)
Net losses/(gains) on disposal of property and equipment, and investment properties	**10,116**	(28,568)
Net gains on disposal of subsidiaries, associates and joint ventures	**(237,660)**	(30,861)
Fair value changes on financial assets	**(188,435)**	(48,059)
Investment income	**(10,454,785)**	(7,363,110)
Borrowing costs	**5,463,006**	3,179,184
Change in reserves for insurance contracts	**5,666,593**	1,470,609
Operating cash flows before movements in working capital	**13,239,329**	9,663,051
Increase/(Decrease) in bank balances	**5,115,037**	(16,899,628)
Increase in financial assets at fair value through profit or loss ("FVTPL")	**(11,867,394)**	(25,686,357)
Decrease in financial assets held under resale agreements	**2,888,188**	3,348,029
Decrease in financial assets classified as receivables	**25,349,180**	7,678,835
Decrease/(Increase) in loans and advances to customers	**878,934**	(29,147,280)
(Increase)/Decrease in accounts receivable	**(146,582)**	1,250,432
Increase in properties held for sale	**(1,242,157)**	(1,201,447)
Increase in due to customers	**12,287,481**	—
(Decrease)/Increase in accounts payable to brokerage clients	**(3,978,227)**	17,737,495
Increase in financial assets sold under repurchase agreements	**5,357,363**	6,528,700
Increase in borrowings	**5,844,704**	4,636,676
Decrease in accounts payable	**(1,549,311)**	(2,823,176)
Decrease in other operating assets	**7,218,797**	7,477,217
Increase/(Decrease) in other operating liabilities	**5,680,481**	(108,636)
Cash generated from operations	**65,075,823**	(17,546,089)
Income taxes paid	**(3,115,331)**	(3,499,014)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES	**61,960,492**	(21,045,103)

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2016

(Amounts in thousands of RMB, unless otherwise stated)

		For the six months ended June 30,	
	Notes IV	**2016**	2015
		(Unaudited)	*(Unaudited)*
INVESTING ACTIVITIES			
Cash receipts from disposals and recovery of investment securities		**73,687,474**	40,089,029
Dividends received from investment securities		**232,076**	1,401,383
Interest received from investment securities		**1,069,545**	763,885
Cash receipts from disposals of property and equipment, investment properties and other intangible assets		**47,889**	169,189
Cash receipts from disposals of subsidiaries	*55*	**105,896**	30,861
Cash receipts from disposals of associates and joint ventures		**2,381,214**	—
Cash payments to acquire investment securities		**(107,312,001)**	(62,943,144)
Net cash outflows for acquisition of subsidiaries	*56*	**(28,211,534)**	—
Cash payments for purchase of property and equipment, investment properties and other assets		**(148,069)**	(203,004)
Cash payments for establishment and acquisition of interests in associates and joint ventures		**(2,950,933)**	—
Net cash flows from consolidated structured entities		**(2,914,075)**	35,604,821
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		**(64,012,518)**	14,913,020
FINANCING ACTIVITIES			
Capital contribution from non-controlling interests of subsidiaries of the Company		**—**	212,804
Proceeds from disposal of partial interests in subsidiaries that does not involve loss of control		**74,725**	—
Cash receipts from borrowings raised		**43,870,304**	25,491,085
Cash receipts from bonds issued		**24,410,000**	48,509,744
Cash payments for transaction cost of bonds issued		**(130,898)**	(132,839)
Cash repayments for bonds issued		**—**	(9,409)
Cash receipts from financial assets sold under repurchase agreements		**340,974**	2,196,935
Cash repayments on borrowings under repurchase agreements		**(3,757,354)**	(3,997,729)
Cash repayments on borrowings		**(17,892,632)**	(21,074,991)
Interest expenses on borrowings paid		**(4,772,818)**	(3,179,184)
Dividends paid to non-controlling interests of subsidiaries		**(114,079)**	(86,534)
NET CASH FROM FINANCING ACTIVITIES		**42,028,222**	47,929,882

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2016

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30, 2016 (Unaudited)	2015 (Unaudited)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**39,976,196**	41,797,799
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**63,102,681**	34,476,920
Effect of foreign exchange changes		**(283,198)**	35,758
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	*49*	**102,795,679**	76,310,477
Net cash flows from operating activities include:			
Interest received		**6,163,792**	4,923,059
Interest paid		**6,192,329**	9,370,516

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, 2016

(Amounts in thousands of RMB, unless otherwise stated)

	(Unaudited)									
	Equity attributable to equity holders of the Company									
	Share capital *(Note IV.45)*	Capital reserve *(Note IV.46)*	Investment revaluation reserve *(Note IV.47)*	Surplus reserve	General reserve *(Note IV.48)*	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at January 1, 2016	36,256,690	17,666,143	1,587,561	4,292,386	6,739,459	35,646,222	(478,240)	101,710,221	9,183,708	110,893,929
Profit for the period	—	—	—	—	—	8,008,784	—	8,008,784	(225,467)	7,783,317
Other comprehensive income/(expense) for the period	—	—	(1,249,169)	—	—	—	81,148	(1,168,021)	(521,558)	(1,689,579)
Total comprehensive income/(expense) for the period	—	—	(1,249,169)	—	—	8,008,784	81,148	6,840,763	(747,025)	6,093,738
Disposal of partial interests in subsidiaries	—	—	—	—	—	—	—	—	74,725	74,725
Appropriation to general reserve	—	—	—	—	2,930,854	(2,930,854)	—	—	—	—
Dividends recognized as distribution	—	—	—	—	—	(4,209,402)	—	(4,209,402)	—	(4,209,402)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(103,336)	(103,336)
As at June 30, 2016	36,256,690	17,666,143	338,392	4,292,386	9,670,313	36,514,750	(397,092)	104,341,582	8,408,072	112,749,654

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

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE SIX MONTHS ENDED JUNE 30, 2016

(Amounts in thousands of RMB, unless otherwise stated)

	(Unaudited)									
	Equity attributable to equity holders of the Company									
	Share capital *(Note IV.45)*	Capital reserve *(Note IV. 46)*	Investment revaluation reserve *(Note IV. 47)*	Surplus reserve	General reserve *(Note IV. 48)*	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at January 1, 2015	36,256,690	17,328,518	3,970,903	3,394,304	4,461,263	28,366,310	(409,130)	93,368,858	8,494,404	101,863,262
Profit for the period	—	—	—	—	—	7,823,803	—	7,823,803	431,859	8,255,662
Other comprehensive income for the period	—	—	2,777,538	—	—	—	32,590	2,810,128	529,536	3,339,664
Total comprehensive income for the period	—	—	2,777,538	—	—	7,823,803	32,590	10,633,931	961,395	11,595,326
Deemed acquisition of an additional interest in a subsidiary	—	—	—	—	—	—	—	—	212,804	212,804
Disposal of interests in subsidiaries	—	102,090	—	—	—	—	—	102,090	440,101	542,191
Appropriation to general reserve	—	—	—	—	1,835,454	(1,835,454)	—	—	—	—
Dividends recognized as distribution	—	—	—	—	—	(3,571,284)	—	(3,571,284)	—	(3,571,284)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—	(86,534)	(86,534)
As at June 30, 2015	36,256,690	17,430,608	6,748,441	3,394,304	6,296,717	30,783,375	(376,540)	100,533,595	10,022,170	110,555,765

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

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, 2016, the MOF directly owned 67.84% 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. 100000000031562 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 banking business, 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; 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 have been prepared under the historical cost convention, as modified by the revaluation of financial assets available for sale, financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) and insurance contract liabilities. Assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Impairment is recognized if there is objective evidence of impairment of assets.

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, 2015.

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, 2016 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2015.

(Amounts in thousands of RMB, unless otherwise stated)

II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (Continued)

3. Application of new or revised International Financial Reporting Standards ("IFRSs")

In the current interim period, the Group has applied the following new amendments to IFRSs that are effective for the Group's annual period beginning on January 1, 2016.

Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to IAS 1	Disclosure Initiative
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to IAS 27	Equity Method in Separate Financial Statements
Amendments to IFRSs	Annual Improvements to IFRSs 2012–2014 Cycle

The application of the new amendments to IFRSs has had no material effect on the amounts reported and disclosures set out in these interim condensed consolidated financial statements.

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

Amendments to IAS 7	Statement of Cash Flow(1)
Amendments to IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses(1)
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions(2)
IFRS 9	Financial Instruments(2)
IFRS 15	Revenue from Contracts with Customers(2)
IFRS 16	Leases(3)
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(4)

(1) Effective for annual periods beginning on or after 1 January 2017

(2) Effective for annual periods beginning on or after 1 January 2018

(3) Effective for annual periods beginning on or after 1 January 2019

(4) Effective date has been deferred indefinitely

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

(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.

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 applied to the consolidated financial statements for the year ended December 31, 2015.

IV. EXPLANATORY NOTES

1. Income from distressed assets classified as receivables

The amounts represent interest income and disposal 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.21).

2. Fair value changes on distressed debt assets

The amounts represent fair value changes on distressed debt assets designated by the Group as at fair value through profit or loss during the period (see note IV.18).

The fair value changes comprise both realized gains or losses from disposal of distressed debt assets designated as at fair value through profit or loss and unrealized fair value changes on such assets. Any interest income arising from such assets are included in fair value changes.

3. Fair value changes on other financial instruments

	For the six months ended June 30,	
	2016	2015
	(Unaudited)	*(Unaudited)*
Held-for-trading financial assets	**84,752**	1,808,344
Financial assets designated as at fair value through profit or loss	**373,921**	182,182
Total	**458,673**	1,990,526

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

4. Investment income

	For the six months ended June 30,	
	2016	2015
	(Unaudited)	*(Unaudited)*
Net realized gain from disposal of		
— available-for-sale financial assets[1]	**7,046,480**	5,197,842
Interest income from investment securities		
— available-for-sale financial assets	**552,429**	608,852
— debt instruments classified as receivables	**825,894**	917,968
— held-to-maturity financial assets	**204,810**	155,033
Dividend income from		
— available-for-sale financial assets	**1,825,172**	1,401,383
Total	**10,454,785**	8,281,078

(1) The Company's investment in China Nuclear Engineering Corporation Limited, which was classified as available-for-sale financial assets, had been listed on the Shanghai Stock Exchange in June 2016. As the Company became capable of exercising significant influence over this investee, the investment has been classified as interest in an associate with initial cost of RMB3,371 million, and an investment income of RMB2,808 million was recognized accordingly. Cinda Investment Co., Ltd. ("Cinda Investment"), a subsidiary of the Company, has realized RMB2,506 million as investment income from disposal of its equity interests in Huaneng International Power Development Corporation.

5. Net insurance premiums earned

	For the six months ended June 30,	
	2016	2015
	(Unaudited)	*(Unaudited)*
Gross written premiums	**12,506,678**	6,455,291
Less: Premiums ceded to reinsurers	**74,147**	74,293
Change of unearned premium reserves	**98,883**	(16,872)
Total	**12,333,648**	6,397,870

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

5. Net insurance premiums earned (Continued)

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

	For the six months ended June 30,	
	2016	2015
	(Unaudited)	*(Unaudited)*
Life insurance	**10,886,657**	4,817,363
Property and casualty insurance	**1,620,021**	1,637,928
Total	**12,506,678**	6,455,291

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,	
	2016	2015
	(Unaudited)	*(Unaudited)*
Loans and advances to customers		
Corporate and personal loans and advances	**3,274,661**	2,158,966
Loans to margin clients	**287,880**	673,431
Finance lease receivables	**1,323,456**	1,082,052
Financial assets held under resale agreements	**217,768**	240,723
Bank balances	**794,511**	831,684
Balance with central banks	**10,998**	—
Placements with banks and financial institutions	**27,526**	18,633
Accounts receivable	**41,330**	126,213
Others	**185,662**	73,462
Total	**6,163,792**	5,205,164

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

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

	For the six months ended June 30,	
	2016	2015
	(Unaudited)	*(Unaudited)*
Revenue from sales of inventories	**2,834,874**	2,039,436
Purchases and changes in inventories	**(2,270,251)**	(1,388,332)
Including:		
Revenue from sales of properties held for sale	**2,810,659**	1,994,317
Purchases and changes in properties held for sale	**(2,248,100)**	(1,352,979)
Gross profit from sales of properties held for sale	**562,559**	641,338
Revenue from other trading operations	**24,215**	45,119
Purchases and changes in inventories of other trading operations	**(22,151)**	(35,353)
Gross profit from other trading operations	**2,064**	9,766

8. Commission and fee income

	For the six months ended June 30,	
	2016	2015
	(Unaudited)	*(Unaudited)*
Securities and futures brokerage	**689,439**	1,715,954
Consultancy and financial advisory	**367,362**	93,296
Fund and asset management business	**188,001**	159,675
Trustee services	**120,941**	151,590
Banking business	**65,859**	—
Agency business	**53,218**	18,110
Securities underwriting	**14,268**	169,749
Others	**32,885**	41,274
Total	**1,531,973**	2,349,648

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

9. Other income and other net gains or losses

	For the six months ended June 30,	
	2016	2015
	(Unaudited)	*(Unaudited)*
Revenue from hotel operation	**261,741**	258,248
Rental income	**155,798**	176,237
Government grant and compensation	**125,529**	1,903
Revenue from property management business	**86,408**	90,635
Net gains on disposal of other assets	**62,846**	21,626
Net gains on exchange differences	**5,870**	3,166
Others	**131,112**	(75,584)
Total	**829,304**	476,231

10. Interest expense

	For the six months ended June 30,	
	2016	2015
	(Unaudited)	*(Unaudited)*
Borrowings	**(7,537,478)**	(7,891,568)
Bonds issued	**(2,546,551)**	(1,505,431)
Financial assets sold under repurchase agreements	**(170,257)**	(277,349)
Amount due to the MOF	**—**	(80,494)
Accounts payable to brokerage clients	**(35,962)**	(34,017)
Due to customers	**(149,322)**	—
Others	**(80,525)**	(17,323)
Total	**(10,520,095)**	(9,806,182)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

11. Insurance costs

	For the six months ended June 30,	
	2016	2015
	(Unaudited)	*(Unaudited)*
Reserves for insurance contracts	**(5,567,710)**	(1,601,300)
Policyholder dividends	**(1,216,336)**	(621,570)
Refund of reinsurance premiums	**83,629**	550
Other insurance expenses	**(6,081,618)**	(4,396,122)
Total	**(12,782,035)**	(6,618,442)

12. Impairment losses on assets

	For the six months ended June 30,	
	2016	2015
	(Unaudited)	*(Unaudited)*
Impairment losses on assets		
— Distressed debt assets classified as receivables	**223,022**	(666,958)
— Available-for-sale financial assets	**(1,513,045)**	(144,499)
— Loans and advances to customers	**(431,869)**	(885,236)
— Accounts receivable	**(2,381)**	118,723
— Other assets	**(196,080)**	(2,517)
Total	**(1,920,353)**	(1,580,487)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

13. Income tax expense

	For the six months ended June 30,	
	2016	2015
	(Unaudited)	*(Unaudited)*
Current income tax:		
— PRC Enterprise Income Tax	**(3,188,184)**	(2,794,048)
— PRC Land Appreciation Tax	**(42,347)**	(71,928)
— Hong Kong Profits Tax	**(50,656)**	(44,042)
Adjustments in respect of current income tax of prior years	**(32,805)**	(13,439)
Subtotal	**(3,313,992)**	(2,923,457)
Deferred income tax (Note IV.31)	**375,180**	439,472
Total	**(2,938,812)**	(2,483,985)

The statutory income tax rate applicable to PRC enterprise was 25% for the period (for the six months ended June 30, 2015: 25%).

