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)

2015 ANNUAL RESULTS ANNOUNCEMENT

The board of directors (the "**Board**") of China Cinda Asset Management Co., Ltd. (the "**Company**") is pleased to announce the audited results of the Company and its subsidiaries for the year ended December 31, 2015. This announcement, containing the full text of the 2015 Annual 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 annual results. The printed version of the Company's 2015 Annual 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 April 2016.

Company Profile

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

Our principal business segments include distressed asset management, financial investment and asset management, as well as financial services. Distressed asset management is the core business of the Company. The Company has 33 branches (including Hefei Operation Support Center) in 30 provinces, autonomous regions and municipalities in mainland China and eight wholly-owned or non wholly-owned tier-one subsidiaries providing asset management and financial services in mainland China and Hong Kong. The Group has approximately 19,000 staff.

In 2015, the Company was awarded the "Corporate Governance Excellence Award" in the Category for Hang Seng Composite Index Constituent Companies by the Chamber of Hong Kong Listed Companies and Hong Kong Baptist University, the "Stars of China Awards, 2015 — Best Corporate Governance Bank" by Global Finance, a US magazine, and "China Top 100 Enterprises Award" by the 15th China Business Top 100 Summit Forum.

Contents

Definitions

In this 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.
"Bank of China (Hong Kong)"	Bank of China (Hong Kong) Limited
"Board"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors of the Company
"BOC"	Bank of China Limited (中國銀行股份有限公司)
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CCB"	China Construction Bank Corporation (中國建設銀行股份有限公司)
"China" or "PRC"	The People's Republic of China excluding, for the purpose of this report, Hong Kong, Macao and Taiwan
"Cinda Capital"	Cinda Capital Management Co., Ltd. (信達資本管理有限公司), a subsidiary of the Company
"Cinda Financial Holdings"	Cinda Financial Holdings Co., Limited (信達金融控股有限公司), 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 and is listed on the 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 and is listed on the 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
“Company Ordinance”	the Company Ordinance (Chapter 661 of the Laws of Hong Kong), as amended from time to time
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company, with nominal value of RMB1.00 each, which are subscribed for or credited as 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
“Hong Kong”	Hong Kong Special Administrative Region of China
“H Share(s)”	ordinary share(s) in the share capital of our Company with nominal value of RMB1.00 each, which is (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 Stock Exchange”	The Stock Exchange of Hong Kong Limited
“ICBC”	Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司)
“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

"Latest Practicable Date"	March 22, 2016, being the latest practicable date for the purpose of ascertaining certain information contained in this report prior to its publication
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Macao"	Macao Special Administrative Region of China
"MOF"	the Ministry of Finance of the PRC
"Nanyang Commercial Bank"	Nanyang Commercial Bank, Limited, a company incorporated in Hong Kong and a lisenced bank in 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
"Reporting Period"	For the year ended December 31, 2015
"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 share capital of our 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), a subsidiary of the Company

Important Notice

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

On March 29, 2016, the second meeting and the first regular meeting of 2016 of the Board considered and adopted the 2015 Annual Report (2015 Annual Results Announcement) of the Company. There were eleven directors eligible to attend the meeting, of whom ten attended in person and one attended by proxy.

The financial report for 2015 prepared by the Company according to the PRC GAAP and IFRS, respectively, were audited by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with the Chinese and International Standards on Auditing, respectively, and they have issued the standard audit reports for the Company without qualified opinion.

The Board proposed distributing a cash dividend of RMB1.161 per 10 share (tax inclusive) for 2015 to Shareholders, which is subject to the approval at the annual general meeting for 2015.

Board of Directors of China Cinda Asset Management Co., Ltd.
March 29, 2016

The legal representative of the Company, Mr. HOU Jianhang, Vice President of the Company in charge of finance, Mr. GU Jianguo, and the General Manager of the Finance and Accounting Department of the Company, Mr. ZHANG Changyi guarantee that the financial statements in this report are true, accurate and complete.

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

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

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, Zhang Weidong
Board Secretary	Zhang Weidong
Joint company secretaries	Zhang Weidong, 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 Hong Kong Stock Exchange for publishing the H Share annual report	www.hkexnews.hk
Place for maintaining annual reports available for inspection	Board of Directors' Office of the Company
Place of Listing of H Shares	The Stock Exchange of Hong Kong Limited
Stock 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 place 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 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 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 year ended December 31,				
	2015	2014	2013	2012	2011
	(in millions of RMB)				
Income from distressed debt assets classified as receivables	**18,883.9**	18,113.6	10,144.2	3,518.4	180.9
Fair value changes on distressed debt assets	**4,420.1**	4,077.5	4,617.6	3,878.3	4,463.1
Fair value changes on other financial assets	**1,971.2**	2,180.5	539.0	399.3	40.5
Investment income	**13,552.2**	9,116.5	7,043.8	6,528.8	5,779.3
Other income and other net gains or losses	**39,916.7**	26,302.0	20,068.6	18,010.4	13,918.3
Total income	**78,744.1**	**59,790.1**	**42,413.2**	**32,335.2**	**24,382.1**
Impairment losses on assets	**(4,376.5)**	(5,438.1)	(6,153.3)	(4,601.0)	(536.5)
Interest expense	**(20,185.3)**	(15,961.1)	(7,803.8)	(3,697.6)	(1,807.0)
Other costs and expenses	**(32,639.6)**	(20,634.4)	(16,643.8)	(14,901.5)	(13,683.3)
Total costs and expenses	**(57,201.4)**	**(42,033.6)**	**(30,600.9)**	**(23,200.1)**	**(16,026.7)**
Change in net assets attributable to other holders of consolidated structured entities	**(2,557.0)**	(1,909.9)	(540.5)	(151.5)	50.0
Share of results of associates	**312.2**	460.2	500.3	612.3	652.9
Profit before tax	**19,297.9**	16,306.7	11,772.1	9,595.9	9,058.2
Income tax expense	**(4,594.0)**	(4,164.0)	(2,671.0)	(2,378.7)	(2,271.9)
Net profit for the year	**14,703.9**	**12,142.7**	**9,101.0**	**7,217.2**	**6,786.3**
Profit attributable to:					
Equity holders of the Company	**14,027.5**	11,896.2	9,027.3	7,306.3	6,762.8
Non-controlling interests	**676.4**	246.5	73.7	(89.1)	23.6
Assets					
Cash and bank balances	**58,070.0**	43,891.2	57,059.1	42,726.3	27,187.2
Financial assets at fair value through profit or loss	**117,287.4**	57,220.5	25,178.5	16,923.0	13,402.1
Available-for-sale financial assets	**120,604.3**	85,794.6	72,747.2	64,376.6	64,382.3
Financial assets classified as receivables	**181,058.3**	180,913.1	116,662.7	51,195.1	12,149.8
Loans and advances to customers	**104,738.5**	80,224.7	48,636.4	25,041.5	9,447.9
Other assets	**132,216.2**	96,383.3	63,501.5	54,351.9	46,554.7
Total assets	**713,974.7**	**544,427.4**	**383,785.4**	**254,614.4**	**173,124.0**

	As at and for the year ended December 31,				
	2015	2014	2013	2012	2011
			(in millions of RMB)		
Liabilities					
Borrowings from central bank	**986.1**	986.1	4,913.0	7,053.4	11,310.7
Accounts payable to brokerage clients	**21,533.2**	11,663.3	6,480.8	6,629.5	8,150.5
Borrowings	**317,070.7**	263,452.4	173,834.7	76,099.2	25,178.9
Accounts payable	**4,970.8**	13,891.2	22,814.1	39,539.4	47,994.9
Bonds issued	**111,773.4**	43,694.9	13,285.0	12,534.6	495.0
Other liabilities	**146,746.5**	108,876.3	79,695.7	51,873.5	37,151.3
Total liabilities	**603,080.7**	**442,564.1**	**301,023.3**	**193,729.6**	**130,281.3**
Equity					
Equity attributable to equity holders of the Company	**101,710.2**	93,368.9	75,998.3	54,773.6	37,813.1
Non-controlling interests	**9,183.7**	8,494.4	6,763.8	6,111.2	5,029.6
Total equity	**110,893.9**	**101,863.3**	**82,762.1**	**60,884.8**	**42,842.7**
Total equity and liabilities	**713,974.7**	**544,427.4**	**383,785.4**	**254,614.4**	**173,124.0**
Financial indicators					
Return on average shareholders' equity [(1)] (%)	**14.4**	14.0	13.8	15.8	18.1
Return on average assets [(2)] (%)	**2.34**	2.62	2.85	3.4	4.2
Cost-to-income ratio [(3)] (%)	**23.9**	24.0	26.2	29.7	35.2
Earnings per share [(4)] *(RMB)*	**0.39**	0.33	0.30	0.25	0.27
Net assets per share [(5)] *(RMB)*	**2.81**	2.58	2.50	1.90	1.50

Notes:

(1) Return on average shareholders' equity (ROE): 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) Return on average assets (ROA): 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) Cost-to-income ratio: 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.

(4) Earnings per share: Represents the net profit attributable to equity holders of the Company during the period divided by the weighted average number of shares.

(5) Net assets per share: 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.

3. Chairman's Statement

In 2015, the reform of financial system and innovation of financial industry were accelerated amid a difficult recovery of global economy and a slowdown in economic growth in China. In the face of opportunities, challenges and increasingly fierce competition, the Company adapted to the changing environment by vigorously conducting reforms on management philosophy, operation model and risk management, dedicatedly serving the real economy, facilitating economic transformation and restructuring, and striving to mitigate economic and financial risks. The overall development capacity, quality and efficiency of the Company were enhanced. The Group recorded a net profit of RMB14.03 billion attributable to equity holders of the Company, representing an increase of 17.9% when compared with the previous year. The average return on total assets and return on average shareholders' equity were 2.34% and 14.4%, respectively.

We further propelled the development of our principle business of distressed assets management and adjusted and optimized the business structure. The Chinese economy was confronted with greater downside pressure, which resulted in the increasing supply of distressed assets and more challenges in preventing and mitigating financial risks. In the face of new normal of economy, new characteristics of risk exposures and new requirements of risk mitigation, the Company adhered to its core business of distressed assets management, actively adapted to the changing environment of distressed assets market and facilitated business innovation, transformation and upgrading, and continuously improved its operating performance in serving the real economy. Furthermore, the acquisition of traditional distressed assets was expanded by grasping opportunities brought by the increasing size and mounting pressure of disposal of distressed assets in the banking industry in line with market development trend. During the year, the open market share of the Company in acquisition of traditional distressed assets maintained its leading position in the market. The Company also took initiatives to serve the economic transformation and structural reforms, devoted more efforts to the restructured distressed assets business and operated a number of projects with good earning potential and significant social effects. The continuous and steady development of the distressed assets management business created conditions and laid foundations for the adjustment of business layout and assets structure of the Company. As at the end of 2015, the pre-tax profit contribution of the financial investment and asset management business and financial service business of the Company was 42.7%, representing an increase of 9.7 percentage points as compared with last year. Through restructuring, the proportion of capital-oriented business and high risk weighted assets gradually shrank, the use of capital resources became more efficient, and the ability to withstand adverse effects of cyclical economic fluctuations and external risks was improved.

We successfully achieved the first Five-Year Plan and started formulation of a new round of strategic plans. 2015 marked the conclusion of the first Five-Year Plan of the Company after its restructuring. After completion of the three-step strategies, i.e. restructuring, introduction of strategic investors and IPO, the Company continued to implement the market-oriented transformation and reform, and strengthened internal management to ensure the successful accomplishment of key objectives. From 2010 to 2015, the consolidated total assets of the Group increased to RMB713.97 billion from RMB150.70 billion, the net assets increased to RMB110.89

billion from RMB42.50 billion, and the net profit attributable to equity holders of the Company increased to RMB14.03 billion from RMB7.40 billion. On this basis, in-depth research and discussion regarding the strategic position, development direction and strategic focus for the next five years were carried out in 2015. Suggestions were collected for the formulation of strategic plans and development blueprint of the Group for the next five years.

We are committed to improving corporate governance and enhancing brand image. The Company continuously improved its corporate governance by exploring and optimizing corporate governance model, refining governance structure and mechanism and leveraging both internal and external supports. The governance structure, including the general shareholders' meeting, the board of directors, the board of supervisors and the senior management, was further optimized to ensure clear division of rights and responsibilities, well-coordinated operation and effective checks and balances. Corporate governance rules were amended and improved in accordance with regulatory requirements and business development needs in a timely manner. External governance mechanism was fully capitalized, the demands of stakeholders were highly emphasized and the legitimate rights of shareholders were safeguarded. Moreover, the Company has been continuously improving the quality of information disclosure, enhancing operation and management transparency, and actively exploring voluntary information disclosure. Maintenance and management of investor relationship were highly valued. Communication with investors was strengthened, and investors were encouraged to provide opinions and suggestions. During the year, a total of 189 investor meetings were organized through various methods such as the publication of annual results, roadshows and daily reception of investors. In 2015, the Company received the "Corporate Governance Excellence Award" granted jointly by the Chamber of Hong Kong Listed Companies and Hong Kong Baptist University and "Stars of China Awards, 2015 — Best Corporate Governance Bank" from the *Global Finance*, a US magazine, which reflected the affirmation of different parties of the industry on the corporate governance and operation of the Company. In addition, the Company has also become a member of China Business Council of APEC, which provided an important opportunity to carry out exchanges and cooperation with foreign business counterparties and expand its market influence.

We established new platforms and bolstered synergies of mergers and acquisitions. To further improve the business model, the Company seized unprecedented opportunity to acquire Nanyang Commercial Bank. The acquisition marked a strategic milestone for its transforming and development. Nanyang Commercial Bank has a wide customer base, diversified product offerings and extensive distribution channels in mainland China and Hong Kong, which could provide a more solid foundation for the development of the core business and other related businesses and enhance customer loyalty and effective business risk control of the Company. As a significant platform for the comprehensive financial services, account management and cross-selling of the Group in the future, Nanyang Commercial Bank will supplement certain business segments of the Group to improve the comprehensive and personalized services of the Group and generate tremendous synergies. Nanyang Commercial Bank has licenses in both mainland China and Hong Kong, and after the acquisition, the Group will achieve its business layout of full-service financial group covering both domestic and overseas markets. The Company will strive to develop Nanyang Commercial Bank into a new engine of growth, new platform for restructuring and new bridge for synergies for the Group, with an aim to further boost the development of the Company.

We promoted the philosophy of green and sharing development and actively fulfilled our social responsibilities. The long-standing mission of the Company to serve the community has been infused in its business practice. The objectives of the Company are to alleviate economic and financial risks, to support the real economy and to build a better society. Product innovation was enhanced to meet customers' demands. We actively sought advices from customers to improve our service quality. The Company adhered to the concept of green development to promote environmental protection, energy conservation and emission reduction. All members of the Group actively participated in the construction of resource-saving and environment-friendly society in the course of business development. We also supported public welfare activities and charities by organizing various activities for the community, schools and charities. Continuous efforts were made for poverty relief. In 2015, the Company was honoured as "Advanced Entity for Poverty Relief" (社會扶貧工作先進集體) by Qinghai Province. Our employees were encouraged to make donations to social vulnerable groups. The construction of employee-donated Baiyan Cinda Primary School (白岩信達小學) in Fuquan Town, Hanyuan County, Sichuan Province was completed. The "Charity +1" ("益 +1") public welfare activity initiated by Cinda P&C became the only winner of the "Innovation Award of Corporate Social Responsibility of China" (中國社會責任公益創新獎) by Xinhuanet.com and Chinese Academy of Social Science.

In 2016, the development of the Company will be in line with the spirit of the 13th Five-Year Plan of China to pursue the business development philosophy of innovation, coordination, environment-friendly, open and sharing. The Company will adapt to as well as to direct the new normal of economic development, grasp development opportunities, deepen structural reforms, and persist in innovation-driven and sound operation, with an aim to constantly enhance its ability to create value and strengthen competitiveness, and to generate sustainable and competitive returns to shareholders.

Chairman
HOU Jianhang

March 29, 2016

4. President's Statement

In 2015, the Company held to the guiding principle of seeking progress in a prudent manner and focused on steady growth, structural adjustment and risk control to maintain sustainable and stable growth in complex conditions. We further enhanced our reform and innovation to fuel our growth and boost the momentum of our development. Our business continuously maintained healthy and balanced growth in terms of scale, quality and efficiency. This also marked a fruitful ending for the first five-year development plan after our conversion into a joint stock limited company.

Steady and continuous growth in profits. In face of challenges brought by economic downturn, significant fluctuation in the capital market and increasingly severe competition, the Company focused on the improvement of quality and efficiency of its development, strengthening of the management of core operating indicators and refining of the performance evaluation system to achieve coordinated and sustainable growth with high quality. As at the end of 2015, the consolidated total assets of the Group amounted to RMB713.97 billion, representing an increase of 31.1% as compared to the end of the previous year. Net profit attributable to equity holders of the Company was RMB14.03 billion, representing an increase of 17.9% as compared to the previous year. The return on average shareholders' equity was 14.4%, representing an increase of 0.4 percentage point as compared to the previous year.

The leading position of our core distressed assets business was further consolidated. The Company was devoted to serving the real economy by improving the management of distressed assets, optimizing asset structure and enhancing the vitality of core businesses. During the year, the new acquisition costs of traditional distressed assets amounted to RMB85.14 billion, representing an increase of 176.5% as compared to the previous year. We maintained our leading position in terms of open market share in traditional distressed asset business. We explored new solicitation and bidding channels for disposal of assets through publication of information relating to dealing in distressed assets on the Internet, which produced innovation and demonstration effect. We also further optimised the industry composition of restructuring distressed assets business. Proportion of real estate projects further dropped, while the number of quality projects in other industries kept increasing. Proportions of new major clients in real estate industry and new real estate projects in first — and second-tier cities were both over 80%. We also adopted new business model of equity management and pushed forward major acquisitions and reorganisation projects to generate good investment returns and support the restructuring of economy and upgrade of industrial structure.

Speeding up in business transformation. Amid the new normal in economic development, the Company actively explored new opportunities by speeding up innovation of products and services to further diversify the growth points of profits. As at the end of 2015, our Group raised private equity fund of RMB168.6 billion under asset management business, representing an increase of 50.9% as compared to the previous year. We successfully operated a number of major projects and established various special funds in order to speed up the transformation of our asset management business. Besides, we continued to explore market opportunities to accelerate the development of special situations investment business. We exerted efforts to strengthen liability management. The costs, duration and sources of financing all showed significant improvement. The Company issued domestic financial bonds of RMB36 billion, and overseas guaranteed senior notes of approximately USD3 billion through its subsidiaries. The size of issuance hit a record high. Cinda Investment and Happy Life, both subsidiaries of the Company, issued the first corporate bonds of RMB3 billion and the first capital supplementary bonds of RMB3 billion, respectively. The costs of capital were lower or similar to the costs of bonds of the same types issued by other financial institutions in the same period.

Risk management was further strengthened. In face of complicated economic and financial conditions, the Company adhered to the philosophy of prudent and healthy operation. We improved the risk management structure covering the whole Group, refined the comprehensive risk management system, and enforced the risk management responsibilities strictly. We increased efforts in recovering overdue payments and preventing risks, and our risk exposures were eliminated substantially through various measures. By conducting risk inspection and investigations and strengthening the evaluation of risk management in performance appraisal and accountability, all major risk indicators were effectively higher than the standards prescribed under the regulatory requirements in this year.

Management foundation was further consolidated. Based on the actual needs of our business development and risk management, we continued to rectify our weakness in management and improve the scientific and lean management through the use of information technology. We focused on capital management and authorization management through refining the general classification plans of our branches to improve the flexibility and responsiveness of management. We provided guidelines to improve contribution of our subsidiaries by enhancing the strategic planning and optimizing their functions to highlight the core operation, increasing capital support, improving the evaluation system, strengthening coordination among the Group and other measures. Business approval system was reformed by strengthening the effective connection of different stages of the approval process and shortening the time for review and approval in order to enhance the responsiveness to market changes. Additional resources were allocated to the development and integration of business systems. Our operating efficiency and customers' experience saw significant improvement.

2016 marks the beginning of the second Five-Year Plan of our Company. Pursuant to the development strategies and operating objectives determined by the Board, our management will focus on the transformation and upgrade of our Company to improve quality and efficiency. We aim to support our development through reforms, optimization and integration of systems and exploration of new growth points. We will strengthen our management by enhancing the risk control with more forward-looking, specific and effective planning. Our goal is to offer our clients with quality services and reward our investors with remarkable operating results.

President
ZANG Jingfan

March 29, 2016

5. Statement of Chairman of the Board of Supervisors

In response to new normal of economic development and challenging operating conditions in 2015, the Company pursued its strategic objectives and actively adapted to and led the new normal by grasping opportunities according to the actual situation. Through continuous development and innovation, the Company has maintained the leading position of its core business. Through innovation in business development, a breakthrough was made in the implementation of its strategies. The Company has achieved remarkable success in its transformation and substantially enhanced its risk control ability. As a result, the Company recorded a satisfactory operating results and successfully accomplished its first Five-Year Plan, laying a solid foundation for the sustainable growth of the Company.

In response to new challenges on risk control brought by new normal economic development, the Board of Supervisors strived to keep abreast the market trend, to identify specific objectives, to explore innovative measures and to implement strategies during the year. In pursuit of risk prevention and education, emphasis was placed on the supervision of performance, finance and internal control. It closely monitored the progress and effectiveness of risk management and the key tasks of internal control of the Company. It objectively assessed the performance of the Board, senior management and its members, and expressed independent opinions on the preparation and disclosure of financial statements. It also investigated key and difficult issues in the strategic planning, operation and management of the Company. The effectiveness and efficiency of the supervision was significantly enhanced and the risk control of the Company was continuously strengthened to ensure the stable operation of the Company.

In face of challenging circumstances, we have to keep the faith and readjust our strategies in 2016. The Board of Supervisors will establish new objectives and implement new initiatives and measures according to the new situations of development, new visions and new missions of the Company. Adhering to its missions, the Board of Supervisors will duly perform its duties and take on its responsibility to promote innovation and actively and carefully implement the Administrative Measures on Regulating Financial Asset Management Companies (《金融資產管理公司監管辦法》), in order to secure the smooth operation of the Company, to strengthen its risk control and to enhance the effectiveness of its internal control. Through improvement of performance capability and team-building and effective communication, interaction, checks and balances with the Board and the senior management, the Board of Supervisors will ensure an efficient supervision and facilitate the improvement of corporate governance of the Company to support the healthy and sustainable development of the Company.