Hong Kong Profits Tax was calculated at 16.5% (for the six months ended June 30, 2015: 16.5%) of the estimated assessable profit for the period.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

14. 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,	
	2016	2015
	(Unaudited)	*(Unaudited)*
Earnings:		
Profit attributable to equity holders of the Company	**8,008,784**	7,823,803
Number of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	**36,256,690**	36,256,690
Basic earnings per share (RMB Yuan)	**0.22**	0.22
Diluted earnings per share (RMB Yuan)	**0.22**	0.22

There was no potential ordinary share outstanding for the six months ended June 30, 2016 and June 30, 2015.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

15. Dividends

	For the six months ended June 30,	
	2016	2015
	(Unaudited)[1]	*(Unaudited)*[2]
Final dividend	**4,209,402**	3,571,284
Dividends recognized as distribution during the period	**4,209,402**	3,571,284

(1) Distribution of final dividend for 2015

A cash dividend of approximately RMB4,209 million in total for the year of 2015 was approved, after the required appropriations for the general reserve on the net profit of the Company for the year of 2015 as determined under the China Accounting Standards, at the annual general meeting for 2015 held on June 30, 2016.

(2) Distribution of final dividend for 2014

A cash dividend of approximately RMB3,571 million in total for the year of 2014 was approved, after the required appropriations for the general reserve on the net profit of the Company for the year of 2014 as determined under the China Accounting Standards, at the annual general meeting for 2014 held on June 29, 2015.

No dividend was paid, declared, or proposed during the current interim period and interim period of 2015. The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

16. Cash and bank balances

	As at June 30, 2016 ***(Unaudited)***	As at December 31, 2015 *(Audited)*
Cash	**545,126**	44,464
Balances with central banks		
— Mandatory reserves	**7,948,308**	—
— Surplus reserves	**7,234,933**	—
— Others	**2,527,817**	2,330
Bank balances		
— House accounts	**54,174,807**	42,704,252
— Cash held on behalf of clients	**13,057,961**	15,318,924
Total	**85,488,952**	58,069,970
Including:		
Restricted bank balances	**31,290,063**	24,934,963
— Pledged bank deposits	**741,743**	5,732,272
— Balances with central banks	**8,632,151**	—

Pledged bank deposits represent deposits that have been pledged to secure short-term bank borrowings.

17. Placements with banks and financial institutions

	As at June 30, 2016 ***(Unaudited)***	As at December 31, 2015 *(Audited)*
Placements with banks	**19,104,804**	300,000
Placements with other financial institutions	**1,781,058**	—
Total	**20,885,862**	300,000

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

18. Financial assets at fair value through profit or loss

	As at June 30, 2016 ***(Unaudited)***	As at December 31, 2015 *(Audited)*
Held-for-trading financial assets		
Listed investments:		
Debt securities		
— Government bonds	**5,816,278**	149,604
— Public sector and quasi-government bonds	**2,847,736**	2,019,729
— Corporate bonds	**9,077,888**	12,436,013
Equity instruments	**4,575,301**	4,508,447
Funds	**1,680,150**	325,706
Derivative financial assets[(1)]	**296,830**	—
	24,294,183	19,439,499
Unlisted investments:		
Funds	**3,298,560**	1,616,192
Derivative financial assets[(1)]	**404,189**	252,396
	3,702,749	1,868,588
Subtotal	**27,996,932**	21,308,087
Financial assets designated as at fair value through profit or loss		
Listed investments:		
Corporate convertible bonds	**70,133**	18,037
Unlisted investments:		
Distressed debt assets[(2)]	**85,718,441**	84,620,657
Financial institution convertible bonds	**66,664**	—
Corporate convertible bonds	**28,345**	49,986
Wealth management products	**7,897,883**	5,882,728
Equity instruments	**12,345,421**	5,407,941
Subtotal	**106,126,887**	95,979,349
Total	**134,123,819**	117,287,436

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

18. Financial assets at fair value through profit or loss (Continued)

(1) Derivative financial instruments

	As at 30 June, 2016 *(Unaudited)*			As at 31 December, 2015 *(Audited)*		
	Contractual/ notional amount	**Fair value**		Contractual/ notional amount	Fair value	
		Assets	**Liabilities**		Assets	Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps	**43,560,533**	**564,356**	**(217,068)**	—	—	—
Currency options	**50,191**	**332**	**(331)**	—	—	—
Subtotal	**43,610,724**	**564,688**	**(217,399)**	—	—	—
Interest rate derivatives						
Interest rate swaps	**19,504,163**	**6,767**	**(6,843)**	—	—	—
Subtotal	**19,504,163**	**6,767**	**(6,843)**	—	—	—
Equity derivatives	**171,349**	**127,339**	**—**	432,886	252,396	—
Commodity derivatives and others	**77,432**	**2,225**	**(2,417)**	—	—	—
Total	**63,363,668**	**701,019**	**(226,659)**	432,886	252,396	—

(2) Distressed debt assets designated as at fair value through profit or loss of the Company account for the majority portion of the Group balances as at June 30, 2016 and December 31, 2015, respectively.

19. Financial assets held under resale agreements

	As at June 30, 2016 *(Unaudited)*	As at December 31, 2015 *(Audited)*
By collateral type		
Bonds	**26,273,493**	25,129,105
Equity instruments	**3,004,411**	5,858,349
Subtotal	**29,277,904**	30,987,454
Less: Allowance for impairment loss	**8,674**	5,188
Total	**29,269,230**	30,982,266

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

20. Available-for-sale financial assets

	As at June 30, 2016 ***(Unaudited)***	As at December 31, 2015 *(Audited)*
Debt securities		
— Government bonds	**14,876,995**	80,627
— Public sector and quasi-government bonds	**14,856,008**	4,617,214
— Financial institution bonds	**8,118,300**	1,566,626
— Corporate bonds	**12,439,698**	3,841,953
Subtotal	**50,291,001**	10,106,420
Equity instruments(1)	**41,357,887**	51,886,938
Funds(1)	**52,479,937**	30,737,505
Trust products and rights to trust assets	**13,285,990**	10,712,882
Asset management plans	**13,077,848**	8,507,045
Certificates of deposit	**10,883,010**	3,840,322
Wealth management products	**1,915,472**	1,702,930
Assets backed securities	**600,430**	629,974
Others	**2,761,094**	2,480,290
Total	**186,652,669**	120,604,306
Including:		
Equity instruments pledged for borrowings	**1,163,945**	—

(1) Included in the balances are amounts of equity instruments and funds totaling RMB42,461.65 million as at June 30, 2016 (December 31, 2015: RMB43,306.08 million) that were measured at cost because their fair values cannot be reliably measured.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

21. Financial assets classified as receivables

	As at June 30, 2016 *(Unaudited)*	As at December 31, 2015 *(Audited)*
Distressed debt assets		
— Loans acquired from financial institutions	**29,271,596**	37,187,169
— Accounts receivable acquired from non-financial institutions	**119,797,421**	132,292,291
	149,069,017	169,479,460
Less: Allowance for impairment losses		
— Individually assessed	**1,161,710**	1,285,448
— Collectively assessed	**4,550,123**	5,049,140
	5,711,833	6,334,588
Subtotal	**143,357,184**	163,144,872
Debt securities		
— Trust products	**4,958,800**	3,950,485
— Debt investment plans	**4,268,326**	3,985,500
Structured debt arrangements(1)	**5,049,882**	10,058,605
	14,277,008	17,994,590
Less: Allowance for impairment losses		
— Individually assessed	**81,174**	81,174
Subtotal	**14,195,834**	17,913,416
Total	**157,553,018**	181,058,288

(1) Structured debt arrangements entered into the structured fund arrangements acquired by the Company with banks and other financial institutions, and are non-derivative financial assets with fixed return which have no active market. Such arrangements were managed as loans and receivables and accounted for as financial assets classified as receivables.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

21. Financial assets classified as receivables (Continued)

Movements of allowance for impairment losses during the period/year:

	For the six months ended June 30, 2016 *(Unaudited)*		
	Individually assessed allowance	**Collectively assessed allowance**	**Total**
As at January 1	**1,366,622**	**5,049,140**	**6,415,762**
Impairment losses recognized	**259,741**	**—**	**259,741**
Impairment losses reversed	**(460)**	**(482,303)**	**(482,763)**
Impairment losses written off and transfer out	**(309,288)**	**(16,714)**	**(326,002)**
Unwinding of discount on allowance	**(73,731)**	**—**	**(73,731)**
As at June 30	**1,242,884**	**4,550,123**	**5,793,007**

	For the year ended December 31, 2015 *(Audited)*		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	572,557	4,848,865	5,421,422
Impairment losses recognized	1,449,085	200,275	1,649,360
Impairment losses reversed	(6,780)	—	(6,780)
Impairment losses written off and transfer out	(608,909)	—	(608,909)
Unwinding of discount on allowance	(39,331)	—	(39,331)
As at December 31	1,366,622	5,049,140	6,415,762

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

22. Loans and advances to customers

	As at June 30, 2016 *(Unaudited)*	As at December 31, 2015 *(Audited)*
Corporate loans and advances		
— Loans and advances	**163,189,512**	55,307,937
— Discounted bills	**8,917,473**	—
Subtotal	**172,106,985**	55,307,937
Personal loans and advances		
— Mortgages	**21,274,679**	—
— Personal consumption loans	**499,259**	—
— Others	**9,165,231**	—
Subtotal	**30,939,169**	—
Loans to margin clients	**6,122,684**	8,938,153
Finance lease receivables	**41,735,310**	44,520,891
Total loans and advances	**250,904,148**	108,766,981
Less: Allowance for impairment losses		
— Individually assessed	**2,680,841**	1,985,674
— Collectively assessed	**2,963,381**	2,042,817
Subtotal	**5,644,222**	4,028,491
Net loans and advances to customers	**245,259,926**	104,738,490

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

22. Loans and advances to customers (Continued)

Movements of allowance for impairment losses on loans and advances during the period/year are as follows:

	For the six months ended June 30, 2016		
	(Unaudited)	***(Unaudited)***	***(Unaudited)***
	Individually assessed allowance	**Collectively assessed allowance**	**Total**
As at January 1	**1,985,674**	**2,042,817**	**4,028,491**
Transfer in	**362,707**	**821,155**	**1,183,862**
Impairment losses recognized	**383,215**	**241,256**	**624,471**
Impairment losses reversed	**(50,755)**	**(141,847)**	**(192,602)**
As at June 30	**2,680,841**	**2,963,381**	**5,644,222**

	For the year ended December 31, 2015		
	(Audited)	*(Audited)*	*(Audited)*
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	370,761	1,419,437	1,790,198
Impairment losses recognized	1,721,216	623,380	2,344,596
Impairment losses reversed	(28,535)	—	(28,535)
Amounts written off and transfer out	(77,768)	—	(77,768)
As at December 31	1,985,674	2,042,817	4,028,491

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

22. Loans and advances to customers (Continued)

Finance lease receivables are analyzed as follows:

	As at June 30, 2016 *(Unaudited)*	As at December 31, 2015 *(Audited)*
Minimum finance lease receivables:		
Within 1 year (inclusive)	**16,644,150**	16,811,324
1 year to 5 years (inclusive)	**28,236,536**	30,851,878
Over 5 years	**1,063,047**	1,570,774
Gross investment in finance leases	**45,943,733**	49,233,976
Less: Unearned finance income	**4,208,423**	4,713,085
Net investment in finance leases	**41,735,310**	44,520,891
Less: Allowance for impairment losses	**1,181,600**	976,724
Carrying amount of finance lease receivables	**40,553,710**	43,544,167

	As at June 30, 2016 *(Unaudited)*	As at December 31, 2015 *(Audited)*
Present value of minimum lease receivables:		
Within 1 year (inclusive)	**14,664,845**	14,758,424
1 year to 5 years (inclusive)	**26,103,736**	28,315,288
Over 5 years	**966,729**	1,447,179
Total	**41,735,310**	44,520,891
Including:		
Finance lease receivables pledged for borrowings	**3,271,786**	3,529,950

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

23. Accounts receivable

	As at June 30, 2016 ***(Unaudited)***	As at December 31, 2015 *(Audited)*
Accounts receivable relating to equity assets[(1)]	**1,381,195**	868,175
Accounts receivable relating to distressed debt assets	**426,037**	452,537
Accounts receivable from sales of properties	**384,617**	496,131
Insurance premium and reinsurance refund receivables	**491,480**	1,337,040
Commission and fee receivable	**436,602**	72,345
Others	**595,903**	368,620
Subtotal	**3,715,834**	3,594,848
Less: Allowance for impairment losses	**162,376**	160,057
Total	**3,553,458**	3,434,791

(1) As at June 30, 2016, the major component comprising outstanding amount of RMB874.14 million (December 31, 2015: RMB868.18 million) mainly arose from disposals of several debt-to-equity swap distressed assets. These receivables bear interests from Nil to 6.15% per annum (December 31, 2015: Nil to 6.15%). The outstanding balances are repayable no later than November 20, 2017 (December 31, 2015: no later than November 20, 2017).

Aging analysis of:

Accounts receivable relating to distressed assets

	As at June 30, 2016 ***(Unaudited)***				As at December 31, 2015 *(Audited)*			
	Gross amount	**%**	**Impairment**	**Carrying amount**	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	**97,423**	**7**	**—**	**97,423**	122,364	9	—	122,364
1 year to 2 years (inclusive)	**335,160**	**26**	**—**	**335,160**	395,727	30	—	395,727
2 years to 3 years (inclusive)	**64,975**	**5**	**—**	**64,975**	—	—	—	—
Over 3 years	**802,621**	**62**	**(89,893)**	**712,728**	802,621	61	(89,893)	712,728
Total	**1,300,179**	**100**	**(89,893)**	**1,210,286**	1,320,712	100	(89,893)	1,230,819

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

23. Accounts receivable (Continued)

No aging analysis is disclosed on items such as accounts receivable from sales of properties, insurance premium and reinsurance refund receivables, commission and fee receivable, as they are mostly current and due within one year. Other items are considered insignificant. In the opinion of the directors of the Company, aging analysis of these items does not give additional value to the readers of this report in view of the nature of these items.