龔建德

Chairman of the Board of Supervisors
GONG Jiande

March 29, 2016

6. Management Discussion and Analysis

6.1 Economic and Regulatory Environment

Against the backdrop of a complex and challenging international economic environment in 2015, the global economy was struggling to recover with decelerating pace of growth. Based on the government policy of maintaining stable development, China's economy was steadily improved and grew at a moderate pace. Economic structure was optimized and reform and opening-up were further implemented. The successful completion of the 12th Five-Year Plan in relation to the national economy and social development also took the development of China to a higher level. However, various factors and changes in domestic and foreign conditions continued to trigger substantial dilemmas and problems in China's economic development. As of today and in the near future, the success of China's economic development lies in understanding, adapting to and leading the new normal.

2016 marks the start of the critical phase for the successful construction of a moderately prosperous society in China. It is also a tough year for the implementation of structural reform. Through adjusting the focuses in various aspects of work, government policies will target at realizing steady growth, structure optimization, improvement in national well-being and effective risk prevention. These adjustments include a more prudent macro-economic policy, a more precise industrial policy, a more flexible micro-economic policy, a more pragmatic reform policy and a social policy that puts more emphasis on the underprivileged. In respect of economic and financial aspects, China will strengthen the supply-side structural reform while moderately expanding overall demand.

To prevent and mitigate financial risks, the Chinese government will continue to guide financial institutions to deal with various credit defaults in accordance with laws. In order to effectively alleviate the debt risks of local governments, the central government will extend its supervision and regulate all sorts of financing activities, so as to hold its bottomline of preventing systemic and regional risks.

Against such a backdrop, it is expected that the central government will, on the one hand, further encourage and regulate the innovation of methods of disposal of distressed assets by banks and other financial institutions through policy guidelines. Effective methods will also be adopted to reduce risks so as to maintain the healthy operation of financial system. In addition, industry restructuring will be promoted and distressed enterprises will be dealt with. On the other hand, it is also expected that the central government will, through the promotion of its policies, further support participants of the distressed asset market, including AMCs, to efficiently mitigate financial risks and revitalize economic activities. With diversified disposal methods of financial risks, it is likely that the coverage and diversity of distressed assets operation will be extended as the distressed asset market of China still has great development potentials.

6.2 Analysis of Financial Statements

6.2.1 Operating Results of the Group

In 2015, the net profit attributable to equity holders of the Company amounted to RMB14,027.5 million, representing an increase of RMB2,131.2 million, or 17.9%, as compared to the previous year. ROE and ROA were 14.4% and 2.34%, respectively.

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB)			(%)
Income from distressed debt assets classified as receivables	**18,883.9**	18,113.6	770.3	4.3
Fair value changes on distressed debt assets	**4,420.1**	4,077.5	342.6	8.4
Fair value changes on other financial assets	**1,971.2**	2,180.5	(209.3)	(9.6)
Investment income	**13,552.2**	9,116.5	4,435.8	48.7
Net insurance premiums earned	**12,912.2**	7,443.0	5,469.2	73.5
Interest income	**13,516.5**	8,810.5	4,705.9	53.4
Revenue from sales of inventories	**7,637.0**	4,340.5	3,296.5	75.9
Commission and fee income	**4,329.5**	3,008.2	1,321.3	43.9
Net gains on disposal of subsidiaries and associates	**262.9**	642.9	(380.1)	(59.1)
Other income and other net gains or losses	**1,258.6**	2,056.9	(798.2)	(38.8)
Total income	**78,744.1**	59,790.1	18,954.1	31.7
Insurance costs	**(13,766.9)**	(6,865.3)	(6,901.6)	100.5
Commission and fee expense	**(1,471.8)**	(1,034.3)	(437.5)	42.3
Purchases and changes in inventories	**(5,587.1)**	(2,824.0)	(2,763.0)	97.8
Employee benefits	**(5,192.3)**	(4,600.6)	(591.7)	12.9
Impairment losses on assets	**(4,376.5)**	(5,438.1)	1,061.5	(19.5)
Interest expense	**(20,185.3)**	(15,961.1)	(4,224.2)	26.5
Other expenses	**(6,621.5)**	(5,310.2)	(1,311.3)	24.7
Total costs and expenses	**(57,201.4)**	(42,033.6)	(15,167.8)	36.1
Change in net assets attributable to other holders of consolidated structured entities	**(2,557.0)**	(1,909.9)	(647.1)	33.9
Share of results of associates	**312.2**	460.2	(148.0)	(32.2)
Profit before tax	**19,297.9**	16,306.7	2,991.2	18.3
Income tax expense	**(4,594.0)**	(4,164.0)	(430.0)	10.3
Net profit for the year	**14,703.9**	12,142.7	2,561.1	21.1
Profit attributable to:				
Equity holders of the Company	**14,027.5**	11,896.2	2,131.2	17.9
Non-controlling interests	**676.4**	246.5	429.9	174.4

6.2.1.1 Total Income

Income from Distressed Assets

Distressed asset business is the core business of the Group. The income from distressed assets is classified on the basis of the nature of the assets, including (1) income from distressed debt assets classified as receivables, i.e. income from debt restructuring; (2) fair value changes on distressed debt assets, including realized gains or losses from disposal of distressed debt assets designated 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 (4) net gains on disposal of assets in satisfaction of debt.

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

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB)			(%)
Income from distressed debt assets classified as receivables	**18,883.9**	18,113.6	770.3	4.3
Fair value changes on distressed debt assets	**4,420.1**	4,077.5	342.6	8.4
Available-for-sale financial assets investment income[(1)]	**4,467.5**	4,488.3	(20.8)	(0.5)
Net gains on disposal of assets in satisfaction of debts[(2)]	**3.9**	231.0	(227.1)	(98.3)
Total	**27,775.4**	26,910.4	865.0	3.2

Notes:

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

(2) Recognized as other income and net gains or losses in our consolidated income statement.

The income from distressed assets increased from RMB26,910.4 million in 2014 to RMB27,775.4 million in 2015, representing an increase of 3.2%, and accounting for 45.0% and 35.3% of the total income for 2014 and 2015, respectively.

Income from Distressed Debt Assets Classified as Receivables

The income from distressed debt assets classified as receivables increased from RMB18,113.6 million in 2014 to RMB18,883.9 million in 2015, representing an increase of 4.3%, and accounting for 30.3% and 24.0% of the total income for the respective years. The increase in income was primarily due to the increase in average balance of distressed debt assets classified as receivables. However, due to general factors including economic downturn in China as well as the impacts of business restructuring and risk control of the Company, the distressed debt assets classified as receivables grew at a slower pace with a decrease of annualized return of monthly average balance from 12.2% in 2014 to 11.7% in 2015. As at December 31, 2014 and 2015, the balance of distressed debt assets classified as receivables was RMB167,464.3 million and RMB169,479.5 million, respectively, representing an increase of 1.2%.

Fair Value Changes on Distressed Debt Assets

Fair value changes on distressed debt assets increased from RMB4,077.5 million in 2014 to RMB4,420.1 million in 2015, representing an increase of 8.4%, and accounting for 6.8% and 5.6% of the total income for 2014 and 2015, respectively. As at December 31, 2014 and 2015, the balance of distressed debt assets designated at fair value through profit or loss was RMB42,302.0 million and RMB84,620.7 million, respectively. The increase in fair value changes of distressed debt assets and the double growth of asset scale were due to the increase in acquisition and disposal of such assets by the Company in order to capture the market opportunities and maintain its leading position in the industry.

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

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB)			(%)
Realized fair value changes	**4,031.2**	3,543.9	487.3	13.8
Unrealized fair value changes	**388.9**	533.6	(144.7)	(27.1)
Total	**4,420.1**	4,077.5	342.6	8.4

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

	As at and for the year ended December 31, *(in millions of RMB)*
December 31, 2013	16,391.7
Acquisition during the year	31,511.2
Disposal during the year	(6,134.5)
Unrealized fair value changes	533.6
December 31, 2014	42,302.0
Acquisition during the year	86,497.8
Disposal during the year	(44,568.0)
Unrealized fair value changes	388.9
December 31, 2015	**84,620.7**

Fair value changes on distressed debt assets increased by 8.4% in 2015 as compared to 2014, primarily due to an increase in the realized fair value changes on distressed debt assets, which represents the net gains on disposal of such assets, by 13.8% from RMB3,543.9 million in 2014 to RMB4,031.2 million in 2015. The IRR[1] of such assets of the Company slightly increased from 18.6% in 2014 to 20.4% in 2015. The increase was mainly due to the speeding up of disposal process to shorten the disposal cycle of such assets.

1 Please see "— Business Overview" for the definition and details of the internal rate of return.

Investment Income

The investment income increased from RMB9,116.5 million in 2014 to RMB13,552.2 million in 2015, representing an increase of 48.7%, and accounting for 15.2% and 17.2% of the total income in 2014 and 2015, respectively.

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB)			(%)
Net realized gains from disposal of				
Available-for-sale financial assets	**7,855.0**	4,822.7	3,032.3	62.9
Interest income from investment securities				
Available-for-sale financial assets	**1,063.6**	865.7	197.9	22.9
Debt instruments classified as receivables	**1,604.0**	2,011.8	(407.8)	(20.3)
Held-to-maturity investments	**307.8**	348.8	(41.0)	(11.7)
Dividend income				
Available-for-sale financial assets	**2,721.8**	1,067.5	1,654.3	155.0
Total	**13,552.2**	9,116.5	4,435.8	48.7

The total investment income of the Group increased by 48.7% in 2015 as compared to 2014, primarily due to (1) an increase in net gains from disposal of available-for-sale financial assets by RMB3,032.3 million, or 62.9%, from RMB4,822.7 million in 2014 to RMB7,855.0 million in 2015; and (2) a increase in dividend income from available-for-sale financial assets by RMB1,654.3 million, or 155.0%, from RMB1,067.5 million in 2014 to RMB2,721.8 million in 2015.

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

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB)			(%)
Net realized gains on disposal of available-for-sale financial assets	**7,855.0**	4,822.7	3,032.3	62.9
DES Assets of the Company[(1)]	**3,893.6**	4,052.2	(158.6)	(3.9)
Others	**3,961.4**	770.5	3,190.9	414.1
Interest income from available-for-sale financial assets	**1,063.6**	865.7	197.9	22.9
Dividend income from available-for-sale financial assets	**2,721.8**	1,067.5	1,654.3	155.0
DES Assets of the Company	**573.9**	436.1	137.8	31.6
Principal equity investment of the Company and others	**2,147.9**	631.4	1,516.5	240.2
Total	**11,640.4**	6,755.9	4,884.6	72.3

Note:

(1) Net realized gains on disposal of DES Assets under available-for-sale financial assets do not include net realized gains from disposal of interests in associates included in DES Assets.

Investment income from available-for-sale financial assets increased by RMB4,884.6 million, or 72.3%, from RMB6,755.9 million in 2014 to RMB11,640.4 million in 2015. Investment income from available-for-sale financial assets, which is the main component of the investment income, accounted for 74.1% and 85.9% of the total investment income in 2014 and 2015, 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 for the years indicated.

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB)			(%)
Gross written premiums	**13,854.2**	11,096.0	2,758.1	24.9
Less: Premiums ceded to reinsurers	**1,099.1**	3,488.4	(2,389.3)	(68.5)
(Reversal)/withdrawal of unearned premium reserves	**(157.1)**	164.6	(321.8)	(195.4)
Net insurance premiums earned	**12,912.2**	7,443.0	5,469.2	73.5

The gross written premiums increased by 24.9% to RMB13,854.2 million in 2015 from RMB11,096.0 million in 2014, primarily attributable to an increase in gross written premiums from Happy Life by 41.8% from RMB7,579.6 million in 2014 to RMB10,748.4 million in 2015. Happy Life expanded the premiums scale following the steady increasing trend of the industry driven by the promising development of life issurance industry in 2015.

The premiums ceded to reinsurers decreased by 68.5% from RMB3,488.4 million in 2014 to RMB1,099.1 million in 2015, primarily because of the improved repayment capability of Happy Life. As a result, the premiums ceded to reinsurers decreased by 70.1% from RMB3,280.1 million in 2014 to RMB980.8 million in 2015.

The withdrawal of unearned premium reserves decreased by 195.4% as compared with RMB164.6 million in 2014 and recorded a reversal of RMB157.1 million in 2015. Net insurance premiums earned increased by 73.5% to RMB12,912.2 million in 2015 from RMB7,443.0 million in 2014, mainly due to the decrease in premiums ceded to reinsurers and change of unearned premium reserves.

Commission and Fee Income

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

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB)			(%)
Securities and futures brokerage	**3,001.3**	1,207.1	1,794.2	148.6
Fund and asset management business	**372.3**	277.7	94.6	34.1
Consultancy and financial advisory	**335.8**	559.6	(223.8)	(40.0)
Trustee services	**286.9**	553.1	(266.2)	(48.1)
Securities underwriting	**205.9**	323.7	(117.8)	(36.4)
Agency business	**81.2**	66.5	14.7	22.1
Others	**46.1**	20.5	25.6	124.9
Total	**4,329.5**	3,008.2	1,321.3	43.9

The commission and fee income increased by 43.9% to RMB4,329.5 million in 2015 as compared to RMB3,008.2 million in 2014, primarily because:

Commission and fee income from securities and futures brokerage increased by 148.6% to RMB3,001.3 million in 2015 as compared to RMB1,207.1 million in 2014, primarily due to the significant increase in fee income from the brokerage business of Cinda Securities as a result of the prosperous capital market in the first half of 2015.

Commission and fee income from fund and asset management business increased by 34.1% to RMB372.3 million in 2015 from RMB277.7 million in 2014, primarily due to the expansion of fund and asset management business of Cinda Capital, First State Cinda Fund and Cinda International.

Fee income from trustee services consists primarily of fees from trust business of Jingu Trust. Such fee income decreased by 48.1% to RMB286.9 million in 2015 as compared to RMB553.1 million in 2014. The decrease in fee from trust business was primarily due to the increase in proportion of trustee business for securitization of which the fee rate was lower notwithstanding the expansion in the scale of trustee services as compared with 2014.

Revenue from sales of inventories and purchases and changes in inventories

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

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB)			(%)
Revenue from sales of inventories	**7,637.0**	4,340.5	3,296.5	75.9
Purchases and changes in inventories	**(5,587.1)**	(2,824.0)	(2,763.0)	97.8
including:				
Revenue from sales of properties held for sales	**7,557.8**	4,194.0	3,363.8	80.2
Purchases and changes in properties held for sales	**(5,523.1)**	(2,706.2)	(2,816.9)	104.1
Gross profit from sales of properties	**2,034.7**	1,487.8	546.8	36.8
Gross profit margin from sales of properties (%)	**26.9**	35.5	(8.6)	(24.1)

The revenue from sales of inventories increased by 75.9% to RMB7,637.0 million in 2015 as compared to RMB4,340.5 million in 2014 and the purchases and changes in inventories increased by 97.8% to RMB5,587.1 million in 2015 as compared to RMB2,824.0 million in 2014. In spite of the increase in projects due delivery and rapid increase in the revenue from sales of inventory of Cinda Real Estate, the cost of sales of inventories increased at a faster pace than that of the revenue due to the impacts of various factors such as inflation. Thus, the gross profit margin from sales of properties decreased from 35.5% in 2014 to 26.9% in 2015, which was similar to the gross profit margin of the real estate industry in general.

Interest Income

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

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB)			(%)
Loans and advances to customers	**10,612.3**	6,191.5	4,420.9	71.4
Bank balances	**1,839.1**	1,861.5	(22.4)	(1.2)
Accounts receivable	**234.2**	361.0	(126.8)	(35.1)
Placements with a financial institution	**59.1**	77.7	(18.6)	(24.0)
Financial assets held under resale agreements	**651.5**	236.8	414.7	175.1
Others[(1)]	**120.3**	82.0	38.2	46.4
Total	**13,516.5**	8,810.5	4,706.0	53.4

Note:

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

The interest income increased by 53.4% to RMB13,516.5 million in 2015 as compared to RMB8,810.5 million in 2014, primarily due to an increase in interest income from loans and advances to customers and financial assets held under resale agreements.

The interest income from loans and advances to customers increased by 71.4% to RMB10,612.3 million in 2015 as compared to RMB6,191.5 million in 2014, primarily due to (1) an increase in interest income from Cinda Leasing as a result of the increase in its average balance of interest-earning assets in line with its rapid growth; (2) an increase in secured loans and entrusted loans granted by subsidiaries such as Cinda Investment and Cinda Hong Kong; and (3) an increase in secured loans and entrusted loans granted by consolidated structured entities.

The interest income from financial assets held under resale agreements increased by 175.1% to RMB651.5 million in 2015 from RMB236.8 million in 2014, primarily attributable to the Company's increased investment in such assets to enhance management of short-term funds. As at December 31, 2014 and 2015, financial assets held under resale agreements were RMB11,454.2 million and RMB30,982.3 million, respectively, representing an increase of RMB19,528.1 million.

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 years indicated.

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB)			(%)
Net gains on disposal of investment properties	**79.3**	291.1	(211.7)	(72.7)
Net gains on disposal of other assets	**3.9**	231.0	(227.1)	(98.3)
Net gains/(losses) on exchange differences	**(103.6)**	244.1	(347.8)	(142.5)
Rental income	**294.4**	289.6	4.8	1.6
Revenue from hotel operation	**494.8**	482.3	12.5	2.6
Revenue from property management business	**215.3**	234.3	(19.0)	(8.1)
Government grant and compensation	**27.3**	30.7	(3.4)	(11.0)
Others	**247.3**	253.7	(6.5)	(2.6)
Total	**1,258.6**	2,056.8	(798.2)	(38.8)

The other income and other net gains and losses of the Group decreased by 38.8% from RMB2,056.8 million in 2014 to RMB1,258.6 million in 2015, mainly due to decrease in the net gains on disposal of investment properties, net gains on disposal of assets in satisfaction of debts and net gains on exchange differences.

6.2.1.2 Total Costs and Expenses

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

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB)			(%)
Insurance costs	**(13,766.9)**	(6,865.3)	(6,901.6)	100.5
Commission and fee expense	**(1,471.8)**	(1,034.3)	(437.5)	42.3
Purchases and changes in inventories	**(5,587.1)**	(2,824.0)	(2,763.0)	97.8
Employee benefits	**(5,192.3)**	(4,600.6)	(591.7)	12.9
Business tax and surcharges	**(2,806.8)**	(1,981.3)	(825.5)	41.7
Depreciation and amortization	**(408.3)**	(456.4)	48.1	(10.5)
Impairment losses on assets	**(4,376.5)**	(5,438.1)	1,061.5	(19.5)
Interest expense	**(20,185.3)**	(15,961.1)	(4,224.2)	26.5
Other expenses	**(3,406.4)**	(2,872.5)	(533.8)	18.6
Total	**(57,201.4)**	(42,033.6)	(15,167.8)	36.1

The total costs and expenses of the Group increased by 36.1% from RMB42,033.6 million in 2014 to RMB57,201.4 million in 2015, mainly due to the increases in insurance costs, interest expense, purchases and changes in inventories and business tax and surcharges.

Insurance Costs

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

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB)			(%)
Reserves for insurance contracts	**(3,582.0)**	(4,115.8)	533.8	(13.0)
Interests credited and policyholder dividends	**(1,476.5)**	(481.6)	(994.9)	206.6
Refund of reinsurance premiums	**1,375.8**	3,374.4	(1,998.6)	(59.2)
Other insurance expenses(1)	**(10,084.2)**	(5,642.3)	(4,441.8)	78.7
Total	**(13,766.9)**	(6,865.3)	(6,901.6)	100.5

Note:

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

The insurance costs of the Group increased by 100.5% from RMB6,865.3 million in 2014 to RMB13,766.9 million in 2015, primarily due to:

The refund of reinsurance premiums decreased by 59.2% to RMB1,375.8 million in 2015 as compared to RMB3,374.4 million in 2014, which was in line with the change in premiums ceded to reinsurers. The decrease was primarily due to the decrease in the premiums ceded to reinsurers by Happy Life in 2015.

The other insurance expenses increased by 78.7% to RMB10,084.2 million in 2015 as compared to RMB5,642.3 million in 2014, primarily due to the increase of surrenders of Happy Life in 2015. In addition, fee expenses of account type products and insurance interest increased significantly due to the expansion of business, resulting in the significant increase in other insurance expenses.

Commission and Fee Expenses

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

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB)			(%)
Insurance sales	**(912.2)**	(807.7)	(104.4)	12.9
Securities brokerage	**(469.0)**	(150.5)	(318.5)	211.6
Others	**(90.6)**	(76.1)	(14.5)	19.1
Total	**(1,471.8)**	(1,034.3)	(437.5)	42.3

The commission and fee expenses increased by 42.3% to RMB1,471.8 million in 2015 as compared to RMB1,034.3 million in 2014, primarily due to the increase in commission and fees paid for securities brokerage of Cinda Securities. The commission and fee expenses paid by the Group for insurance agency services increased by 211.6% to RMB469.0 million in 2015 as compared to RMB150.5 million in 2014.

Employee Benefit

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

	For the year ended December 31,			
				Change in
	2015	2014	Change	percentage
	(in millions of RMB)			(%)
Wages or salaries, bonuses, allowances and subsidies	**(4,038.8)**	(3,615.1)	(423.6)	11.7
Social insurance	**(461.8)**	(437.8)	(24.0)	5.5
Annuity Scheme	**(221.3)**	(63.5)	(157.8)	248.5
Housing funds	**(180.8)**	(168.6)	(12.2)	7.3
Labor union fees and staff education fees	**(145.5)**	(124.3)	(21.2)	17.0
Others	**(144.1)**	(191.3)	47.2	(24.6)
Total	**(5,192.3)**	(4,600.6)	(591.7)	12.9

The employee benefits increased by 12.9% to RMB5,192.3 million in 2015 as compared to RMB4,600.6 million in 2014, primarily due to (1) the increases in the total number of employees, (2) the regular adjustment of national social insurance base; and (3) the increase in labour costs due to the rapid business development of certain our subsidiaries.

Impairment Losses on Assets

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

	For the year ended December 31,			
				Change in
	2015	2014	Change	percentage
	(in millions of RMB)			(%)
Allowance of impairment losses on assets				
Distressed debt assets classified as receivables	**(1,627.4)**	(2,744.4)	1,116.9	(40.7)
Available-for-sale financial assets	**(380.9)**	(1,512.3)	1,131.3	(74.8)
Loans and advances to customers	**(2,316.1)**	(856.5)	(1,459.6)	170.4
Properties held for sale	**–**	(82.9)	82.9	(100.0)
Interests in associates	**–**	(60.4)	60.4	(100.0)
Debt securities classified as receivables	**(15.2)**	(60.4)	45.2	(74.9)
Property and equipment	**(3.3)**	(17.3)	13.9	(80.3)
Accounts receivable	**(32.8)**	(5.7)	(27.1)	475.4
Others	**(0.8)**	(98.3)	97.5	(99.2)
Total	**(4,376.5)**	(5,438.1)	1,061.5	(19.5)

The impairment losses on assets decreased by 19.5% to RMB4,376.5 million in 2015 as compared to RMB5,438.1 million in 2014, primarily due to the decrease in provision for impairment losses on available-for-sale financial assets and distressed debt assets classified as receivables, which was partially offset by the increase in the impairment loss on loans and advances to customers.