Movements of allowance for impairment losses for the six months ended June 30, 2016 and for the year ended December 31, 2015 are as follows:

	For the six months ended June 30, 2016 ***(Unaudited)***	For the year ended December 31, 2015 *(Audited)*
At beginning of the period/year	**160,057**	129,767
Impairment losses recognized	**4,389**	48,688
Impairment losses reversed	**(2,008)**	(15,892)
Amounts written off and transfer out	**(62)**	(2,506)
At end of the period/year	**162,376**	160,057

24. Held-to-maturity investments

	As at June 30, 2016 ***(Unaudited)***	As at December 31, 2015 *(Audited)*
Debt securities		
— Government bonds	**6,400,664**	117,700
— Public sector and quasi-government bonds	**4,714,995**	4,204,904
— Financial institution bonds	**1,371,479**	1,371,585
— Corporate bonds	**1,534,654**	1,009,574
Total	**14,021,792**	6,703,763

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

25. Properties held for sale

	As at June 30, 2016 ***(Unaudited)***	As at December 31, 2015 *(Audited)*
Completed properties	**5,312,217**	4,358,067
Properties under development	**27,094,716**	26,701,244
Others	**23,879**	25,996
Total	**32,430,812**	31,085,307
Including:		
Pledged for borrowings	**14,911,350**	12,286,077

26. Investment properties

For the six months ended June 30, 2016, the Group acquired investment properties with aggregate amounts of RMB0 million at cost (for the six months ended June 30, 2015: RMB92 million), disposed investment properties with aggregate amounts of RMB3.81 million at net book value (for the six months ended June 30, 2015: RMB85 million).

On May 30, 2016, the Group completed the acquisition of Nanyang Commercial Bank, Limited, which caused the increase of the book value of investment properties by RMB298.53 million.

As at June 30, 2016, the net book value of investment properties pledged for borrowings amounted to RMB1,566.49 million (December 31, 2015: RMB1,507.66 million).

As at June 30, 2016, the value of investment properties which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB4.47 million (December 31, 2015: RMB4.77 million).

IV. EXPLANATORY NOTES (Continued)

27. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts, asset management plans, wealth management products and mutual funds. The judgments used by the Group to determine whether control exists are the same as those that applied to the consolidated financial statements for the year ended December 31, 2015.

The financial impact of each of the private equity funds, trusts, asset management plans, wealth management products and mutual funds on the Group's financial position as at June 30, 2016 and December 31, 2015, and results and cash flows for the six months ended June 30, 2016 and the year ended December 31, 2015, though consolidated, are not significant 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 income statement and included in other liabilities in the interim condensed consolidated statement of financial position as set out in note IV.44.

28. Interests in unconsolidated structured entities

Structured entities over which the Group had control by virtue of the Group serving as general partner, manager of trustee during the period include private equity funds, trusts, asset management plans, wealth management products and mutual funds. Except for the structured entities the Group which have consolidated as detailed in note IV.27, in the opinion of the directors of the Company, the variable returns the Group exposed to 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.

29. Property and equipment

For the six months ended June 30, 2016, the Group acquired property and equipment with aggregate amounts of RMB126.65 million at cost (for the six months ended June 30, 2015: RMB0.34 million), disposed property and equipment with aggregate amounts of RMB163.16 million at net book value (for the six months ended June 30, 2015: RMB0.72 million).

On May 30, 2016, the Group completed the acquisition of Nanyang Commercial Bank, Limited, which caused the increase of the book value of investment properties by RMB5,898.09 million.

As at June 30, 2016, the Group's construction in progress amounted to RMB934.11 million (December 31, 2015: RMB915.69 million).

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

29. Property and equipment (Continued)

As at June 30, 2016, the Group's property which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB637.41 million (December 31, 2015: RMB663.21 million).

As at June 30, 2016, the net book value of property and equipment pledged for borrowings amounted to RMB118.71 million (December 31, 2015: RMB335.48 million).

30. Goodwill

	As at June 30, 2016 *(Unaudited)*	As at December 31, 2015 *(Audited)*
Carrying amount		
At beginning of the period/year	**1,513,734**	1,444,908
Disposal of subsidiaries	**—**	(14,160)
Acquisitions of subsidiaries	**21,799,290**	90,663
Exchange differences	**295,440**	(7,677)
At the end of the period/year	**23,608,464**	1,513,734
Allowance for impairment losses		
At beginning of the period/year	**(1,120,799)**	(1,120,799)
At the end of the period/year	**(1,120,799)**	(1,120,799)
Net book value		
At beginning of the period/year	**392,935**	324,109
At the end of the period/year	**22,487,665**	392,935

On May 30, 2016, the acquisition of Nanyang Commercial Bank, Limited by the Group was completed. The goodwill arising from the acquisition was RMB21,799 million. Please refer to Note IV 56 for details.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

31. 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:

	As at June 30, 2016 *(Unaudited)*	As at December 31, 2015 *(Audited)*
Deferred tax assets	**5,709,524**	5,029,152
Deferred tax liabilities	**(2,213,833)**	(886,161)
	3,495,691	4,142,991

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

	(Unaudited)													
	Allowance for Impairment losses	**Unrealized financing income**	**Withholding land appreciation tax**	**Advance from sales of real estate**	**Asset revaluation**	**Fair value adjustments from acquisitions of subsidiaries**	**Accrued but not paid staff costs**	**Intragroup interest capitalized on properties held for sales**	**Tax losses**	**Provisions**	**Changes in fair value of financial assets at FVTPL**	**Changes in fair value of available-for-sale financial assets**	**Others**	**Total**
As at January 1, 2016	**3,667,251**	**13,800**	**22,253**	**161,610**	**(175,260)**	**—**	**555,738**	**372,446**	**72,234**	**116,713**	**51,885**	**(678,874)**	**(36,805)**	**4,142,991**
Credit/(charge) to profit or loss	**275,480**	**(8,621)**	**8,646**	**93,606**	**—**	**2,550**	**2,564**	**58,743**	**14,883**	**13,353**	**(21,753)**	**—**	**(64,271)**	**375,180**
Credit/(charge) to other comprehensive income	**(94)**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**325,557**	**—**	**325,463**
Acquisitions of subsidiaries	**69,808**	**—**	**—**	**—**	**(863,777)**	**(704,100)**	**—**	**—**	**—**	**—**	**—**	**—**	**150,126**	**(1,347,943)**
As at June 30, 2016	**4,012,445**	**5,179**	**30,899**	**255,216**	**(1,039,037)**	**(701,550)**	**558,302**	**431,189**	**87,117**	**130,066**	**30,132**	**(353,317)**	**49,050**	**3,495,691**

	(Audited)													
	Allowance for Impairment losses	Unrealized financing income	Withholding land appreciation tax	Advance from sales of real estate	Asset revaluation	Fair value adjustments from acquisitions of subsidiaries	Accrued but not paid staff costs	Intragroup interest capitalized on properties held for sales	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value of available-for-sale financial assets	Others	Total
As at January 1, 2015	2,681,329	39,315	14,335	93,341	(175,260)	—	581,578	283,588	88,373	63,341	(62,685)	(835,885)	6,765	2,778,135
Credit/(charge) to profit or loss	683,951	(25,515)	7,918	68,269	—	—	(25,840)	88,858	(16,139)	53,372	114,570	—	(6,079)	943,365
Charge to other comprehensive income	301,971	—	—	—	—	—	—	—	—	—	—	157,011	—	458,982
Others	—	—	—	—	—	—	—	—	—	—	—	—	(37,491)	(37,491)
As at December 31, 2015	3,667,251	13,800	22,253	161,610	(175,260)	—	555,738	372,446	72,234	116,713	51,885	(678,874)	(36,805)	4,142,991

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

32. Other assets

	As at June 30, 2016 ***(Unaudited)***	As at December 31, 2015 *(Audited)*
Prepayments	**7,603,682**	6,678,861
Other receivables	**6,945,754**	9,471,538
Interest receivable	**3,795,563**	2,538,967
Assets in satisfaction of debts	**2,318,296**	1,772,141
Dividend receivable	**1,734,925**	1,316,581
Statutory deposits	**1,726,075**	1,726,075
Prepaid taxes	**796,927**	420,963
Loans policy	**342,447**	334,842
Long-term unamortized expenses	**261,007**	141,829
Land use rights	**125,459**	124,870
Assets classified as held for sale	**—**	2,245,582
Others	**2,908,620**	303,180
Total	**28,558,755**	27,075,429

33. Borrowings from the central bank

	As at June 30, 2016 ***(Unaudited)***	As at December 31, 2015 *(Audited)*
Borrowings from the central bank	**986,058**	986,058

The borrowings from the People's Bank of China are used to finance the purchase of distressed assets from commercial banks and bear interest rate at 2.25% per annum. As at June 30, 2016, the loan principals have been repaid in full, and the outstanding balance represents interest payable to the central bank.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

34. Financial liabilities at fair value through profit or loss

	As at June 30, 2016 ***(Unaudited)***	As at December 31, 2015 *(Audited)*
Derivative financial liabilities (Note IV18.1)	**226,659**	—
Short positions in exchange fund bills and notes	**3,434,306**	—
Forward payment plan	**2,775,000**	2,775,000
Income guarantee and repurchase commitment	**758**	4,923
Total	**6,436,723**	2,779,923

35. Financial assets sold under repurchase agreements

	As at June 30, 2016 ***(Unaudited)***	As at December 31, 2015 *(Audited)*
By collateral type:		
Debt securities	**10,167,928**	6,897,945
Finance lease receivables	**12,500**	441,500
Loans to margin clients	**2,710,000**	3,610,000
Total	**12,890,428**	10,949,445

36. Placements from banks and financial institutions

	As at June 30, 2016 ***(Unaudited)***	As at December 31, 2015 *(Audited)*
Placements from banks	**11,318,724**	230,000
Placements from financial institutions	**—**	1,577,000
Total	**11,318,724**	1,807,000

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

37. Borrowings

	As at June 30, 2016 *(Unaudited)*	As at December 31, 2015 *(Audited)*
Banks and other financial institutions borrowings		
Unsecured loans	**321,708,121**	284,441,044
Loans secured by properties	**9,514,421**	8,046,127
Other secured loans	**17,962,731**	24,583,479
Total	**349,185,273**	317,070,650

Loans secured by properties were collateralized by property and equipment, investment properties and properties held for sale at an aggregate carrying amount of RMB16,597 million as at June 30, 2016 (December 31, 2015: RMB14,129 million). Other secured loans were collateralized by bank balances, available-for-sale financial assets, interests in associates and joint ventures, financial assets at fair value through profit or loss and finance lease receivables at an aggregate carrying amount of RMB9,553 million as at June 30, 2016 (December 31, 2015: RMB9,262 million). The variable rates of borrowings used by the Group float based on the benchmark interest rates of deposits or loans published by PBOC, SHIBOR, HIBOR, 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:

	As at June 30, 2016 *(Unaudited)*	As at December 31, 2015 *(Audited)*
Fixed-rate borrowings	**1.92%–10.00%**	1.12%–10.00%
Variable-rate borrowings	**1.45%–7.80%**	1.05%–7.80%

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

38. Due to customers

	As at June 30, 2016 ***(Unaudited)***	As at December 31, 2015 *(Audited)*
Demand deposits		
Corporate	**41,406,564**	—
Personal	**34,899,728**	—
Time deposits		
Corporate	**68,961,986**	—
Personal	**40,212,231**	—
Guarantee deposits	**10,211,839**	—
Others	**98,998**	—
Total	**195,791,346**	—

39. Deposits from banks and financial institutions

	As at June 30, 2016 ***(Unaudited)***	As at December 31, 2015 *(Audited)*
Banks	**8,398,446**	—
Other financial institutions	**41,405**	—
Total	**8,439,851**	—

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

40. Accounts payable

	As at June 30, 2016 *(Unaudited)*	As at December 31, 2015 *(Audited)*
Accounts payable associated with real estate business [1]	**1,233,694**	1,769,448
Asset purchase payable	**41,995**	1,281,877
Reinsurance premium payable	**21,567**	991,957
Others	**884,326**	927,493
Total	**2,181,582**	4,970,775

(1) Accounts payable associated with the real estate business mainly comprised of 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 readers of this report in view of the nature of these items.

41. Investment contract liabilities for policyholders

	For the six months ended June 30, 2016 *(Unaudited)*	For the year ended December 31, 2015 *(Audited)*
At beginning of the period/year	**20,057,746**	6,251,226
Deposits received	**13,631,177**	19,358,879
Deposits withdrawn	**(4,301,722)**	(5,549,941)
Others	**—**	(2,418)
At end of the period/year	**29,387,201**	20,057,746

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

42. Insurance contract liabilities

	As at January 1, 2016 *(Audited)*	**Increase**	**Decrease**	**As at June 30, 2016** *(Unaudited)*
Short-term life and property insurance contracts				
— Unearned premium reserves	**1,205,686**	**929,191**	**(830,747)**	**1,304,130**
— Outstanding claim reserves	**1,018,250**	**1,000,957**	**(1,053,247)**	**965,960**
Long-term life insurance contracts	**26,051,238**	**10,548,701**	**(5,046,705)**	**31,553,234**
Total	**28,275,174**	**12,478,849**	**(6,930,699)**	**33,823,324**

	As at January 1, 2015 *(Audited)*	Increase	Decrease	As at December 31, 2015 *(Audited)*
Short-term life and property insurance contracts				
— Unearned premium reserves	1,401,919	1,180,968	(1,377,201)	1,205,686
— Outstanding claim reserves	1,284,530	2,185,434	(2,451,714)	1,018,250
Long-term life insurance contracts	22,532,556	9,819,030	(6,300,348)	26,051,238
Total	25,219,005	13,185,432	(10,129,263)	28,275,174

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

42. Insurance contract liabilities (Continued)

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

	As at June 30, 2016			As at December 31, 2015		
	(Unaudited)			*(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	**1,220,844**	**83,286**	**1,304,130**	1,114,891	90,795	1,205,686
— Outstanding claim reserves	**965,960**	**—**	**965,960**	1,015,765	2,485	1,018,250
Long-term life insurance contracts	**7,320**	**31,545,914**	**31,553,234**	38,330	26,012,908	26,051,238
Total	**2,194,124**	**31,629,200**	**33,823,324**	2,168,986	26,106,188	28,275,174

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

43. Bonds issued

Bond Name	*Note*	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	**As at June 30, 2016** ***(Unaudited)***	As at December 31, 2015 *(Audited)*
2012 Financial Bonds (5-year)	*(1)*	5,000,000	RMB	2012/11	2017/11	4.65%	**5,147,190**	5,029,991
2014 Financial Bonds (3-year)	*(1)*	10,000,000	RMB	2014/5	2017/5	5.20%	**10,030,714**	10,282,074
2014 Financial Bonds (5-year)	*(1)*	10,000,000	RMB	2014/5	2019/5	5.35%	**10,012,890**	10,276,441
2015 Financial Bonds (3-year)	*(1)*	10,000,000	RMB	2015/5	2018/5	4.10%	**10,017,804**	10,216,111
2015 Financial Bonds (5-year)	*(1)*	10,000,000	RMB	2015/5	2020/5	4.30%	**10,013,573**	10,224,648
2015-II Financial Bonds (3-year)	*(1)*	2,000,000	RMB	2015/9	2018/9	3.50%	**2,051,759**	2,016,541
2015-II Financial Bonds (5-year)	*(1)*	4,000,000	RMB	2015/9	2020/9	3.75%	**4,110,874**	4,035,764
2015-II Financial Bonds (10-year)	*(1)*	10,000,000	RMB	2015/9	2025/9	4.60%	**10,340,782**	10,111,113
2016 Tier-II Capital Bonds (10-year)	*(2)*	10,000,000	RMB	2016/6	2026/6	3.70%	**9,982,765**	—
Subordinate Bonds	*(3)*	495,000	RMB	2011/9	2021/9	7.20%	**522,027**	504,207
2015 Capital Supplement Bonds	*(4)*	3,000,000	RMB	2015/12	2025/12	4.00%	**3,060,009**	3,001,000
2015-I subordinate bonds	*(5)*	3,000,000	RMB	2015/2	2018/2	5.90%	**3,067,405**	3,156,148
2015-II subordinate bonds	*(5)*	3,000,000	RMB	2015/4	2018/4	6.00%	**3,034,027**	3,124,274
Beneficiary Certificates-II	*(5)*	1,000,000	RMB	2015/6	2017/6	6.50%	**1,067,167**	1,034,306
Beneficiary Certificates-III	*(5)*	101,710	RMB	2015/7	2016/12	6.25%	**108,050**	104,835
2015 Corporation Bonds	*(6)*	3,000,000	RMB	2015/12	2023/12	3.80%	**3,045,340**	2,984,457
2016-I Corporation bonds (8-year)	*(6)*	2,000,000	RMB	2016/1	2024/1	3.70%	**2,022,970**	—
2016 Corporation bonds	*(6)*	3,000,000	RMB	2016/5	2021/5	4.70%	**3,007,891**	—
2015-I mid-term notes	*(7)*	1,500,000	RMB	2015/6	2020/6	5.80%	**1,496,283**	1,599,783
2015-II mid-term notes	*(7)*	1,400,000	RMB	2015/8	2020/8	5.50%	**1,464,306**	1,453,779
2015-III mid-term notes	*(7)*	100,000	RMB	2015/12	2020/12	5.50%	**94,115**	100,510
2016-I Corporation bonds (5-year)	*(8)*	2,500,000	RMB	2016/3	2021/2	3.80%	**2,535,586**	—
2016-II Corporation bonds (5-year)	*(8)*	500,000	RMB	2016/3	2021/3	3.50%	**505,072**	—
2016 Corporation bonds	*(8)*	3,000,000	RMB	2016/5	2019/5	5.56%	**3,020,281**	—
2016 Financial Bonds (3-year)	*(9)*	2,000,000	RMB	2016/6	2019/6	3.81%	**2,001,633**	—
HKD Bonds	*(10)*	20,000	HKD	2013/9	2018/9	4.00%	**17,636**	16,756
HKD Bonds	*(10)*	4,000	HKD	2013/10	2018/10	4.00%	**3,515**	3,351
HKD Bonds	*(10)*	10,000	HKD	2013/12	2018/12	4.00%	**8,744**	8,378
HKD Bonds	*(10)*	20,000	HKD	2014/7	2019/7	4.00%	**17,746**	16,756
HKD Bonds	*(10)*	12,000	HKD	2014/9	2019/9	4.00%	**10,585**	10,054
HKD Bonds	*(10)*	10,000	HKD	2014/10	2019/9	4.00%	**8,776**	8,378
HKD Bonds	*(10)*	10,000	HKD	2016/3	2021/3	4.00%	**8,645**	—
USD Guaranteed Senior Notes	*(11)*	1,000,000	USD	2014/5	2019/5	4.00%	**6,613,912**	6,470,407
USD Guaranteed Senior Notes	*(11)*	500,000	USD	2014/5	2024/5	5.625%	**3,308,573**	3,239,862
USD Guaranteed Senior Notes	*(12)*	230,000	USD	2014/12	2029/12	5.20%	**1,515,152**	1,483,171
USD Guaranteed Senior Notes	*(12)*	90,000	USD	2015/2	2029/12	5.20%	**600,047**	586,060
USD Guaranteed Senior Notes	*(12)*	1,300,000	USD	2015/4	2020/4	3.125%	**8,656,237**	8,439,165
USD Guaranteed Senior Notes	*(12)*	1,700,000	USD	2015/4	2025/4	4.25%	**11,343,139**	11,055,792
USD Guaranteed Senior Notes	*(12)*	100,000	USD	2015/2	2030/2	5.20%	**671,268**	655,780
USD Guaranteed Senior Notes	*(12)*	80,000	USD	2015/3	2022/3	4.45%	**535,587**	523,480
2016 Corporation bonds (5-year)	*(13)*	600,000	RMB	2016/4	2021/4	4.60%	**603,376**	—
2016 Corporation bonds (4-year)	*(13)*	800,000	RMB	2016/4	2020/4	4.98%	**806,247**	—
Total							**136,489,698**	111,773,372

IV. EXPLANATORY NOTES (Continued)

43. 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 the early redeem the bond at par value in full subject to the approval of the China Banking Regulatory Commission.

(3) The subordinate 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 whole or in part, at face value in September 2016. If the subsidiary does not exercise this option, the coupon rate of the bonds will be increased to 9.2% per annum from September 2016 onwards.

(4) 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.

(5) The subordinate bonds and beneficiary certificates issued by Cinda Securities Co., Ltd., a subsidiary of the Company, have fixed coupon rates, payable annually.

(6) The corporation bonds issued by Cinda Investment, a subsidiary of the Company, have fixed coupon rates, payable annually.

(7) The mid-term notes issued by Cinda Real Estate Co., Ltd., a subsidiary of the Cinda Investment, have fixed coupon rates, payable annually.

(8) The corporation bonds issued by Cinda Real Estate Co., Ltd., a subsidiary of the Cinda Investment, have fixed coupon rates, payable annually.

(9) The financial bonds issued by Cinda Financial Leasing Co., Ltd., a subsidiary of the company, have a fixed coupon rate, payable annually.

(10) 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.

(11) The USD Guaranteed Senior Notes (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, at a redemption price equal to the greater of i) 100% of the principal amount of the USD Notes redeemed or ii) the sum of the present value of the remaining scheduled payments of principal and interest on the USD Notes redeemed (not including interest accrued to the date of redemption), discounted at the US treasury bond rate plus 40 basis points in the case of the 5-year USD Notes and 50 basis points in the case of the 10-year USD Notes, plus any accrued and unpaid interest.

(12) The USD Guaranteed Senior Notes (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 relevant subscription agreement.

(13) The corporation bonds issued by Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

44. Other liabilities

	As at June 30, 2016 *(Unaudited)*	As at December 31, 2015 *(Audited)*
Payables to interest holders of consolidated structured entities (Note IV.27)	**40,564,215**	45,079,078
Other payables	**10,675,694**	10,512,282
Receipts in advance from property sales	**10,477,265**	7,314,973
Risk deposit	**5,854,328**	5,964,340
Dividends payable	**4,233,740**	35,081
Staff costs payable	**3,118,566**	3,595,353
Interest payable	**2,781,843**	1,501,691
Liabilities related to insurance business	**1,700,661**	1,695,456
Deferred income related to leasing business	**1,077,938**	1,237,303
Settlement and clearing payable	**986,969**	—
Provisions	**850,983**	498,522
Long-term payable	**546,721**	1,002,675
Receipts in advance associated with disposal of distressed assets	**360,088**	52,907
Sundry taxes payable	**355,646**	585,671
Others	**3,214,997**	542,835
Total	**86,799,654**	79,618,167

45. Share capital

	For the six months ended June 30, 2016 *(Unaudited)*	For the year ended December 31, 2015 *(Audited)*
Authorized, issued and fully paid:		
At beginning of the period/year	**36,256,690**	36,256,690
Issue of shares	**—**	—
At end of the period/year	**36,256,690**	36,256,690

IV. EXPLANATORY NOTES (Continued)

45. Share capital (Continued)

A summary of the movements of the Company's issued shares (in thousands of shares) during the six months ended June 30, 2016 and the year ended December 31, 2015 is as follows:

	2016			
	As at January 1, ***(Audited)***	**Issuance**	**Transfer**	**As at June 30,** ***(Unaudited)***
Domestic shares				
— MOF	**24,596,932**	**—**	**—**	**24,596,932**
H shares	**11,659,758**	**—**	**—**	**11,659,758**
Total	**36,256,690**	**—**	**—**	**36,256,690**

	2015			
	As at January 1, *(Audited)*	Issuance	Transfer	As at December 31, *(Unaudited)*
Domestic shares				
— MOF	24,596,932	—	—	24,596,932
H shares	11,659,758	—	—	11,659,758
Total	36,256,690	—	—	36,256,690

As at June 30, 2016 and December 31, 2015, there was no share subject to lock-up restriction of the Group.

46. 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.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

47. Investment revaluation reserve

A summary of the movements of the Group's investment revaluation reserve attributable to equity holders during the six months ended June 30, 2016 and the year ended December 31, 2015 is set out below:

	For the six months ended June 30, 2016 *(Unaudited)*	For the year ended December 31, 2015 *(Audited)*
At beginning of the period/year	**1,587,561**	3,970,903
Fair value changes on available-for-sale financial assets		
— fair value changes arising during the period/year	**(1,728,677)**	696,710
— amounts reclassified to profit or loss upon disposal	**(145,583)**	(3,525,858)
— amounts reclassified to profit or loss upon impairment	**435,090**	2,163
Income tax effect	**283,247**	452,537
Share of other comprehensive expense of associates and joint ventures	**(93,246)**	(8,894)
Subtotal	**(1,249,169)**	(2,383,342)
At end of the period/year	**338,392**	1,587,561

48. 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, 2016 and 2015, as approved in the general meetings, the Company transferred RMB2,931 million and RMB1,835 million to the general reserve pursuant to the regulatory requirements in the PRC.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

49. Cash and cash equivalents

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

	As at June 30, 2016 *(Unaudited)*	As at December 31, 2015 *(Audited)*
Cash on hand	**545,126**	44,464
Unrestricted balances with original maturity of less than 3 months		
Bank balances	**53,653,763**	33,090,543
Clearing settlement funds	**956,050**	729,011
Placements with financial institutions	**17,897,172**	300,000
Financial assets held under resale agreements	**26,273,493**	25,098,341
Financial assets at fair value through profit or loss	**592,549**	—
Available-for-sale financial assets	**2,877,526**	3,840,322
Cash and cash equivalents	**102,795,679**	63,102,681

50. 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, 2016, total claim amount of pending litigations for the Group was RMB1,749 million (December 31, 2015: RMB1,845 million), and provisions of RMB89 million (December 31, 2015: RMB94 million) for the Group was 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.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

50. Contingent liabilities and commitments (Continued)

(2) Operating lease commitments

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

	As at June 30, 2016 ***(Unaudited)***	As at December 31, 2015 *(Audited)*
Within 1 year	**560,717**	232,868
1 to 2 years	**390,306**	120,270
2 to 3 years	**248,759**	72,054
3 to 5 years	**297,642**	30,329
Over 5 years	**79,049**	17,700
Total	**1,576,473**	473,221

(3) Commitments other than operating lease commitments

	As at June 30, 2016 ***(Unaudited)***	As at December 31, 2015 *(Audited)*
Contracted but not provided for		
— commitments for the purchase of property and equipment	**14,543**	814
— commitments for the acquisition of investments	**254,000**	57,581,040
Total	**268,543**	57,581,854

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

50. Contingent liabilities and commitments (Continued)

(4) Credit commitments

	As at June 30, 2016 *(Unaudited)*	As at December 31, 2015 *(Audited)*
Bank bill acceptance	**12,316,791**	—
Loan commitments[(i)]	**9,750,072**	—
Letters of guarantee issued	**6,721,761**	—
Letters of credit issued	**2,117,712**	—
Undrawn credit card commitments	**1,005,482**	—
Total	**31,911,818**	—

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, 2016, the unconditionally revocable loan commitments of the Group amounted to RMB69,935 million (December 31, 2015: Nil).

(5) Other commitments provided by the Group

(i) As a result of the purchase commitments and guarantees provided by the Group, the structured entities managed by the Group are consolidated, because the Group is exposed to significant variable returns on these structured entities and the Group has the ability to use its power over the structured entities to affect their returns.

(ii) Since 2011, Cinda Investment, a subsidiary of the Company, has provided credit enhancements for the trust plan set up by China Jingu International Trust Co., Ltd., another subsidiary of the Company. As at June 30, 2016, the exposure to the credit enhancements amounted to RMB500 million (December 31, 2015: RMB500 million). As a result that the guarantee agreement provided by the Group doesn't cause the Group to be exposed to significant variable returns on the trust plan, the trust plan is not consolidated.

IV. EXPLANATORY NOTES (Continued)

51. 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 include income from distressed debt assets classified as receivables, fair value changes on distressed debt assets, 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 relevant business operated by the Company, including the management of assets arising from acquisition of distressed debts and debt-to-equity swap and the provision of clearing settlement and fiduciary services.

Financial investment and asset management operations

The financial investment and asset management segment comprises 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.

IV. EXPLANATORY NOTES (Continued)

51. Segment information (Continued)

Financial services operations

The Group's financial services segment comprises relevant business of the Group, including the provision of financial services in sectors such as banking, securities, futures, fund management, trusts, financial leasing and insurance. 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 of the Group.

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% of the Group's revenue.