The impairment losses on distressed debt assets classified as receivables decreased by 40.7% to RMB1,627.4 million in 2015 from RMB2,744.4 million in 2014, primarily due to the lower growth rate in the balance of distressed debt assets classified as receivables as at December 31, 2015 as compared with December 31, 2014, resulting in the decrease in collectively provisions of relevant assets.

The impairment losses on available-for-sale financial assets decreased by 74.8% to RMB380.9 million in 2015 as compared to RMB1,512.3 million in 2014, primarily due to the fact that stock market performance of A shares in 2015 was stronger than that in 2014 and no significant impairment loss was provided for listed shares.

The impairment loss on loans and advances to customers increased by 170.4% to RMB2,316.1 million in 2015 as compared to RMB856.5 million in 2014, primarily due to (1) the increase of gross amount of loans and advances to customers of RMB26,752.1 million to RMB108,767.0 million as at December 31, 2015 as compared to RMB82,014.9 million as at December 31, 2014, resulting in the corresponding increase in collectively provisions; (2) the slight increase in impaired loans and advances to customer as at December 31, 2015 as compared with those as at December 31, 2014.

Interest Expense

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

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB)			(%)
Borrowings from central bank wholly repayable within five years	**–**	(32.5)	32.5	(100.0)
Accounts payable to brokerage clients	**(81.6)**	(26.6)	(55.0)	206.7
Financial assets sold under repurchase agreements	**(510.1)**	(305.7)	(204.4)	66.9
Borrowings	**(15,413.0)**	(13,456.0)	(1,957.0)	14.5
Amount due to the MOF	**(163.4)**	(375.8)	212.4	(56.5)
Bonds issued	**(3,738.5)**	(1,489.0)	(2,249.5)	151.1
Placements from banks and a financial institution	**(278.7)**	(275.5)	(3.2)	1.2
Total	**(20,185.3)**	(15,961.1)	(4,224.2)	26.5

The interest expense increased by 26.5% to RMB20,185.3 million in 2015 as compared to RMB15,961.1 million in 2014, primarily due to the increases of the borrowings and bonds issued following the rapid development of core businesses.

The interest expense on borrowings increased by 14.5% to RMB15,413.0 million in 2015 as compared to RMB13,456.0 million in 2014, primarily due to (1) an increase in the borrowings from banks and other financial institutions to support the distressed asset management business of the Company; and (2) an increase in borrowings by Cinda Leasing and Cinda Investment to support the development of their businesses.

The interest expense on bonds issued increased by 151.1% to RMB3,738.5 million in 2015 as compared to RMB1,489.0 million in 2014, primarily due to (1) the financial bonds of RMB20 billion and RMB16 billion issued in May 2015 and September 2015 by the Company, respectively; and (2) 5-year and 10-year fixed rate non-callable Guaranteed Senior Notes with principal of USD1.3 billion and USD1.7 billion issued by a wholly-owned subsidiary of Cinda Hong Kong in April 2015; (3) Corporation Bonds of RMB3 billion issued by Cinda Investment in December 2015; (4) Mid-term Notes of RMB3 billion issued by Cinda Real Estate in 2015; (5) Subordinated Bonds of RMB6 billion and Beneficiary Certificates of RMB1.1 billion issued by Cinda Securities in 2015; and (6) Capital Supplement Bonds of RMB3 billion issued by Happy Life in 2015.

6.2.1.3 Income Tax Expense

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

	For the year ended December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB)			(%)
Profit before tax	**19,297.9**	16,306.7	2,991.2	18.3
Income tax expense	**(4,594.0)**	(4,164.0)	(430.0)	10.3
Effective tax rate (%)	**23.8**	25.5	(1.7)	(6.7)

The income tax expense increased by 10.3% to RMB4,594.0 million in 2015 as compared to RMB4,164.0 million in 2014, primarily due to an increase in the taxable income. In 2014 and 2015, the effective tax rates were 25.5% and 23.8%, respectively. The decrease in the effective tax rate in 2015 was primarily due to the increase in non-taxable items of the Group as compared to 2014.

6.2.1.4 Segment Results of Operations

We report the financial results in three segments: (1) distressed asset management business, such as traditional distressed debt asset management, management of Restructured Distressed Assets and 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 by the Company, Cinda Investment and Cinda Hong Kong; and (3) financial services business such as securities and futures, trusts, financial leasing, fund management 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 years indicated.

	For the year ended December 31,									
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	Distressed asset management		**Financial investment and asset management**		**Financial services**		**Elimination**		**Consolidation**	
	(in millions of RMB)									
Total income	**32,875.9**	31,495.1	**18,973.8**	12,166.9	**28,971.7**	17,534.0	**(2,077.3)**	(1,405.9)	**78,744.1**	59,790.1
Percentage of total (%)	**41.8**	52.7	**24.1**	20.3	**36.8**	29.3	**(2.6)**	(2.3)	**100.0**	100.0
Total costs and expenses	**(20,751.6)**	(20,065.1)	**(13,088.9)**	(7,477.0)	**(24,184.7)**	(15,336.0)	**823.7**	844.5	**(57,201.4)**	(42,033.6)
Profit before tax	**12,176.9**	11,496.4	**3,975.8**	3,515.2	**4,265.1**	1,856.6	**(1,120.0)**	(561.5)	**19,297.9**	16,306.7
Percentage of total tax (%)	**63.1**	70.5	**20.6**	21.6	**22.1**	11.4	**(5.8)**	(3.5)	**100.0**	100.0
Profit margin (%)	**37.0**	36.5	**21.0**	28.9	**14.7**	10.6			**24.5**	27.3
Return on net assets before tax[1] (%)	**22.4**	25.3	**11.9**	11.7	**17.8**	10.1			**18.1**	17.7

	As at December 31,									
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	Distressed asset management		**Financial investment and asset management**		**Financial services**		**Elimination**		**Consolidation**	
	(in millions of RMB)									
Total assets	**392,863.3**	320,973.5	**159,558.7**	110,860.2	**177,526.8**	123,560.4	**(15,974.1)**	(10,966.7)	**713,974.7**	544,427.4
Percentage of total (%)	**55.0**	59.0	**22.3**	20.4	**24.9**	22.7	**(2.2)**	(2.1)	**100.0**	100.0
Net assets	**56,906.9**	51,619.7	**35,631.6**	31,312.0	**25,959.8**	22,084.6	**(7,604.4)**	(3,153.0)	**110,893.9**	101,863.3
Percentage of total (%)	**51.3**	50.7	**32.1**	30.7	**23.4**	21.7	**(6.9)**	(3.1)	**100.0**	100.0

Note:

(1) Return on net assets before tax refers to profit before tax divided 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 2014 and 2015, the income generated from distressed asset management accounted for 52.7% and 41.8% of our total income, respectively, and the profit before tax generated from distressed asset management accounted for 70.5% and 63.1% of our total profit before tax, respectively. As at December 31, 2014 and 2015, the total assets of our distressed asset management accounted for 59.0% and 55.0% of our total assets and the net assets of our distressed asset management accounted for 50.7% and 51.3%, of our total net assets, respectively.

The profit before tax contribution from the financial investment and asset management services remained stable in 2014 and 2015, accounting for 21.6% and 20.6% of the total profit before tax of the Group, respectively. In 2014 and 2015, the profit margin of this segment accounted for 28.9% and 21.0%, respectively, and average annualized return on net asset before tax were 11.7% and 11.9%, 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 and profit before tax of the segment in 2015 increased by 65.2% and 129.7% from 2014, respectively.

Please see "Business Overview" for the details of the development of each of the business segments.

6.2.2 Summary of Statement of Financial Position

As at December 31, 2014 and 2015, the total assets of the Group amounted to RMB544,427.4 million and RMB713,974.7 million respectively, representing an increase of 31.1%. Total liabilities amounted to RMB442,564.1 million and RMB603,080.7 million respectively, representing an increase of 36.3%. Total equity amounted to RMB101,863.3 million and RMB110,893.9 million respectively, representing an increase of 8.9%.

The table below sets forth the major items of balance sheet as at the dates indicated.

	As at December 31,			
	2015		2014	
	Amount	**Percentage (%)**	Amount	Percentage (%)
	(in millions of RMB)			
Assets				
Cash and bank balances	**58,070.0**	**8.1**	43,891.2	8.1
Financial assets at fair value through profit or loss	**117,287.4**	**16.4**	57,220.5	10.5
Available-for-sale financial assets	**120,604.3**	**16.9**	85,794.6	15.8
Financial assets classified as receivables	**181,058.3**	**25.4**	180,913.1	33.2
Loans and advances to customers	**104,738.5**	**14.7**	80,224.7	14.7
Other assets	**132,216.2**	**18.5**	96,383.3	17.7
Total assets	**713,974.7**	**100.0**	544,427.4	100.0
Liabilities				
Borrowings from central bank	**986.1**	**0.2**	986.1	0.2
Accounts payable to brokerage clients	**21,533.2**	**3.6**	11,663.3	2.6
Borrowings	**317,070.7**	**52.6**	263,452.4	59.5
Accounts payable	**4,970.8**	**0.8**	13,891.2	3.1
Bonds issued	**111,773.4**	**18.5**	43,694.9	9.9
Other liabilities	**146,746.5**	**24.3**	108,876.3	24.6
Total liabilities	**603,080.7**	**100.0**	442,564.1	100.0
Equity				
Equity attributable to equity holders of the Company	**101,710.2**	**91.7**	93,368.9	91.7
Non-controlling interests	**9,183.7**	**8.3**	8,494.4	8.3
Total equity	**110,893.9**	**100.0**	101,863.3	100.0
Total equity and liabilities	**713,974.7**		544,427.4	

6.2.2.1 Assets

Cash and Bank Balances

Cash and bank balances primarily consist of cash, our bank deposits and deposits that Cinda Securities holds on behalf of its customers in the securities brokerage business with banks and other financial institutions. As at December 31, 2014 and 2015, cash and bank balances amounted to RMB43,891.2 million and RMB58,070.0 million, respectively, representing, an increase of 32.3%.

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 principal components of financial assets at fair value through profit or loss as at the dates indicated.

	As at December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB)			(%)
Held-for-trading financial assets				
Debt securities	**14,605.3**	7,064.7	7,540.6	106.7
Equity instruments listed or traded on exchanges	**4,508.5**	2,409.9	2,098.6	87.1
Mutual funds	**1,941.9**	1,505.1	436.8	29.0
Derivatives	**252.4**	17.4	235.0	1,350.6
Subtotal	**21,308.1**	10,997.1	10,311.0	93.8
Financial assets designated as at fair value through profit or loss				
Distressed debt assets	**84,620.7**	42,302.0	42,318.7	100.0
Financial institution convertible bonds	**–**	698.3	(698.3)	(100.0)
Corporate convertible bonds	**68.0**	46.3	21.7	46.9
Wealth management products	**5,882.7**	2,521.6	3,361.1	133.3
Unlisted equity instruments	**5,407.9**	655.2	4,752.7	725.4
Subtotal	**95,979.3**	46,223.4	49,755.9	107.6
Total	**117,287.4**	57,220.5	60,066.9	105.0

As at December 31, 2014 and 2015, held-for-trading financial assets amounted to RMB10,997.1 million and RMB21,308.1 million, respectively, representing an increase of 93.8%. The increase was mainly attributable to the significant increases in the debt securities and equity instruments held by Cinda Securities, Happy Life and Cinda Hong Kong.