Segment income, expense, gains, losses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

51. Segment information (Continued)

	(Unaudited)				
For six months ended June 30, 2016	**Distressed asset management**	**Financial investment and asset management**	**Financial services**	**Elimination**	**Consolidated**
Income from distressed debt assets classified as receivables	**8,558,932**	**—**	**—**	**(134,487)**	**8,424,445**
Fair value changes on distressed debt assets	**2,284,039**	**—**	**—**	**(47,718)**	**2,236,321**
Fair value changes on other financial assets	**—**	**372,964**	**86,151**	**(442)**	**458,673**
Investment income	**4,902,250**	**3,500,912**	**2,120,960**	**(69,337)**	**10,454,785**
Net insurance premiums earned	**—**	**—**	**12,333,936**	**(288)**	**12,333,648**
Interest income	**1,103,377**	**2,372,890**	**2,748,143**	**(60,618)**	**6,163,792**
Revenue from sales of inventories	**—**	**2,834,874**	**—**	**—**	**2,834,874**
Commission and fee income	**6,045**	**399,757**	**1,284,000**	**(157,829)**	**1,531,973**
Net gains/(losses) on disposal of subsidiaries, associates and joint ventures	**102,835**	**134,825**	**—**	**—**	**237,660**
Other income and other net gains or losses	**135,272**	**720,856**	**71,135**	**(97,959)**	**829,304**
Total	**17,092,750**	**10,337,078**	**18,644,325**	**(568,678)**	**45,505,475**
Interest expense	**(6,697,352)**	**(1,758,933)**	**(2,196,914)**	**133,104**	**(10,520,095)**
Insurance costs	**—**	**—**	**(12,782,035)**	**—**	**(12,782,035)**
Employee benefits	**(598,598)**	**(298,636)**	**(1,475,724)**	**—**	**(2,372,958)**
Purchases and changes in inventories	**—**	**(2,273,698)**	**—**	**3,447**	**(2,270,251)**
Commission and fee expense	**(38,316)**	**(23,629)**	**(935,834)**	**19,458**	**(978,321)**
Business tax and surcharges	**(334,623)**	**(311,332)**	**(170,049)**	**—**	**(816,004)**
Depreciation and amortization expenses	**(29,119)**	**(92,867)**	**(96,159)**	**(16,151)**	**(234,296)**
Other expenses	**(266,623)**	**(762,886)**	**(798,043)**	**177,475**	**(1,650,077)**
Impairment losses on assets	**(357,765)**	**(1,365,977)**	**(216,509)**	**19,898**	**(1,920,353)**
Total	**(8,322,396)**	**(6,887,958)**	**(18,671,267)**	**337,231**	**(33,544,390)**
Change in net assets attributable to other holders of consolidated structured entities	**—**	**(980,265)**	**(154,975)**	**—**	**(1,135,240)**
Profit before share of results of associates and joint ventures and tax	**8,770,354**	**2,468,855**	**(181,917)**	**(231,447)**	**10,825,845**
Share of results of associates and joint ventures	**(11,718)**	**(101,885)**	**11,843**	**(1,956)**	**(103,716)**
Profit before tax	**8,758,636**	**2,366,970**	**(170,074)**	**(233,403)**	**10,722,129**
Income tax expense					**(2,938,812)**
Profit for the period					**7,783,317**
Capital expenditure	**62,069**	**13,335**	**586,244**	**—**	**661,648**
As at June 30, 2016					
Segment assets	**387,544,466**	**213,074,884**	**433,718,405**	**(25,505,800)**	**1,008,831,955**
Including: Interests in associates and joint ventures	**10,795,339**	**9,109,298**	**735,539**	**—**	**20,640,176**
Total assets	**387,544,466**	**213,074,884**	**433,718,405**	**(25,505,800)**	**1,008,831,955**
Segment liabilities	**326,951,179**	**179,362,620**	**407,877,789**	**(18,109,287)**	**896,082,301**
Total liabilities	**326,951,179**	**179,362,620**	**407,877,789**	**(18,109,287)**	**896,082,301**

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

51. Segment information (Continued)

	(Unaudited)				
For six months ended June 30, 2015	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Income from distressed debt assets classified as receivables	9,498,357	—	—	—	9,498,357
Fair value changes on distressed debt assets	1,492,864	—	—	(25,354)	1,467,510
Fair value changes on other financial assets	(192,681)	749,872	1,433,335	—	1,990,526
Investment income	3,780,524	2,284,540	2,327,613	(111,599)	8,281,078
Net insurance premiums earned	—	—	6,398,501	(631)	6,397,870
Interest income	902,667	1,946,124	2,551,313	(194,940)	5,205,164
Revenue from sales of inventories	—	2,039,436	—	—	2,039,436
Commission and fee income	112,237	121,840	2,246,273	(130,702)	2,349,648
Net gains/(losses) on disposal of subsidiaries, associates and joint ventures	54,943	95,648	—	—	150,591
Other income and other net gains or losses	62,114	659,737	(182,122)	(63,498)	476,231
Total	15,711,025	7,897,197	14,774,913	(526,724)	37,856,411
Interest expense	(7,502,323)	(1,126,321)	(1,301,560)	124,022	(9,806,182)
Insurance costs	—	—	(6,618,442)	—	(6,618,442)
Employee benefits	(624,533)	(290,055)	(1,808,410)	—	(2,722,998)
Purchases and changes in inventories	—	(1,388,332)	—	—	(1,388,332)
Commission and fee expense	(520)	(12,828)	(730,848)	—	(744,196)
Business tax and surcharges	(480,594)	(362,429)	(426,491)	—	(1,269,514)
Depreciation and amortization expenses	(32,882)	(110,545)	(75,482)	—	(218,909)
Other expenses	(338,961)	(403,266)	(903,085)	69,607	(1,575,705)
Impairment losses on assets	(624,842)	(716,177)	(239,468)	—	(1,580,487)
Total	(9,604,655)	(4,409,953)	(12,103,786)	193,629	(25,924,765)
Change in net assets attributable to other holders of consolidated structured entities	—	(946,236)	(300,950)	—	(1,247,186)
Profit before share of results of associates and joint ventures and tax	6,106,370	2,541,008	2,370,177	(333,095)	10,684,460
Share of results of associates and joint ventures	39,017	733	15,437	—	55,187
Profit before tax	6,145,387	2,541,741	2,385,614	(333,095)	10,739,647
Income tax expense					(2,483,985)
Profit for the period					8,255,662
Capital expenditure	59,589	89,202	78,540	—	227,331
As at December 31, 2015					
Segment assets	392,863,286	159,558,707	177,526,808	(15,974,126)	713,974,675
Including: Interests in associates and joint ventures	3,911,093	8,108,635	1,250,448	—	13,270,176
Total assets	392,863,286	159,558,707	177,526,808	(15,974,126)	713,974,675
Segment liabilities	335,956,401	123,927,110	151,567,001	(8,369,766)	603,080,746
Total liabilities	335,956,401	123,927,110	151,567,001	(8,369,766)	603,080,746

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

52. Related party transactions

(1) The MOF

As at June 30, 2016 and December 31, 2015, the MOF directly owned 67.84% of the share capital of the Company.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies. The entities controlled or regulated by the MOF are mainly financial institutions.

The Group had the following balances and had entered into the following transactions with the MOF in its ordinary course of business:

The Group had the following balances with the MOF:

	As at June 30, 2016 *(Unaudited)*	As at December 31, 2015 *(Audited)*
Financial assets at fair value through profit or loss	**1,805,149**	—
Available-for-sale financial assets	**2,679,646**	80,627
Held-to-maturity investments	**1,684,344**	117,700
Accounts receivable	**1,597**	1,597
Interest receivable	**113,943**	32,791

The Group has entered into the following transactions with the MOF:

	For the six months ended June 30,	
	2016 *(Unaudited)*	2015 *(Unaudited)*
Interest income	**191,353**	9,321
Interest expense	**—**	80,494

The available-for-sale financial assets and held-to-maturity investments held by Nanyang Commercial Bank, Limited contained Treasury bonds issued by MOF, which amounted to RMB2,680 million and RMB1,639 million respectively. The financial assets at fair value through profit or loss held by Cinda Securities Co., Ltd. contained Treasury bonds issued by MOF, which amount to RMB1,805 million.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

52. Related party transactions (Continued)

(2) 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:

	As at June 30, 2016 *(Unaudited)*	As at December 31, 2015 *(Audited)*
Loans and advances to customers	**1,863,124**	1,825,924
Interest receivable	**39,983**	23,923
Accounts receivable	**—**	49,500
Other assets	**35,980**	583,639
Other liabilities	**1,250,700**	141,765

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

	For the six months ended June 30,	
	2016 *(Unaudited)*	2015 *(Unaudited)*
Interest income	**160,479**	130,845
Commission and fee income	**17,500**	—
Investment income	**35,619**	37,028
Net insurance premiums earned	**—**	18,403
Interest expense	**24,070**	5,400

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

52. Related party transactions (Continued)

(3) 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.

(4) Annuity Scheme

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

	For the six months ended June 30,	
	2016	2015
	(Unaudited)	*(Unaudited)*
Contribution to Annuity Scheme	**26,599**	12,545

(5) 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,	
	2016	2015
	(Unaudited)	*(Unaudited)*
Emoluments of key management personnel	**3,978**	5,769

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

53. Financial risk management

The types of risk the Group is exposed to include credit risk, market risk and liquidity risk. Market risk includes interest rate risk, foreign exchange risk and other price risk.

The Group's primary objectives of risk management, risk management framework, the nature of the risks faced by the Group and the risk management measures taken by management are the same as those set out in the Group's consolidated financial statements for the year ended December 31, 2015.

53.1 Credit risk

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

The maximum exposure to credit risk represents the credit risk exposure to the Group at the end of each reporting period without taking into account any collateral held or other credit enhancements. The exposure to credit risk at the end of each reporting period mainly arises from distressed debt assets acquired from financial institutions and non-financial institutions, loans and advance to customers and treasury operations. At the end of each reporting period, maximum exposure to credit risk is as follows:

	As at June 30, 2016 ***(Unaudited)***	As at December 31, 2015 *(Audited)*
On-balance sheet		
Bank balances	**84,943,826**	58,025,506
Clearing settlement funds	**4,851,170**	6,567,709
Deposits with exchanges and financial institutions	**1,040,671**	1,364,230
Placements with banks and financial institutions	**20,885,862**	300,000
Financial assets at fair value through profit or loss	**25,804,927**	20,808,493
Financial assets held under resale agreements	**29,269,230**	30,982,266
Available-for-sale financial assets	**84,182,694**	35,499,574
Financial assets classified as receivables	**157,553,018**	181,058,288
Loans and advance to customers	**245,259,926**	104,738,490
Accounts receivable	**3,553,458**	3,434,791
Held-to-maturity investments	**14,021,792**	6,703,763
Other assets	**5,866,636**	4,322,047
Subtotal	**677,233,210**	453,805,157

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

53. Financial risk management (Continued)

53.1 Credit risk (Continued)

(i) Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements (Continued)

	As at June 30, 2016 **(Unaudited)**	As at December 31, 2015 *(Audited)*
Off-balance sheet		
Bank bill acceptance	**12,316,791**	—
Loan commitments	**9,750,072**	—
Letters of guarantee issued and other credit commitments	**9,844,955**	—
Subtotal	**31,911,818**	—
Total	**709,145,028**	—

Distressed debt assets designated as at fair value through profit or loss contains certain elements of credit risk. The carrying amount of distressed debt assets designated as at fair value through profit or loss for the Group as at June 30, 2016 amounted to RMB85,718 million (December 31, 2015: RMB84,621 million).

The major credit risk to which the Group is exposed to arises from distressed debt assets classified as receivables 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 that which existed as at December 31, 2015.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

53. Financial risk management (Continued)

53.1 Credit risk (Continued)

(ii) Risk concentration of distressed debt assets classified as receivables and loans and advances to customers

	As at June 30, 2016 *(Unaudited)*	As at December 31, 2015 *(Audited)*
Distressed debt assets classified as receivables	**149,069,017**	169,479,460
Loans and advances to customers	**250,904,148**	108,766,981
Subtotal	**399,973,165**	278,246,441
Allowance for impairment losses		
Distressed debt assets classified as receivables	**(5,711,833)**	(6,334,588)
Loans and advances to customers	**(5,644,222)**	(4,028,491)
Subtotal	**(11,356,055)**	(10,363,079)
Net carrying amounts		
Distressed debt assets classified as receivables	**143,357,184**	163,144,872
Loans and advances to customers	**245,259,926**	104,738,490
Total	**388,617,110**	267,883,362

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

53. Financial risk management (Continued)

53.1 Credit risk (Continued)

(ii) Risk concentration of distressed debt assets classified as receivables and loans and advances to customers (Continued)

By geographical area

	As at June 30, 2016		As at December 31, 2015	
	(Unaudited)		*(Audited)*	
Area	**Gross amount**	**%**	Gross amount	%
Overseas	**99,205,735**	**24.8**	2,820,509	1.1
Pearl River Delta	**75,564,603**	**18.9**	55,487,812	19.9
Central Region	**57,349,238**	**14.3**	57,780,355	20.8
Western Region	**56,781,640**	**14.2**	63,532,874	22.8
Bohai Rim	**56,096,451**	**14.0**	58,712,726	21.1
Yangtze River Delta	**41,857,865**	**10.5**	25,109,766	9.0
Northeastern Region	**13,117,633**	**3.3**	14,802,399	5.3
Total	**399,973,165**	**100.0**	278,246,441	100.0

IV. EXPLANATORY NOTES (Continued)

53. Financial risk management (Continued)

53.1 Credit risk (Continued)

(ii) Risk concentration of distressed debt assets classified as receivables and loans and advances to customers (Continued)

By geographical area (Continued)

Overseas:	Including Hong Kong and other overseas regions
Pearl River Delta:	Including Guangdong, Shenzhen, Fujian
Central Region:	Including Shanxi, Henan, Hunan, Hubei, Anhui, Jiangxi, Hainan
Western Region:	Including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Guangxi, Gansu, Qinghai, Xinjiang, Ningxia, Inner Mongolia
Bohai Rim:	Including Beijing, Tianjin, Hebei, Shandong
Yangtze River Delta:	Including Shanghai, Jiangsu, Zhejiang
Northeastern Region:	Including Liaoning, Jilin, Heilongjiang

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

53. Financial risk management (Continued)

53.1 Credit risk (Continued)

(ii) Risk concentration of distressed debt assets classified as receivables and loans and advances to customers (Continued)