As at December 31, 2014 and 2015, financial assets designated as at fair value through profit or loss amounted to RMB46,223.4 million and RMB95,979.3 million, respectively, representing an increase of 107.6%, mainly attributable to the increase in traditional distressed debt assets of the Company. Distressed debt assets designated as at fair value through profit or loss increased by 100% from RMB42,302.0 million as at December 31, 2014 to RMB84,620.7 million as at December 31, 2015, mainly attributable to the acquisition of a large amount of such assets by the Company in 2015 under favourable market conditions.

Available-for-sale Financial Assets

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

	As at December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB)			(%)
Debt securities	**10,106.4**	10,785.2	(678.8)	(6.3)
Equity instruments	**51,886.9**	45,492.0	6,394.9	14.1
Debt instruments issued by financial institutions and asset management plans	**12,347.4**	15,611.0	3,263.6	(20.9)
Funds	**30,737.5**	8,646.3	22,091.2	255.5
Trust products and rights to trust assets	**10,712.9**	2,870.7	7,842.2	273.2
Wealth management products	**1,702.9**	1,238.1	464.8	37.5
Asset-backed securities	**630.0**	605.2	24.8	4.1
Others	**2,480.3**	546.0	1,934.2	354.2
Total	**120,604.3**	85,794.6	34,809.8	40.6

As at December 31, 2014 and 2015, available-for-sale financial assets amounted to RMB85,794.6 million and RMB120,604.3 million respectively, representing an increase of 40.6%.

Equity instruments are the largest component of available-for-sale financial assets of the Group. As at December 31, 2014 and 2015, equity instruments amounted to RMB45,492.0 million and RMB51,886.9 million, accounting for 53.0% and 43.0% of total available-for-sale financial assets, respectively.

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 December 31,			
				Change in
	2015	2014	Change	percentage
	(in millions of RMB)			(%)
The Group				
Listed	**17,401.1**	8,583.3	8,817.8	102.7
Unlisted	**34,485.8**	36,908.7	(2,422.9)	(6.6)
Total	**51,886.9**	45,492.0	6,394.9	14.1
The Company				
Listed	**3,615.9**	6,431.0	(2,815.1)	(43.8)
Unlisted	**32,589.6**	33,763.8	(1,174.2)	(3.5)
Sub-total	**36,205.5**	40,194.8	(3,989.3)	(9.9)
DES Assets[1]	**34,521.1**	38,381.9	(3,860.8)	(10.1)
Financial equity investments by the Company[2]	**1,684.5**	1,812.9	(128.4)	(7.1)
Sub-total	**36,205.5**	40,194.8	(3,989.3)	(9.9)

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 in the Group's allowance for impairment losses of available-for-sale financial assets as at the dates and for the years indicated.

	As at and for the year ended December 31,
December 31, 2013	(7,377.7)
Provisions for impairment losses	(1,558.7)
Reversal of impairment losses	1,843.2
Disposal	3,782.6
December 31, 2014	(3,310.6)
Provisions for impairment losses	(380.9)
Reversal of impairment losses	4.5
Disposal	786.4
December 31, 2015	**(2,900.6)**

In 2014 and 2015, provisions for impairment losses on available-for-sale financial assets amounted to RMB1,558.7 million and RMB380.9 million respectively, mainly reflecting the market price changes of certain listed companies' equity interests held by the Group.

Financial Assets Classified as Receivable

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

	As at December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB)			(%)
Distressed debt assets				
Loans acquired from financial institutions	**37,187.2**	43,586.5	(6,399.3)	(14.7)
Accounts receivable acquired from non-financial institutions	**132,292.3**	123,877.8	8,414.5	6.8
Subtotal	**169,479.5**	167,464.3	2,015.1	1.2
Allowance for impairment losses	**(6,334.6)**	(5,355.4)	(979.2)	18.3
Debt Securities				
Trust products	**3,950.5**	3,687.9	262.6	7.1
Certificate treasury bonds	**–**	117.7	(117.7)	(100.0)
Asset management plans	**3,985.5**	1,806.0	2,179.5	120.7
Subtotal	**7,936.0**	5,611.6	2,324.4	41.4
Allowance for impairment losses	**(81.2)**	(66.0)	(15.2)	23.0
Structured debt arrangements	**10,058.6**	13,258.6	(3,199.9)	(24.1)
Total	**181,058.3**	180,913.1	145.2	0.1

As at December 31, 2014 and 2015, distressed debt assets classified as receivables amounted to RMB167,464.3 million and RMB169,479.5 million, respectively, representing an increase of 1.2%.

As at December 31, 2014 and 2015, the impaired distressed debt assets classified as receivables of the Company were RMB2,037.1 million and RMB3,040.4 million, respectively, accounting for 1.2% and 1.78% of the total distressed debt assets classified as receivables, respectively. As at December 31, 2014 and 2015, the allowance for impairment losses on distressed debt assets classified as receivables was RMB5,432.0 million and RMB6,385.4 million, respectively, the coverage ratio of distressed debt assets classified as receivables was 266.7% and 210.0%, respectively, and the ratio of allowance to total distressed debt assets classified as receivables was 3.19% and 3.73%, respectively.

As at December 31, 2015, the balance of structured debt arrangements amounted to RMB10,058.6 million. 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 recognized under financial assets classified as receivables in the consolidated financial statements.

Loans and Advances to Customers

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

	As at December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB)			(%)
By business type:				
Loans to customers	**12,496.8**	11,377.4	1,119.5	9.8
Loans to margin clients	**8,938.2**	6,939.8	1,998.4	28.8
Entrusted loans	**42,811.1**	26,677.4	16,133.7	60.5
Finance lease receivables	**44,520.9**	37,020.4	7,500.5	20.3
Subtotal	**108,767.0**	82,014.9	26,752.1	32.6
By form of guarantee:				
Loan secured by properties	**35,498.9**	29,771.4	5,727.5	19.2
Pledged loan	**29,864.4**	22,322.5	7,541.9	33.8
Guaranteed loan	**36,236.3**	24,836.8	11,399.5	45.9
Credit loan	**7,167.4**	5,084.2	2,083.2	41.0
Subtotal	**108,767.0**	82,014.9	26,752.1	32.6
Allowance for impairment losses	**(4,028.5)**	(1,790.2)	(2,238.3)	125.0
Total	**104,738.5**	80,224.7	24,513.8	30.6

As at December 31, 2014 and 2015, net balance of loans and advances to customers amounted to RMB80,224.7 million and RMB104,738.5 million, respectively, representing an increase of 30.6%.

Loans to customers increased by 9.8% from RMB11,377.4 million as at December 31, 2014 to RMB12,496.8 million as at December 31, 2015, mainly attributable to (1) rapid development of asset management business and the corresponding increase in consolidated structured entities which engaged in the operation of loans secured by properties; and (2) the growth of loans secured by properties of Cinda Hong Kong.

Loans to margin clients increased by 28.8% from RMB6,939.8 million as at December 31, 2014 to RMB8,938.2 million as at December 31, 2015, mainly attributable to the development of margin financing and securities lending business of Cinda Securities.

Entrusted loans increased by 60.5% from RMB26,677.4 million as at December 31, 2014 to RMB42,811.1 million as at December 31, 2015, mainly attributable to (1) rapid development of asset management business and corresponding increase in consolidated structured entities which engaged in the entrusted loans; and (2) the increase of entrusted loan business of Cinda Investment and Cinda Hong Kong.

Net finance lease receivables (before allowance for impairment losses) increased by 20.3% from RMB37,020.4 million as at December 31, 2014 to RMB44,520.9 million as at December 31, 2015, mainly attributable to the business expansion of Cinda Leasing. As at December 31, 2014 and 2015, net finance lease receivables accounted for 45.1% and 40.9% of total loans and advances to customers respectively. The decrease in percentages was mainly attributable to the rapid growth of entrusted loans and loans to margin clients.

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

	As at December 31,			
	2015	2014	Change	Change in percentage
	(in millions of RMB)			(%)
Gross investment in finance leases	**49,234.0**	42,361.4	6,872.5	16.2
Less: Unearned finance income	**4,713.1**	5,341.0	(628.0)	(11.8)
Net finance lease receivables	**44,520.9**	37,020.4	7,500.5	20.3
Within 1 year (inclusive)	**14,758.4**	11,432.2	3,326.2	29.1
1 year to 5 years (inclusive)	**28,315.3**	24,163.9	4,151.4	17.2
Over 5 years	**1,447.2**	1,424.3	22.9	1.6
Allowance for impairment losses	**(976.7)**	(752.1)	(224.6)	29.9
Net carrying value	**43,544.2**	36,268.3	7,275.9	20.1

6.2.2.2 Liabilities

Liabilities of the Group mainly consist of borrowings and bonds issued, accounting for 52.6% and 18.5% of the total liabilities of the Group as at December 31, 2015, respectively.

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

	As at December 31,			
	2015		2014	
	Amount	**Percentage (%)**	Amount	Percentage (%)
	(in millions of RMB)			
Accounts payable to brokerage clients	**21,533.2**	**4.6**	11,663.3	3.3
Financial assets sold under repurchase agreements	**10,949.4**	**2.4**	9,939.6	2.8
Borrowings	**317,070.7**	**68.5**	263,452.4	75.2
Accounts payable	**–**	**–**	9,710.7	2.8
Placements from banks and a financial institution	**1,807.0**	**0.4**	11,827.0	3.4
Bonds issued	**111,773.4**	**24.1**	43,694.9	12.5
Total	**463,133.7**	**100.0**	350,287.9	100.0

Borrowings

As at December 31, 2014 and 2015, the balance of borrowings of the Group amounted to RMB263,452.4 million and RMB317,070.7 million, respectively. The increase in borrowings was primarily due to (1) the increase of the Company's borrowings by 15.7% from RMB212,495.0 million as at December 31, 2014 to RMB245,839.5 million as at December 31, 2015, to meet the capital requirement for the development of core business in 2015; (2) increase of Cinda Leasing's borrowings to support the growth of its financial leasing business; (3) increase of Cinda Real Estate's borrowings to support the growth of its real estate business; and (4) increase of Cinda Hong Kong's borrowings to support business development.

Bonds Issued

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

	As at December 31,	
	2015	2014
	(in millions of RMB)	
Financial Bonds	**62,192.7**	30,599.9
USD Guaranteed Senior Notes	**32,453.7**	10,533.2
Subordinated Bonds	**6,280.4**	–
Min-term Notes	**3,154.1**	–
Capital Supplement Bonds	**3,001.0**	–
Corporate Bonds	**2,984.5**	–
Beneficiary Certificates	**1,139.1**	–
Redeemable Subordinated Bonds	**504.2**	504.2
HKD Bonds	**63.7**	60.6
RMB Denominated Bonds	**–**	1,996.9
Total	**111,773.4**	43,694.9

As at December 31, 2014 and 2015, the balance of bonds issued by the Group amounted to RMB43,694.9 million and RMB111,773.4 million, respectively. Bonds issued in 2015 increased significantly 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 2015 mainly consist of (1) the Financial Bonds of RMB20.0 billion and RMB16.0 billion issued by the Company in May 2015 and September 2015 respectively; (2) the 5-year non-callable fixed rate Guaranteed Senior Notes of USD1.3 billion and the 10-year non-callable fixed rate Guaranteed Senior Notes of USD1.7 billion issued by a wholly-owned subsidiary of Cinda Hong Kong in April 2015 in Hong Kong; (3) Corporate Bonds of RMB3.0 billion issued by Cinda Investment in December 2015; (4) Mid-term Notes of RMB1.5 billion, RMB1.4 billion and RMB0.1 billion issued by Cinda Real Estate in June, August and December 2015, respectively; (5) Subordinated Bonds of RMB3 billion issued by Cinda Securities in February and April 2015, respectively and Beneficiary Certificates of RMB1 billion and RMB0.1 billion issued by Cinda Securities in June and July 2015, respectively; and (6) Capital Supplement Bonds of RMB3 billion issued by Happy Life in December 2015.

Borrowings from Central Bank

The Company had borrowings from the PBOC in connection with the acquisitions of distressed assets from state-owned commercial banks. Borrowings from central bank were borrowings from the PBOC to acquire distressed assets from commercial banks, bearing an interest rate at 2.25% per annum. As at 31 December, 2015, the principal was fully repaid and the balance was outstanding interest.

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

As at December 31, 2014 and 2015, the claim amounts of pending litigation were RMB1,527.9 million and RMB1,845.0 million for the Group and RMB1,514.5 million and RMB1,514.3 million for the Company respectively, and provisions of RMB122.4 million and RMB93.9 million for the Group were made based on court judgments or the advice of legal counsel, respectively. Directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group and the Company.

6.2.4 Difference between Financial Statements Prepared under the PRC GAAP and IFRS

There is no difference of net profit and shareholders' equity for the reporting period between consolidated financial statements prepared by the Company under the PRC GAAP and IFRS.

6.3 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 by the Company, Cinda Investment and Cinda Hong Kong; and (3) financial services business such as securities and futures, trusts, financial leasing, fund management and insurance.

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

	For the year ended December 31			
	2015		2014	
	Total income	**% of total**	Total income	% of total
	(in millions of RMB)			
Distressed Asset Management	**32,875.9**	**41.8**	31,495.1	52.7
Financial Investment and Asset Management	**18,973.8**	**24.1**	12,166.9	20.3
Financial Services	**28,971.7**	**36.8**	17,534.0	29.3
Elimination	**(2,077.3)**	**(2.6)**	(1,405.9)	(2.3)
Total	**78,744.1**	**100.0**	59,790.1	100.0

	For the year ended December 31			
	2015		2014	
	Profit before tax	**% of total**	Profit before tax	% of total
	(in millions of RMB)			
Distressed Asset Management	**12,176.9**	**63.1**	11,496.4	70.5
Financial Investment and Asset Management	**3,975.8**	**20.6**	3,515.2	21.6
Financial Services	**4,265.1**	**22.1**	1,856.6	11.4
Elimination	**(1,120.0)**	**(5.8)**	(561.5)	(3.5)
Total	**19,297.9**	**100.0**	16,306.7	100.0

In 2015, the income from business segments of distressed asset management, financial investment and asset management and financial services represented 41.8%, 24.1% and 36.8% of the total income, respectively, and these segments' profit before tax represented 63.1%, 20.6% and 22.1% of the total profit before tax, respectively.

6.3.1 Distressed Asset Management

Distressed asset management is the core business of the Company and is the primary source of income and profit. In 2014 and 2015, income from the distressed asset management business accounted for 52.7% and 41.8% of the total income, respectively, and profit before tax from the distressed asset management business accounted for 70.5% and 63.1% of the total profit before tax, 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 years indicated.

	As at and for the year ended December 31,	
	2015	2014
	(in millions of RMB)	
Acquisition and disposal of distressed debt assets		
Net balance of distressed debt assets[(1)]	**248,068.4**	206,803.9
Acquisition cost of distressed debt assets	**167,332.2**	149,499.7
Income from distressed debt assets[(2)]	**23,269.5**	22,348.3
Management and disposal of entrusted distressed assets		
Balance of entrusted distressed assets	**32,671.5**	35,192.5
Management and disposal of DES Assets		
Book value of DES Assets	**38,750.7**	41,563.9
Dividend income from DES Assets	**573.9**	436.1
Acquisition cost of DES Assets disposed (net of provisions for impairment, if any)	**2,320.6**	3,589.0
Net gain from the disposal of DES Assets	**3,893.6**	4,052.2

Notes:

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

6.3.1.1 Acquisition of Distressed Debt Assets — by source[1]

The Company classifies the distressed debt assets into two main categories depending on the source of the distressed assets: (1) NPLs and other distressed debt assets of banks and distressed debt assets of non-bank financial institutions ("FI Distressed Assets") and (2) distressed receivables of non-financial enterprises ("NFE Distressed Assets").

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

	As at and for the year ended December 31,			
	2015		2014	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Net balance of distressed debt assets(1)				
FI Distressed Assets	**111,607.7**	**45.0**	83,708.3	40.5
NFE Distressed Assets	**136,460.7**	**55.0**	123,095.6	59.5
Total	**248,068.4**	**100.0**	206,803.9	100.0
Acquisition cost of distressed debt assets(2)				
FI Distressed Assets	**80,909.2**	**48.4**	55,616.2	37.2
NFE Distressed Assets	**86,423.0**	**51.6**	93,883.5	62.8
Total	**167,332.2**	**100.0**	149,499.7	100.0
Income from distressed debt assets(3)				
FI Distressed Assets	**8,746.1**	**37.6**	9,697.3	43.4
NFE Distressed Assets	**14,523.4**	**62.4**	12,651.0	56.6
Total	**23,269.5**	**100.0**	22,348.3	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 consolidated financial statements.

(2) Represent the carrying amounts of distressed debt assets acquired during the periods indicated.

(3) 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 consolidated financial statements.

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 enterprises (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 Consolidated Statement of Financial Position.

FI Distressed Assets

The FI Distressed Assets acquired by the Company primarily include NPLs 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 years indicated.

	For the year ended December 31,			
	2015		2014	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Large commercial banks	**22,682.5**	**28.0**	25,419.5	45.7
Joint-stock commercial banks	**28,036.6**	**34.6**	12,546.4	22.6
City and rural commercial banks	**12,076.8**	**15.0**	2,853.0	5.1
Non-bank financial institutions	**17,719.6**	**21.9**	12,606.5	22.7
Other banks (including policy banks, the PSBC and foreign banks)	**393.7**	**0.5**	2,190.7	3.9
Total	**80,909.2**	**100.0**	55,616.2	100.0

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.

6.3.1.2 Business Models for Distressed Debt Asset Management

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 details on 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 years indicated.

	As at and for the year ended December 31,			
	2015		2014	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Net balance of distressed debt assets				
Traditional Distressed Assets[(1)]	**83,264.3**	**33.6**	42,169.4	20.4
Restructured Distressed Assets[(2)]	**164,804.1**	**66.4**	164,634.5	79.6
Total	**248,068.4**	**100.0**	206,803.9	100.0
Acquisition cost of distressed debt assets				
Traditional Distressed Assets	**85,138.9**	**50.9**	30,796.3	20.6
Restructured Distressed Assets	**82,193.3**	**49.1**	118,703.4	79.4
Total	**167,332.2**	**100.0**	149,499.7	100.0
Income from distressed debt assets				
Traditional Distressed Assets[(3)]	**4,122.7**	**17.7**	4,105.5	18.4
Restructured Distressed Assets[(4)]	**19,146.8**	**82.3**	18,242.8	81.6
Total	**23,269.5**	**100.00**	22,348.3	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 consolidated financial statements.

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

(3) Equivalent to the Company's realized and unrealized fair value changes on distressed debt assets, as appeared in the consolidated financial statements.

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

Traditional Distressed Assets

The primary source of the Company's Traditional Distressed Assets is banks. Upon completion of debt acquisition, we assume the pre-existing rights and obligations between the banks and debtors after we acquire the debts. By seizing opportunities reasonably, we identify and explore the value of assets in daily management and operation, and enhance the value of assets primarily through debt restructuring, litigation and sales.

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

	As at and for the year ended December 31,	
	2015	2014
	(in millions of RMB, except for percentages)	
Net balance of Traditional Distressed Assets	**83,264.3**	42,169.4
Acquisition cost of Traditional Distressed Assets	**85,138.9**	30,796.3
Carrying amount of Traditional Distressed Assets disposed[1]	**44,349.6**	5,871.2
Unrealized fair value changes	**549.3**	460.1
Net income from Traditional Distressed Assets	**4,122.7**	4,105.5
Internal rate of return[2] (%)	**20.4**	18.6

Notes:

(1) The item indicates the amounts of Traditional Distressed Assets disposed in a given period.

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

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 we acquire debts, we would enter into an tripartite agreement with creditor and debtor respectively to confirm the contractual rights and obligations and then acquire the debts from the creditor, concurrent to the debts acquisition; We, 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 agreements. The restructuring returns and payment schedule are fixed at the time of executing the restructuring agreements.

The table below sets forth Restructuring Model, the certain financial details on our Company's acquisition and disposal of Restructured Distressed Assets as at the dates and for the years indicated.

	As at and for the year ended December 31,	
	2015	2014
	(in millions of RMB, except for percentages)	
Net balance of Restructured Distressed Assets	**164,804.1**	164,634.5
Acquisition cost of Restructured Distressed Assets	**82,193.3**	118,703.4
Income from Restructured Distressed Assets	**19,146.8**	18,242.8
Annualized return on monthly average balance[1] (%)	**11.7**	12.2
Impaired Restructured Distressed Assets	**3,040.4**	2,037.1
Impaired Restructured Distressed Assets ratio[2] (%)	**1.78**	1.2
Allowance for impairment losses	**6,385.4**	5,432.0
Impaired Restructured Distressed Assets coverage ratio[3] (%)	**210.0**	266.7

Notes:

(1) Income from Restructured Distressed Assets divided by monthly average balance of Restructured Distressed Assets.

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

(3) Allowance for impairment losses divided by balance of Impaired Restructured Distressed Assets.

6.3.1.3 Entrusted Distressed Asset Management

In addition to acquiring and disposing of distressed assets, we also manage and dispose of distressed assets entrusted to us by financial institutions, non-financial enterprises and local government authorities, and our income is primarily derived from commissions. As at December 31, 2014 and 2015, the balance of the entrusted distressed assets was RMB35.19 billion and RMB32.67 billion, respectively.

6.3.1.4 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 can be classified as unlisted shares of DES Companies ("Unlisted DES Assets") or listed shares of DES Companies ("Listed DES Assets"). As at December 31, 2014 and 2015, we held Unlisted DES Assets in 196 and 164 DES Companies, with total book value of RMB32,651.9 million and RMB31,638.1 million, and Listed DES Assets in 17 DES Companies and 19 DES Companies respectively, with total book value of RMB8,912.0 million and RMB7,112.6 million, respectively.

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

	As at and for the year ended December 31,	
	2015	2014
	(in millions of RMB, except number of DES Companies)	
Number of DES Companies	**183**	213
Unlisted	**164**	196
Listed	**19**	17
Total book value	**38,750.7**	41,563.9
Unlisted	**31,638.1**	32,651.9
Listed	**7,112.6**	8,912.0

DES Assets Disposal Gain

In 2014 and 2015, the Company disposed of the investments in 33 and 41 DES Companies, respectively, with total acquisition cost (net of provisions for impairment, if any) of RMB3,589.0 million and RMB2,320.6 million, respectively, realizing net gain of RMB4,052.2 million and RMB3,893.6 million, respectively. The dividend income amounted to RMB436.1 million and RMB573.9 million, respectively. The exit multiple of all the DES Companies[1] was 2.7, and 2.6 for the unlisted ones in 2015.

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 our disposal of DES Assets as at the dates and for the years indicated.