By industry

	As at June 30, 2016		As at December 31, 2015	
	(Unaudited)		*(Audited)*	
Industry	**Gross amount**	**%**	Gross amount	%
Real estate	**160,411,112**	**40.1**	132,140,929	47.5
Manufacturing	**54,427,702**	**13.6**	37,917,169	13.6
Leasing and commercial services	**36,033,103**	**9.0**	7,004,753	2.5
Resident services, repairs and other services	**32,439,004**	**8.1**	1,308,152	0.5
Transportation, logistics and postal services	**20,168,913**	**5.0**	11,314,553	4.1
Finance	**18,661,285**	**4.7**	7,902,678	2.8
Water, environment and public utilities management	**14,679,428**	**3.7**	13,831,812	5.0
Construction	**14,252,980**	**3.6**	10,180,001	3.7
Mining	**10,383,393**	**2.6**	11,009,764	4.0
Others	**38,516,245**	**9.6**	45,636,630	16.3
Total	**399,973,165**	**100.0**	278,246,441	100.0

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

53. Financial risk management (Continued)

53.1 Credit risk (Continued)

(ii) Risk concentration of distressed debt assets classified as receivables and loans and advances to customers (Continued)

By contractual maturity and security type

	As at June 30, 2016 (Gross amount) *(Unaudited)*				As at December 31, 2015 (Gross amount) *(Audited)*			
	Less than 1 year (inclusive)	**1 to 5 years (inclusive)**	**Over 5 years**	**Total**	Less than 1 year (inclusive)	1 to 5 years (inclusive)	Over 5 years	Total
Unsecured	**35,799,271**	**48,489,012**	**3,442,715**	**87,730,998**	880,684	6,500,041	922,021	8,302,746
Guaranteed	**5,380,202**	**57,842,673**	**5,790,331**	**69,013,206**	9,052,253	67,077,027	3,764,823	79,894,103
Mortgaged	**11,478,598**	**125,666,404**	**35,341,759**	**172,486,761**	18,111,397	114,283,382	3,138,300	135,533,079
Pledged	**17,872,972**	**41,578,414**	**11,290,814**	**70,742,200**	17,269,193	33,375,767	3,871,553	54,516,513
Total	**70,531,043**	**273,576,503**	**55,865,619**	**399,973,165**	45,313,527	221,236,217	11,696,697	278,246,441

(iii) Past due distressed debt assets classified as receivables and loans and advances to customers

	As at June 30, 2016 (Gross amount) *(Unaudited)*					As at December 31, 2015 (Gross amount) *(Audited)*				
	Up to 90 days (inclusive)	**91 to 360 days (inclusive)**	**361 days to 3 years (inclusive)**	**Over 3 years**	**Total**	Up to 90 days (inclusive)	91 to 360 days (inclusive)	361 days to 3 years (inclusive)	Over 3 years	Total
Distressed debt assets classified as receivables	**1,707,246**	**3,287,925**	**1,043,721**	**367,474**	**6,406,366**	1,317,810	2,301,345	1,190,668	284,520	5,094,343
Loans and advances to customers	**1,408,399**	**3,231,840**	**1,678,306**	**141,219**	**6,459,764**	1,013,698	2,788,190	1,642,647	124,923	5,569,458
Total	**3,115,645**	**6,519,765**	**2,722,027**	**508,693**	**12,866,130**	2,331,508	5,089,535	2,833,315	409,443	10,663,801

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

53. Financial risk management (Continued)

53.1 Credit risk (Continued)

(iv) Credit quality of distressed debt assets classified as receivables and loans and advances to customers

	As at June 30, 2016 *(Unaudited)*	As at December 31, 2015 *(Audited)*
Neither past due nor impaired	**387,101,104**	267,582,640
Past due but not impaired[(1)]	**5,104,494**	3,473,386
Impaired[(2)]	**7,767,567**	7,190,415
Subtotal	**399,973,165**	278,246,441
Allowance for impairment losses	**(11,356,055)**	(10,363,079)
Net carrying amount	**388,617,110**	267,883,362

(1) Past due but not impaired distressed debt assets classified as receivables and loans and advances to customers

	As at June 30, 2016 (Gross amount) *(Unaudited)*					As at December 31, 2015 (Gross amount) *(Audited)*				
	Up to 90 days (inclusive)	**91 to 360 days (inclusive)**	**361 days to 3 years (inclusive)**	**Over 3 years**	**Total**	Up to 90 days (inclusive)	91 to 360 days (inclusive)	361 days to 3 years (inclusive)	Over 3 years	Total
Distressed debt assets classified as receivables	**1,343,138**	**2,317,559**	**2,238**	**–**	**3,662,935**	970,840	1,096,633	2,238	–	2,069,711
Loans and advances to customers	**1,080,041**	**342,141**	**19,377**	**–**	**1,441,559**	1,013,698	389,099	878	–	1,403,675
Total	**2,423,179**	**2,659,700**	**21,615**	**–**	**5,104,494**	1,984,538	1,485,732	3,116	–	3,473,386

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

53. Financial risk management (Continued)

53.1 Credit risk (Continued)

(iv) Credit quality of distressed debt assets classified as receivables and loans and advances to customers (Continued)

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

	As at June 30, 2016 (Gross amount)			As at December 31, 2015 (Gross amount)		
		(Unaudited)			*(Audited)*	
	Gross amount	**Allowance for impairment loss**	**Net carrying amount**	Gross amount	Allowance for impairment loss	Net carrying amount
Distressed debt assets classified as receivables — Individually assessed	**2,743,431**	**(1,161,710)**	**1,581,721**	3,024,632	(1,285,448)	1,739,184
Loans and advances to customers — Individually assessed	**5,024,136**	**(2,680,841)**	**2,343,295**	4,165,783	(1,985,674)	2,180,109
Total	**7,767,567**	**(3,842,551)**	**3,925,016**	7,190,415	(3,271,122)	3,919,293

	As at June 30, 2016 ***(Unaudited)***	As at December 31, 2015 *(Audited)*
Distressed debt assets classified as receivables		
Individually assessed and impaired	**2,743,431**	3,024,632
Individually assessed and impaired as a % of total distressed debt assets classified as receivables	**1.8**	1.8
Fair value of collateral	**9,476,444**	10,268,008
Loans and advances to customers		
Individually assessed and impaired	**5,024,136**	4,165,783
Individually assessed and impaired as a % of total loans and advances to customers	**2.0**	3.8
Fair value of collateral	**2,760,182**	2,180,252

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

53. Financial risk management (Continued)

53.1 Credit risk (Continued)

(iv) Credit quality of distressed debt assets classified as receivables and loans and advances to customers (Continued)

(2) Impaired distressed debt assets classified as receivables and loans and advances to customers (Continued)

Impaired distressed debt assets classified as receivables and loans and advances to customers are analyzed by geographical area as follows:

	As at June 30, 2016		As at December 31, 2015	
	(Unaudited)		*(Audited)*	
	Gross amount	**%**	Gross amount	%
Distressed debt assets classified as receivables:				
Pearl River Delta	**858,283**	**31.2**	425,849	14.1
Central Region	**575,121**	**21.0**	432,861	14.3
Western Region	**558,488**	**20.4**	1,017,193	33.6
Yangtze River Delta	**441,588**	**16.1**	722,529	23.9
Bohai Rim	**231,510**	**8.4**	347,759	11.5
Northeastern Region	**78,441**	**2.9**	78,441	2.6
Total	**2,743,431**	**100.0**	3,024,632	100.0
Loans and advances to customers				
Western Region	**2,161,175**	**43.0**	2,046,533	49.1
Central Region	**1,010,864**	**20.1**	966,291	23.2
Pearl River Delta	**633,511**	**12.6**	171,797	4.2
Northeastern Region	**545,750**	**10.9**	509,103	12.2
Bohai Rim	**453,462**	**9.0**	280,364	6.7
Overseas	**144,301**	**2.9**	—	—
Yangtze River Delta	**75,073**	**1.5**	191,695	4.6
Total	**5,024,136**	**100.0**	4,165,783	100.0

(3) Debt restructuring

As at June 30, 2016, the Group's balances of restructured distressed debt assets classified as receivables are RMB3,532 million (December 31, 2015: RMB3,654 million).

As at June 30, 2016, the Group's net balances of loans and advances to customers are RMB3 million (December 31, 2015: Nil).

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

53. Financial risk management (Continued)

53.2 Market risk

Interest rate risk

At the end of each reporting period, the Group's assets and liabilities at carrying amounts, categorized by the earlier of contractual repricing and maturity dates, are as follows:

	(Unaudited)						
	As at June 30, 2016						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	73,386,482	3,610,884	7,933,778	6,500	—	551,308	85,488,952
Clearing settlement funds	4,851,170	—	—	—	—	—	4,851,170
Placements with banks and financial institutions	16,369,634	4,118,356	397,872	—	—	—	20,885,862
Deposits with exchanges and financial institutions	112,958	—	—	—	—	927,713	1,040,671
Financial assets at fair value through profit or loss	7,131,552	2,704,929	1,271,607	10,630,905	2,810,525	109,574,301	134,123,819
Financial assets held under resale agreements	26,238,727	67,594	973,985	1,988,924	—	—	29,269,230
Available-for-sale financial assets	6,104,061	9,246,148	19,676,863	32,205,452	5,067,181	114,352,964	186,652,669
Financial assets classified as receivables	13,241,372	13,691,948	51,216,974	78,375,224	1,027,500	—	157,553,018
Loans and advances to customers	129,553,616	26,195,287	55,596,258	33,124,905	789,860	—	245,259,926
Accounts receivable	239,211	—	1,166,755	214,440	—	1,933,052	3,553,458
Held-to-maturity investments	19,984	448,366	866,408	10,850,567	1,836,467	—	14,021,792
Other financial assets	—	—	1,119,381	949,142	—	3,798,113	5,866,636
Total financial assets	277,248,767	60,083,512	140,219,881	168,346,059	11,531,533	231,137,451	888,567,203
Borrowings from the central bank	—	—	—	—	—	(986,058)	(986,058)
Due to customers	(78,254,806)	(29,625,097)	(28,898,508)	(2,381,876)	—	(56,631,059)	(195,791,346)
Deposits from banks and financial institutions	(3,277,015)	(2,981,341)	(2,181,486)	—	—	(9)	(8,439,851)
Accounts payable to brokerage clients	(14,442,233)	—	—	—	—	(3,112,721)	(17,554,954)
Financial liabilities at fair value through profit or loss	(669,599)	(256,316)	(2,508,391)	—	—	(3,002,417)	(6,436,723)
Financial assets sold under repurchase agreements	(1,559,174)	—	(11,331,254)	—	—	—	(12,890,428)
Placements from banks and financial institutions	(3,086,902)	(3,243,699)	(4,988,123)	—	—	—	(11,318,724)
Borrowings	(11,120,636)	(41,630,496)	(161,800,892)	(116,295,466)	(18,337,783)	—	(349,185,273)
Accounts payable	—	—	—	—	—	(2,181,582)	(2,181,582)
Investment contract liabilities for policyholders	(29,387,201)	—	—	—	—	—	(29,387,201)
Bonds issued	—	(522,027)	(10,086,835)	(78,515,350)	(45,740,608)	(1,624,878)	(136,489,698)
Other financial liabilities	—	—	(1,000,000)	—	—	(50,965,441)	(51,965,441)
Total financial liabilities	(141,797,566)	(78,258,976)	(222,795,489)	(197,192,692)	(64,078,391)	(118,504,165)	(822,627,279)
Interest rate gap	135,451,201	(18,175,464)	(82,575,608)	(28,846,633)	(52,546,858)	112,633,286	65,939,924

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

53. Financial risk management (Continued)

53.2 Market risk (Continued)

Interest rate risk (Continued)

	(Audited)						
	As at December 31, 2015						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	48,705,070	5,406,598	2,018,338	1,895,500	—	44,464	58,069,970
Clearing settlement funds	6,567,709	—	—	—	—	—	6,567,709
Placements with banks and financial institutions	300,000	—	—	—	—	—	300,000
Deposits with exchanges and financial institutions	434,987	—	—	—	—	929,243	1,364,230
Financial assets at fair value through profit or loss	4,100,796	888,193	1,541,083	4,996,691	6,919,715	98,840,958	117,287,436
Financial assets held under resale agreements	29,799,835	179,578	817,856	184,997	—	—	30,982,266
Available-for-sale financial assets	8,023,018	10,000	386,406	10,049,080	4,567,436	97,568,366	120,604,306
Financial assets classified as receivables	10,266,926	18,473,053	55,442,535	93,662,909	3,212,865	—	181,058,288
Loans and advances to customers	44,323,529	950,132	22,162,704	36,694,687	607,438	—	104,738,490
Accounts receivable	239,211	—	653,735	214,440	—	2,327,405	3,434,791
Held-to-maturity investments	—	199,961	197,511	1,648,501	4,657,790	—	6,703,763
Other financial assets	210,818	25,993	670,506	1,153,600	—	2,756,997	4,817,914
Total financial assets	152,971,899	26,133,508	83,890,674	150,500,405	19,965,244	202,467,433	635,929,163
Borrowings from central bank	—	—	—	—	—	(986,058)	(986,058)
Accounts payable to brokerage clients	(18,551,798)	—	—	—	—	(2,981,383)	(21,533,181)
Financial liabilities at fair value through profit or loss	—	—	—	—	—	(2,779,923)	(2,779,923)
Financial assets sold under repurchase agreements	(6,912,445)	(300,000)	(3,737,000)	—	—	—	(10,949,445)
Placements from banks and financial institutions	(230,000)	(1,577,000)	—	—	—	—	(1,807,000)
Borrowings	(13,324,653)	(33,024,713)	(163,859,957)	(106,579,297)	(282,030)	—	(317,070,650)
Accounts payable	—	—	—	—	—	(4,970,775)	(4,970,775)
Investment contract liabilities for policyholders	(20,057,746)	—	—	—	—	—	(20,057,746)
Bonds issued	—	—	(101,710)	(78,760,658)	(30,908,913)	(2,002,091)	(111,773,372)
Other financial liabilities	—	—	(1,300,000)	—	—	(54,364,798)	(55,664,798)
Total financial liabilities	(59,076,642)	(34,901,713)	(168,998,667)	(185,339,955)	(31,190,943)	(68,085,028)	(547,592,948)
Interest rate gap	93,895,257	(8,768,205)	(85,107,993)	(34,839,550)	(11,225,699)	134,382,405	88,336,215

IV. EXPLANATORY NOTES (Continued)

53. Financial risk management (Continued)

53.2 Market risk (Continued)

Foreign exchange risk

Foreign exchange risk is the risk of loss due to changes in currency exchange rates. The Group takes on exposure to the effects of fluctuations in the prevailing foreign exchange rates on its financial position and operating performance. The Group conducts the majority of its businesses in RMB, with certain foreign transactions in United States dollar ("USD"), Hong Kong dollar ("HKD") and other currencies.

The directors of the Company considered the foreign exchange risk of the Group is at the level that is similar to that existed as at December 31, 2015.

Price risk

Certain financial assets such as held-for-trading financial assets and part of the available-for-sale financial assets are measured at their fair values at the end of each reporting periods. The Group is exposed to price risks that may cause losses to the Group as a result of changes in market prices. These changes may be caused by factors relating to the financial instrument itself or the issuer, and they may also be caused by market factors.

The directors of the Company considered the price risk of the Group is at the level that is similar to that existed as at December 31, 2015.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

53. Financial risk management (Continued)

53.3 Liquidity risk

The tables below present the financial assets and financial liabilities by remaining contractual maturity at the end of each reporting period. Analysis of the remaining maturity of the financial assets and financial liabilities

	(Unaudited)							
	As at June 30, 2016							
	Past due /Undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	8,088,722	53,334,401	12,514,667	3,610,884	7,933,778	6,500	—	85,488,952
Clearing settlement funds	—	4,851,170	—	—	—	—	—	4,851,170
Deposits with exchanges and financial institutions	1,040,671	—	—	—	—	—	—	1,040,671
Placements with banks and financial institutions	—	—	16,369,634	4,118,356	397,872	—	—	20,885,862
Financial assets at fair value through profit or loss	107,578,723	2,094,937	7,032,193	2,704,929	1,271,607	10,630,905	2,810,525	134,123,819
Financial assets held under resale agreements	2,277	—	26,236,450	67,594	973,985	1,988,924	—	29,269,230
Available-for-sale financial assets	114,352,964	—	6,104,061	9,246,148	19,676,863	32,205,452	5,067,181	186,652,669
Financial assets classified as receivables	10,377,345	—	7,206,233	13,691,948	51,216,974	74,333,018	727,500	157,553,018
Loans and advances to customers	3,023,854	4,122,583	13,641,519	18,774,297	66,437,532	109,750,907	29,509,234	245,259,926
Accounts receivable	1,346,573	78,149	—	—	1,914,296	214,440	—	3,553,458
Held-to-maturity investments	—	—	19,984	448,366	866,408	10,850,567	1,836,467	14,021,792
Other financial assets	161,522	257,632	513,493	289,063	3,693,901	951,025	—	5,866,636
Total financial assets	245,972,651	64,738,872	89,638,234	52,951,585	154,383,216	240,931,738	39,950,907	888,567,203
Borrowings from the central bank	(986,058)	—	—	—	—	—	—	(986,058)
Due to customers	—	(80,966,844)	(47,491,043)	(31,992,572)	(32,944,564)	(2,396,323)	—	(195,791,346)
Deposits from banks and financial institutions	—	(683,461)	(2,593,563)	(2,981,341)	(2,181,486)	—	—	(8,439,851)
Accounts payable to brokerage clients	—	(17,554,954)	—	—	—	—	—	(17,554,954)
Financial liabilities at fair value through profit or loss	—	(86,151)	(703,542)	(291,872)	(2,567,203)	(2,787,955)	—	(6,436,723)
Financial assets sold under repurchase agreements	—	—	(1,559,174)	—	(11,331,254)	—	—	(12,890,428)
Placements from banks and financial institutions	—	—	(3,086,902)	(2,540,236)	(2,705,375)	(2,986,211)	—	(11,318,724)
Borrowings	—	(470,778)	(10,049,858)	(41,992,886)	(157,981,538)	(120,352,429)	(18,337,784)	(349,185,273)
Accounts payable	(1,674,786)	(60,542)	(114,362)	—	(331,892)	—	—	(2,181,582)
Investment contract liabilities for policyholders	(29,387,201)	—	—	—	—	—	—	(29,387,201)
Bonds issued	—	—	—	(522,027)	(10,138,764)	(79,403,274)	(46,425,633)	(136,489,698)
Other financial liabilities	(116,767)	(9,480,947)	(1,060,385)	(1,184,361)	(5,384,649)	(14,549,883)	(20,188,449)	(51,965,441)
Total financial liabilities	(32,164,812)	(109,303,677)	(66,658,829)	(81,505,295)	(225,566,725)	(222,476,075)	(84,951,866)	(822,627,279)
Net position	213,807,839	(44,564,805)	22,979,405	(28,553,710)	(71,183,509)	18,455,663	(45,000,959)	65,939,924

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

53. Financial risk management (Continued)

53.3 Liquidity risk (Continued)

The tables below present the financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period (Continued).

	(Audited)							
	As at December 31, 2015							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	—	45,913,959	2,835,575	5,406,598	2,018,338	1,895,500	—	58,069,970
Clearing settlement funds	—	6,567,709	—	—	—	—	—	6,567,709
Deposits with exchanges and financial institutions	1,364,230	—	—	—	—	—	—	1,364,230
Placements with banks and financial institutions	—	—	300,000	—	—	—	—	300,000
Financial assets at fair value through profit or loss	94,225,214	7,634,647	920,064	908,242	1,541,083	5,036,449	7,021,737	117,287,436
Financial assets held under resale agreements	—	—	25,129,106	179,578	817,856	4,855,726	—	30,982,266
Available-for-sale financial assets	96,406,168	2,091,596	5,713,525	10,000	686,406	11,129,175	4,567,436	120,604,306
Financial assets classified as receivables	4,057,731	—	6,209,195	18,473,053	55,442,535	93,662,909	3,212,865	181,058,288
Loans and advances to customers	2,813,623	—	1,576,041	4,296,200	31,017,805	63,003,286	2,031,535	104,738,490
Accounts receivable	2,009,265	486,851	—	47,000	677,235	214,440	—	3,434,791
Held-to-maturity investments	—	—	—	199,961	197,511	1,678,674	4,627,617	6,703,763
Other financial assets	24,288	161,026	782,575	576,269	1,641,968	1,631,788	—	4,817,914
Total financial assets	200,900,519	62,855,788	43,466,081	30,096,901	94,040,737	183,107,947	21,461,190	635,929,163
Borrowings from central bank	(986,058)	—	—	—	—	—	—	(986,058)
Accounts payable to brokerage clients	—	(21,533,181)	—	—	—	—	—	(21,533,181)
Financial liabilities at fair value through profit or loss	—	—	—	—	—	(2,779,923)	—	(2,779,923)
Financial assets sold under repurchase agreements	—	—	(6,912,445)	(300,000)	(3,737,000)	—	—	(10,949,445)
Placements from banks and financial institutions	—	—	(230,000)	(1,577,000)	—	—	—	(1,807,000)
Borrowings	—	—	(13,185,044)	(32,084,713)	(163,514,956)	(107,928,297)	(357,640)	(317,070,650)
Accounts payable	(1,198,227)	(2,761,405)	—	(89,649)	(327,806)	(593,688)	—	(4,970,775)
Investment contract liabilities for policyholders	—	—	(999,005)	(1,275,342)	(2,882,045)	(12,809,683)	(2,091,671)	(20,057,746)
Bonds issued	—	—	—	—	(104,835)	(77,459,942)	(34,208,595)	(111,773,372)
Other financial liabilities	(2,691,749)	(7,628,188)	(200,313)	(369,210)	(4,605,366)	(3,285,646)	(36,884,326)	(55,664,798)
Total financial liabilities	(4,876,034)	(31,922,774)	(21,526,807)	(35,695,914)	(175,172,008)	(204,857,179)	(73,542,232)	(547,592,948)
Net position	196,024,485	30,933,014	21,939,274	(5,599,013)	(81,131,271)	(21,749,232)	(52,081,042)	88,336,215

IV. EXPLANATORY NOTES (Continued)

53. Financial risk management (Continued)

53.4 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 decline in asset value. Risk of distressed assets can also arise from operational failures due to unauthorized or inappropriate purchase, disposal or management activities, which result in the recoverable amount of the distressed assets lower than their carrying amounts.

Such distressed assets include distressed debts which the Group initially classifies as financial assets at fair value through profit or loss and financial assets classified as receivables, and equity instruments which the Group classifies as available-for-sale financial assets.

The types of risk, their risk management procedures, fair value measurement techniques and impairment assessment are the same as those described in the consolidated financial statements for the year ended December 31, 2015.

53.5 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 exposes arises from the insurance payment exceeding the associated insurance or investment contract liabilities the Group recognizes. The uncertainty mainly arises from 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, 2015.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

53. Financial risk management (Continued)

53.5 Insurance risk (Continued)

The table below summarizes the Group's gross written premiums by major type of insurance contracts:

	For the six months ended June 30,			
	2016		2015	
	(Unaudited)		*(Unaudited)*	
	Amount	**%**	Amount	%
Life insurance	**10,886,657**	**87.1**	4,817,363	74.6
Property insurance				
Motor vehicle insurance	**1,340,246**	**10.7**	1,383,733	21.5
General property insurance	**92,645**	**0.7**	107,480	1.7
Others	**187,130**	**1.5**	146,715	2.2
Total	**12,506,678**	**100.0**	6,455,291	100.0

The table below summarizes the Group's major types of insurance contract liabilities:

	As at June 30, 2016		As at December 31, 2015	
	(Unaudited)		*(Audited)*	
	Amount	**%**	Amount	%
Life insurance	**31,517,501**	**93.2**	26,023,314	92.0
Motor vehicle insurance	**1,928,102**	**5.7**	1,968,813	7.0
Health insurance	**181,404**	**0.5**	136,471	0.5
Others	**196,317**	**0.6**	146,576	0.5
Total	**33,823,324**	**100.0**	28,275,174	100.0

IV. EXPLANATORY NOTES (Continued)

53. Financial risk management (Continued)

53.6 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.

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 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 shareholding, 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 (Yinjianbanfa [2016] No. 38), issued by the CBRC in 2016, the Company is required to maintain a minimum core Tier I, common Tier I and Tier II Capital Adequacy Ratio ("CAR") at 9%, 10% and 12.5% respectively. CAR is calculated by dividing the corresponding qualified capital of the Company by its risk-weighted assets. As at June 30, 2016 and December 31, 2015, the Company complied with the regulatory requirements on the minimum CAR.

IV. EXPLANATORY NOTES (Continued)

54. Fair values of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;

- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. If there are no available observable current market transactions for similar instruments, the prices used for valuation are from the management's best estimation at the expected risk level; and

- the fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for non-option type of derivatives, and option pricing model is used for option type of derivatives.

Financial instruments that are measured at fair value subsequent to initial recognition, are grouped into three levels based on the degree to which the fair value is observable.

Level 1: fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;

Level 2: fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

54. Fair values of financial instruments (Continued)

54.1 Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the directors of the Company consider that the carrying amounts of financial assets and financial liabilities in the interim condensed consolidated financial statements approximate their fair values.

	As at June 30, 2016 *(Unaudited)*		As at December 31, 2015 *(Audited)*	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Financial assets classified as receivables	**157,553,018**	**158,011,407**	181,058,288	190,645,167
Loans and advances to customers	**245,259,926**	**245,259,926**	104,738,490	104,738,490
Accounts receivable	**3,553,458**	**3,551,750**	3,434,791	3,447,781
Held-to-maturity investments	**14,021,792**	**14,510,122**	6,703,763	7,175,562
Total	**420,388,194**	**421,333,205**	295,935,332	306,007,000
Financial liabilities				
Borrowings	**(349,185,273)**	**(349,346,372)**	(317,070,650)	(310,669,924)
Bonds issued	**(136,489,698)**	**(138,735,668)**	(111,773,372)	(112,274,038)
Total	**(485,674,971)**	**(488,082,040)**	(428,844,022)	(422,943,962)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

54. Fair values of financial instruments (Continued)

54.1 Fair values of financial assets and financial liabilities that are not measured at fair value on a recurring basis (Continued)

	As at June 30, 2016			
	(Unaudited)	*(Unaudited)*	*(Unaudited)*	*(Unaudited)*
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets classified as receivables	**—**	**—**	**158,011,407**	**158,011,407**
Loans and advances to customers	**—**	**—**	**245,259,926**	**245,259,926**
Accounts receivable	**—**	**—**	**3,551,750**	**3,551,750**
Held-to-maturity investments	**—**	**14,510,122**	**—**	**14,510,122**
Total	**—**	**14,510,122**	**406,823,083**	**421,333,205**
Borrowings	**—**	**—**	**(349,346,372)**	**(349,346,372)**
Bonds issued	**—**	**(88,802,959)**	**(49,932,709)**	**(138,735,668)**
Total	**—**	**(88,802,959)**	**(399,279,081)**	**(488,082,040)**

	As at December 31, 2015			
	(Audited)	*(Audited)*	*(Audited)*	*(Audited)*
	Level 1	Level 2	Level 3	Total
Financial assets classified as receivables	—	—	190,645,167	190,645,167
Loans and advances to customers	—	—	104,738,490	104,738,490
Accounts receivable	—	—	3,447,781	3,447,781
Held-to-maturity investments	—	7,175,562	—	7,175,562
Total	—	7,175,562	298,831,438	306,007,000
Borrowings	—	(500,000)	(310,169,924)	(310,669,924)
Bonds issued	—	(80,007,517)	(32,266,521)	(112,274,038)
Total	—	(80,507,517)	(342,436,445)	(422,943,962)

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant input being the discount rate that reflects the credit risk of counterparties.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

54. Fair values of financial instruments (Continued)

54.2 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 As at June 30, 2016 *(Unaudited)*	 As at December 31, 2015 *(Audited)*	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Held-for-trading financial assets	**27,996,932**	21,308,087				
Debt securities	**17,741,902**	14,605,346				
— Traded in stock exchange	**6,035,957**	6,404,861	Level 1	• Quoted bid prices in an active market.	N/A	N/A
— Traded in inter-bank market	**7,604,695**	8,200,485	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
— Traded over the counter	**4,101,250**	—	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Equity instruments listed or traded on exchanges	**4,575,301**	4,508,447	Level 1	• Quoted bid prices in an active market.	N/A	N/A
— Manufacturing	**1,609,262**	1,776,525				
— Real estate	**1,178,298**	1,043,845				
— Information transmission, software and information technology services	**311,294**	91,489				
— Finance	**179,126**	241,144				
— Production and supply of power, heat, gas and water	**155,791**	256,557				
— Mining	**73,410**	116,820				
— Others	**1,068,120**	982,067				
Funds	**4,978,710**	1,941,898	Level 1	• Quoted bid prices in an active market.	N/A	N/A
— Listed	**1,680,150**	325,706				
— Unlisted	**3,298,560**	1,616,192				

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

54. Fair values of financial instruments (Continued)

54.2 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 As at June 30, 2016 *(Unaudited)*	Fair value As at December 31, 2015 *(Audited)*	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Derivatives financial assets	**701,019**	252,396				
	296,830	—	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	276,740	—	Level 2	• Valuation techniques based on market data including interest rate and foreign exchange rate.	N/A	N/A
	127,449	252,396	Level 3	• Note (1)	• Note (1)	• Note (1)
2) Financial assets designated as at fair value through profit or loss	**106,126,887**	95,979,349				
Distressed debt assets	**85,718,441**	84,620,657	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 recoverable amounts.	• The higher the recoverable amounts, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rates, the higher the fair value.
Debt securities	**165,142**	68,023				
— Traded in stock exchange	**70,133**	18,037	Level 1	• Quoted bid prices in an active market.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

54. Fair values of financial instruments (Continued)

54.2 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 As at June 30, 2016 (Unaudited)	Fair value As at December 31, 2015 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
— Traded in inactive market	**95,009**	49,986	Level 3	• Discounted cash flow for the debt component and binomial option pricing model for the option component.	• Discount rates that correspond to expected risk level.	• The lower the discount rates, the higher the fair value.
				• Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of counterparty.	• Risk-free rates that are specific to the market.	• The lower the risk-free rate, the higher the fair value.
					• Volatility rates that are in line with those of similar products.	• The higher the volatility rate, the higher the fair value.
Wealth management products issued by banks or other financial institutions	**7,478,881**	5,359,492	Level 2	• Calculated based on the quoted prices of bonds and equity instruments in which the wealth management products invested.	N/A	N/A
	419,002	523,236	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 recoverable amounts.	• The higher the recoverable amounts, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rates, the higher the fair value.
Equity instruments	**12,345,421**	5,407,941				
— Equity investments in unlisted companies	**12,345,421**	5,407,941	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.	• The higher the future cash flow, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

54. Fair values of financial instruments (Continued)

54.2 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 As at June 30, 2016 *(Unaudited)*	Fair value As at December 31, 2015 *(Audited)*	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
3) Available-for-sale financial asset	**144,191,018**	77,298,228				
Debt securities	**50,291,001**	10,106,420				
— Traded in stock exchange	**2,579,359**	3,276,488	Level 1	• Quoted bid prices in an active market.	N/A	N/A
— Traded in inter-bank market	**15,621,032**	6,829,932	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
— Traded over the counter	**32,090,610**	—	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Listed equity instruments	**9,060,407**	17,001,115				
— Mining	**1,668,228**	2,048,045				
— Manufacturing	**960,727**	1,922,919	Level 1	• Quoted bid prices in an active market.	N/A	N/A
— Other industries	**6,431,452**	13,030,151				
Unlisted equity instruments	**—**	400,000				
— Other industries	**—**	400,000	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
Certificates of deposit	**10,883,010**	3,840,322	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
Funds	**43,440,832**	22,294,508				
— Listed	**15,516,642**	9,809,427	Level 1	• Quoted bid prices in an active market.	N/A	N/A
— Quoted	**14,292,708**	8,207,162	Level 1	• Quoted bid prices in an active market.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

54. Fair values of financial instruments (Continued)

54.2 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: As at June 30, 2016 *(Unaudited)*	Fair value: As at December 31, 2015 *(Audited)*	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
— Investing in entrusted loans	**13,631,482**	4,277,919	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.	• The higher the future cash flow, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.
Trust products and rights to trust assets	**13,285,990**	10,712,882				
— Trust products investing in listed shares	**158,892**	231,530	Level 2	• Calculated based on the quoted prices of equity instruments on which the trust products invested in.	N/A	N/A
— Other trust products and rights to trust assets	**13,127,098**	10,481,352	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.	• The higher the future cash flow, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rates, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

54. Fair values of financial instruments (Continued)

54.2 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: As at June 30, 2016 *(Unaudited)*	Fair value: As at December 31, 2015 *(Audited)*	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Assets management plans	**13,077,848**	8,507,045				
— Assets management plans	**2,998,291**	1,920,972	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
— Assets management plans investing in equity instruments	**10,079,557**	6,586,073	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. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value.
Wealth management products	**1,915,472**	1,702,930				
— Issued by banks or other financial institutions with quoted prices	**1,134,472**	800,000	Level 2	• Calculated based on the quoted prices of bonds, equity instruments in which the wealth management products invested in.	N/A	N/A
— Issued by banks or other financial institutions without quoted prices	**781,000**	902,930	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.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

54. Fair values of financial instruments (Continued)

54.2 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 As at June 30, 2016 *(Unaudited)*	 As at December 31, 2015 *(Audited)*	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Asset Backed Securities	**600,430**	629,974	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.
Others	**1,636,028**	2,103,032				
— Investments in debt asset portfolios	**—**	497,683	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.
— Others	**1,636,028**	1,605,349	Level 2	• Calculated based on the quoted prices of bonds, equity instruments on which the asset portfolios invested in.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

54. Fair values of financial instruments (Continued)

54.2 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 As at June 30, 2016 *(Unaudited)*	 As at December 31, 2015 *(Audited)*	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
4) Financial liabilities at fair value through profit or loss	**(6,436,723)**	(2,779,923)				
Exchange-traded derivative financial liabilities	**(86,151)**	—	Level 1	• Quoted bid prices in an active market	N/A	N/A
The OTC derivative financial liabilities	**(140,508)**	—	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	**(3,434,306)**	—	Level 2	• Calculated based on the quoted prices of bonds, equity instruments on which the asset portfolios invested in.	N/A	N/A
Forward payment plan	**(2,775,000)**	(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.	• Expected future cash flow. • Expected payment date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the payment date, the higher the fair value. • The lower the discount rate, the higher the fair value.
Income guarantee and repurchase commitment	**(758)**	(4,923)	Level 3	• Note (1)	• Note (1)	• Note (1)

Note:

(1) As the amounts of derivatives and financial liabilities at fair value through profit or loss are insignificant to the Group, no further information is presented. These financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis based on certain unobservable inputs.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

54. Fair values of financial instruments (Continued)

54.2 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, 2016			
	(Unaudited) **Level 1**	***(Unaudited)*** **Level 2**	***(Unaudited)*** **Level 3**	***(Unaudited)*** **Total**
Financial assets at fair value through profit or loss	**15,956,931**	**19,461,566**	**98,705,322**	**134,123,819**
Available-for-sale financial assets	**41,250,374**	**64,775,191**	**38,165,453**	**144,191,018**
Total assets	**57,207,305**	**84,236,757**	**136,870,775**	**278,314,837**
Financial liabilities at fair value through profit or loss	**(86,151)**	**(3,574,814)**	**(2,775,758)**	**(6,436,723)**
Total liabilities	**(86,151)**	**(3,574,814)**	**(2,775,758)**	**(6,436,723)**

	As at December 31, 2015			
	(Audited) Level 1	*(Audited)* Level 2	*(Audited)* Level 3	*(Audited)* Total
Financial assets at fair value through profit or loss	12,873,243	13,559,977	90,854,216	117,287,436
Available-for-sale financial assets	37,653,494	15,816,049	23,828,685	77,298,228
Total assets	50,526,737	29,376,026	114,682,901	194,585,664
Financial liabilities at fair value through profit or loss	—	—	(2,779,923)	(2,779,923)
Total liabilities	—	—	(2,779,923)	(2,779,923)

There were no transfers between Level 1 and 2 during the period/year.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

54. Fair values of financial instruments (Continued)

54.3 Reconciliation of Level 3 fair value measurements

	(Unaudited)		
	Financial assets at FVTPL	**Available-for-sale financial assets**	**Financial liabilities at FVTPL**
As at January 1, 2016	**90,854,216**	**23,828,685**	**(2,779,923)**
Recognized in profit or loss	**301,253**	**(29,829)**	**—**
Recognized in other comprehensive income	**—**	**(5,978)**	**—**
Purchases	**37,684,202**	**22,178,049**	**—**
Settlements/disposals at cost	**(30,134,349)**	**(7,805,474)**	**4,165**
As at June 30, 2016	**98,705,322**	**38,165,453**	**(2,775,758)**
Total gain for the period for assets/liabilities held as at June 30, 2016 — included in profit or loss	**301,253**	**(35,807)**	**—**

	(Audited)		
	Financial assets at FVTPL	Available-for-sale financial assets	Financial liabilities at FVTPL
As at January 1, 2015	43,018,003	20,795,513	(37,005)
Recognized in profit or loss	195,956	(78,848)	170,496
Recognized in other comprehensive income	—	212,541	—
Purchases	92,718,469	23,241,383	(2,916,169)
Settlements/disposals at cost	(45,078,212)	(20,341,904)	2,755
As at December 31, 2015	90,854,216	23,828,685	(2,779,923)
Total gain for the year for assets/liabilities held as at December 31, 2015 — included in profit or loss	195,956	180,286	170,496

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

54. Fair values of financial instruments (Continued)

54.3 Reconciliation of Level 3 fair value measurements (Continued)

The total gains of the Group for the period including an unrealized gain of RMB301 million relating to financial assets or financial liabilities that were measured at fair value for the six months ended June 30, 2016 (For the year ended December 31, 2015: an unrealized gain of RMB366 million). Such unrealized gains are included in fair value changes on distressed debt assets or fair value changes on other financial assets.

55. Disposal of subsidiaries

On June 16, 2016, Shanghai Tongda Venture Capital Co., Ltd. sold its 100% equity interests in Shenzhen Zhengxin Investment Management Co., Ltd. to Tangshanshi Tianheng Building Material Co., Ltd. at RMB108 million. Shanghai Tongda Venture Capital Co., Ltd. lost its control over Shenzhen Zhengxin Investment Management Co., Ltd..

	For the six months ended June 30,	
	2016	2015
	(Unaudited)	*(Unaudited)*
Cash received	**107,609**	31,000

Analysis of assets and liabilities disposed of:

	As at June 30, 2016	As at December 31, 2015
	(Unaudited)	*(Audited)*
Current assets	1,713	860,105
Non-current assets	6,487	560,804
Current liabilities	(782)	(813,155)
Non-current liabilities	—	(63,622)
Net assets	7,418	544,132
Gains/(Losses) on disposal of subsidiaries	100,191	(513,132)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

55. Disposal of subsidiaries (Continued)

	For the six months ended June 30, 2016 *(Unaudited)*	2015 *(Unaudited)*
Cash consideration received	**107,609**	31,000
Less: Cash and cash equivalent balances disposed of	**1,713**	139
Net cash flows in respect of disposal of subsidiaries	**105,896**	30,861

56. Acquisition of subsidiaries

(1) Nanyang Commercial Bank, Limited

On May 30, 2016, the Group acquired 100% of the issued share capital of Nanyang Commercial Bank, Limited for a consideration of equivalent RMB57,345 million. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB21,799 million. Nanyang Commercial Bank, Limited is a commercial bank with its principal operations and branches in Hong Kong and Mainland China. It offers a comprehensive range of personal and commercial banking services to its retail and corporate customers.

The fair values of the identifiable assets and liabilities of Nanyang Commercial Bank, Limited as at the date of acquisition were as follows:

	As at May 30, 2016 *(Unaudited)*
Cash and bank balances	**38,055,261**
Loans and advances to customers	**141,832,239**
Intangible assets	**4,146,479**
Other assets	**67,494,565**
Less: Due to customers	**181,525,077**
Deferred tax liabilities	**1,384,808**
Other liabilities	**33,072,869**
Net assets	**35,545,790**

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

56. Acquisition of subsidiaries (Continued)

(1) Nanyang Commercial Bank, Limited (Continued)

	As at May 30, 2016 *(Unaudited)*
Consideration paid	**57,345,080**
Less: net assets acquired	**35,545,790**
Goodwill arising on acquisition	**21,799,290**

Goodwill arose in the acquisition of Nanyang Commercial Bank, Limited because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Nanyang Commercial Bank, Limited.

Net cash outflow on acquisition of Nanyang Commercial Bank, Limited

	As at May 30, 2016 *(Unaudited)*
Cash consideration paid	57,345,080
Less: cash and cash equivalent balances acquired	29,169,536
Net cash outflows due to the acquisition	28,175,544

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (Continued)

56. Acquisition of subsidiaries (Continued)

(2) Hefei Asia Technology Development Co., Ltd. and Hangzhou Saiyue Investment Management Co., Ltd.

On January 31, 2016, the Group acquired 100% of the issued share capital of Hefei Asia Technology Development Co., Ltd. for a consideration of equivalent RMB31 million. This acquisition has been accounted for using the acquisition method. There was no goodwill arising as a result of the acquisition. Hefei Asia Technology Development Co., Ltd. is a limited company incorporated in Hefei, China. The principal place of business is Hefei.

On May 10, 2016, the Group acquired 100% of the issued share capital of Hangzhou Saiyue Investment Management Co., Ltd. for a consideration of equivalent RMB5 million. This acquisition has been accounted for using the acquisition method. There was no goodwill arising as a result of the acquisition. Hangzhou Saiyue Investment Management Co., Ltd. is a limited company incorporated in Hangzhou, China. The principal place of business is Hangzhou.

The fair values of identifiable assets acquired and liabilities as at the dates of acquisitions are as follows:

Properties held for sales	103,349
Interests in a joint venture	50,000
Other assets	5,000
Less: Borrowings	45,000
Accounts payable	22,010
Other liabilities	55,349
Net assets	35,990

Net cash outflow

Consideration paid	35,990
Less: cash and cash equivalent balances acquired	—
Net cash outflows due to the acquisitions	35,990

V. EVENTS AFTER THE REPORTING PERIOD

At the meeting of Board of Directors on May 16, 2016 and the 2015 annual general meeting on June 30, 2016, the proposal in relation to the non-public issuance of Offshore Preference Shares by the Company was considered and approved. Meanwhile, the proposal in relation to the amendments to the Articles of Association of China Cinda Asset Management Co., Ltd. (the "Articles") was considered and approved respectively.

The Company announced the Approval concerning the Non-public Issuance of Offshore Preference Shares and Amendments to the Articles by China Cinda Asset Management Co., Ltd. (Yin Jian Fu [2016] No.221) issued by the China Banking Regulatory Commission (the "CBRC") on July 29, 2016, pursuant to which, the CBRC approved the Company's non-public issuance of not more than 300 million offshore preference shares raising proceeds not exceeding RMB30 billion or its equivalent in foreign currencies which will be treated as Additional Tier 1 Capital of the Company in accordance with relevant regulatory requirements. Approval was also granted to the amended Articles.

VI. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have been approved and authorized by the Board of Directors of the Company on August 30, 2016.

By order of the Board
China Cinda Asset Management Co., Ltd.
HOU Jianhang
Chairman

Beijing, the PRC
30 August, 2016

As at the date of this announcement, the Board of the Company consists of Mr. HOU Jianhang and Mr. ZANG Jingfan as executive Directors, Mr. LI Honghui, Mr. SONG Lizhong, Ms. XIAO Yuping, Ms. YUAN Hong and Mr. LU Shengliang as nonexecutive Directors, and Mr. LI Xikui, Mr. QIU Dong, Mr. CHANG Tso Tung, Stephen and Mr. XU Dingbo as independent nonexecutive Directors.