	As at and for the year ended December 31,	
	2015	2014
	(in millions of RMB, except number of DES Companies)	
Number of DES Companies disposed	**41**	33
Acquisition cost of DES Assets disposed (net of provisions for impairment, if any)	**2,320.6**	3,589.0
Net gain on DES Assets disposed	**3,893.6**	4,052.2
Dividend income	**573.9**	436.1

Note: Net gain on DES Assets disposed and the exit multiple do not include the interest income of RMB241 million from DES receivables.

6.3.2 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 and Cinda Capital and their subsidiaries, which primarily includes principal investment, asset management, and other businesses. In 2014 and 2015, the income from financial investment and asset management business accounted for 20.3% and 24.1% of the total income, respectively, while the profit before tax from financial investment and asset management business accounted for 21.6% and 20.6%, respectively, of the total profit before tax of the Group.

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 years indicated.

	As at and for the year ended December 31,							
	2015				2014			
	Income	**Profit before tax**	**Total assets**	**Net assets**	Income	Profit before tax	Total assets	Net assets
	(in millions of RMB)							
Cinda Investment	**13,144.0**	**3,493.2**	**83,672.7**	**17,016.4**	8,555.7	2,569.2	58,859.4	15,296.7
Cinda Hong Kong	**2,334.9**	**881.1**	**47,139.7**	**3,748.0**	1,017.1	375.0	20,881.9	4,221.6
Zhongrun Development	**299.2**	**29.0**	**4,456.2**	**1,128.8**	315.2	201.6	2,540.8	1,024.3

6.3.2.1 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, 2014 and 2015, balance of the principal investment totalled RMB31.92 billion and RMB82.18 billion, respectively. In 2014 and 2015, income from the principal investment, primarily including investment income, income from investment properties and hotel operation revenue under the financial investment and asset management business segment, totalled RMB2.74 billion and RMB7.39 billion, respectively. As at December 31, 2015, the equity investments, real estate investments, fund investment and other investments represented 37.0%, 2.6%, 28.1% and 32.3%, respectively of the total principal investments.

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

	As at December 31,			
	2015		2014	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Balance of principal investments — by investment type				
Equity investments[(1)]	**30,427.8**	**37.0**	15,537.9	48.7
Real estate investments[(2)]	**2,143.6**	**2.6**	1,583.3	5.0
Fund investments	**23,063.2**	**28.1**	5,280.1	16.5
Other investments[(3)]	**26,545.2**	**32.3**	9,514.7	29.8
Total	**82,179.8**	**100.0**	31,916.0	100.0
Balance of principal investments — by investments entities				
The Company	**43,119.7**	**52.5**	14,608.1	45.8
Cinda Investment	**20,395.1**	**24.8**	11,576.5	36.3
Cinda Hong Kong	**19,598.4**	**23.8**	6,640.5	20.8
Zhongrun Development	**2,678.9**	**3.3**	1,360.0	4.3
(Elimination)	**(3,612.3)**	**(4.4)**	(2,269.2)	(7.2)
Total	**82,179.8**	**100.0**	31,916.0	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" as appeared in the consolidated financial statements attributable to financial investment and asset management segment.

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

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

6.3.2.2 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 of the subject company, and mainly invests in industries of which it has substantial experience such as the 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 it receives dividend income and investment income from the disposal of its equity holdings. As at December 31, 2014 and 2015, 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 in the consolidated financial statements, were RMB2.55 billion and RMB7.25 billion, respectively.

Equity Investments by Cinda Investment

Cinda Investment serves as the Group's professional investment platform. As at December 31, 2014 and 2015, 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 in the consolidated financial statements were RMB5.83 billion and RMB5.89 billion, respectively.

Equity Investments by Cinda Hong Kong

Cinda Hong Kong and its subsidiaries serve as the Group's overseas business platform. As at December 31, 2014 and 2015, 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 in the consolidated financial statements were RMB5.55 billion and RMB16.45 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, 2014 and 2015, the balance of Zhongrun Development's equity investments classified under available-for-sale financial assets and interests in associates in the consolidated financial statements were RMB550 million and RMB640 million, respectively.

6.3.2.3 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 controlled by Cinda Investment which is principally engaged in property development, is the operation platform for property development business of the Group. As at December 31, 2014 and 2015, the value of our investment properties amounted to RMB1.61 billion and RMB1.90 billion, respectively. In 2014 and 2015 the real estate development business generated real estate sales revenue were RMB4.19 billion and RMB7.56 billion, respectively.

6.3.2.4 Other Investments

Other principal investments the Group 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, 2014 and 2015, the balance of the investments in all types of funds was RMB5.28 billion and RMB23.06 billion, respectively. We invest in debt securities directly or through investment funds. As at December 31, 2014 and 2015, the balance of the debt securities investments was RMB790 million and RMB2.62 billion, respectively. We also invest in wealth management products from banks and securities companies, as well as trust products. As at December 31, 2014 and 2015, the balance of the investments in wealth management and trust products totalled RMB4.16 billion and RMB12.92 billion, respectively.

6.3.2.5 Asset Management Business

The asset management business 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 December 31, 2015, we have established 74 private funds that raised third-party capital and for which our subsidiaries act as a general partner (or manager).

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

	As at and for the year ended December 31, 2015	2014
Number of funds[1]	**74**	42
Total committed capital (AUM) *(in billions of RMB)*	**168.6**	111.7
Accumulated total paid-in capital *(in billions of RMB)*	**95.5**	42.4
Accumulated paid-in capital from third parties *(in billions of RMB)*[2]	**48.5**	36.9
Accumulated number of projects invested	**192**	115
Fund management income for the year *(In millions of RMB)*	**561.3**	350.5

Notes:

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

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

6.3.2.6 Other Businesses

In 2014 and 2015, the aggregate fees and commission income from consulting and advisory services by the Company, Cinda Investment and Cinda Hong Kong totaled RMB560 million and RMB360 million, respectively.

6.3.3 Financial Service

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

In 2014 and 2015, income from financial services represented 29.3% and 36.8%, respectively, of the total income of the Group, while the profit before tax from financial services accounted for 11.4% and 22.1%, respectively, of the total 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 years indicated.

	As at and for the year ended December 31,							
	2015				2014			
	Income	**Profit before tax**	**Total assets**	**Net assets**	Income	Profit before tax	Total assets	Net assets
	(in millions of RMB)							
Securities, Futures and Fund Management[(1)]	**7,367.1**	**2,828.0**	**57,639.0**	**9,667.5**	4,081.4	1,594.6	35,032.0	7,686.3
Jingu Trust	**488.3**	**158.2**	**4,940.9**	**3,401.6**	761.6	151.7	3,616.0	3,302.6
Cinda Leasing	**2,783.7**	**898.9**	**46,477.3**	**6,143.8**	2,651.2	798.8	40,212.9	5,445.9
Cinda P&C	**3,754.6**	**23.3**	**6,376.7**	**2,921.7**	3,580.6	21.4	6,997.5	2,864.0
Happy Life	**14,262.5**	**327.6**	**60,827.9**	**4,178.2**	6,320.1	(393.1)	38,397.5	3,763.1

Note:

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

6.3.3.1 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. The Group also conducts public fund management business and other asset management business in mainland China through First State Cinda Fund, a subsidiary of Cinda Securities and conducts securities and futures businesses in Hong Kong through Cinda International. In 2014 and 2015, the revenue of Cinda Securities amounted to RMB2,910.4 million and RMB5,234.5 million; the revenue of Cinda International amounted to RMB101.7 million and RMB121.8 million, respectively.

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 years indicated.

	For the year ended December 31,			
	2015[(1)]		2014	
	Amount	**% of total**	Amount	% of total
	(in million of RMB)			
Securities brokerage	**3,549.1**	**67.8**	1,372.6	47.2
Futures	**189.2**	**3.6**	156.6	5.4
Others[(2)]	**1,496.3**	**28.6**	1,381.2	47.4
Total	**5,234.5**	**100.0**	2,910.4	100.0

Notes:

(1) On May 22, 2015, the controlling shareholder of First State Cinda Fund has changed from the Company to Cinda Securities. In 2015, the income of Cinda Securities included that of First State Cinda Fund.

(2) Other businesses include investment banking, securities investment and asset management.

Securities brokerage: As at December 31, 2014 and 2015, the number of clients of Cinda Securities' securities brokerage business amounted to 1.159 million and 1.388 million, the total value of its AUM amounted to RMB131.7 billion and RMB207.5 billion, respectively. In 2014 and 2015, the total transaction volume of Cinda Securities' securities brokerage business amounted to RMB1,249.47 billion and RMB4,106.57 billion respectively.

Investment banking: In 2014 and 2015, Cinda Securities' underwriting fee and commission income amounted to RMB340.7 million and RMB339.7 million, respectively.

Asset management: As at December 31, 2014 and 2015, the AUM balance of Cinda Securities amounted to RMB36.6 billion and RMB54.7 billion, respectively. In 2014 and 2015, commission and fee income from Cinda Securities' asset management business amounted to RMB328.6 million and RMB589.3 million, respectively.

Innovative businesses and other businesses: As at December 31, 2014 and 2015, the turnover of margin financing and securities lending business of the Cinda Securities amounted to RMB6.87 billion and RMB9.02 billion, respectively.

Cinda Futures

In 2014 and 2015, income from the futures business of Cinda Futures amounted to RMB156.6 million and RMB190.4 million, respectively, and the revenue of Cinda Futures amounted to RMB41.6 million and RMB54.7 million, respectively.

First State Cinda Fund

As at December 31, 2014 and 2015, the Group managed 10 and 12 public securities investment funds with total AUM of RMB5.46 billion and RMB29.2 billion, respectively. In 2014 and 2015, management fee income from such funds amounted to RMB69.6 million and RMB83.9 million. 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

In 2014 and 2015, Cinda International generated revenue of RMB101.7 million and RMB121.8 million, respectively.

6.3.3.2 Trusts

We conduct trust business through Jingu Trust. As at December 31, 2014 and 2015, the outstanding trust AUM totalled RMB88.5 billion and RMB121.1 billion, respectively, and we managed 185 and 144 existing trust projects, respectively. In 2014 and 2015, the fees and commission incomes generated from trust business were RMB590 million and RMB320 million, respectively, accounting for 77.5% and 66.9% respectively, of Jingu Trust's total revenue in respective periods.

Products

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

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

	As at December 31,			
	2015		2014	
	Amount	**% of total**	*Amount*	*% of total*
		(in millions of RMB)		
Individual trust schemes	**97,089.0**	**80.2**	75,107.0	84.8
Collective trust schemes	**24,031.0**	**19.8**	13,416.0	15.2
Total	**121,120.0**	**100.0**	88,523.0	100.0

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

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

	As at December 31,			
	2015		2014	
	Amount	**% of total**	Amount	% of total
		(in millions of RMB)		
Financing	**24,737.0**	**20.4**	39,652.0	44.8
Investment	**13,039.0**	**10.8**	20,995.0	23.7
Non-discretionary	**83,344.0**	**68.8**	27,876.0	31.5
Total	**121,120.0**	**100.0**	88,523.0	100.0

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

	As at December 31,			
	2015		2014	
	Amount	**% of total**	Amount	% of total
	(in millions of RMB)			
Infrastructure	**6,065.0**	**5.0**	20,001.0	22.6
Real estate	**19,352.0**	**16.0**	16,538.0	18.7
Industry and commerce	**13,482.0**	**11.1**	13,486.0	15.2
Financial institutions	**1,512.0**	**1.2**	2,131.0	2.4
Others	**80,709.0**	**66.7**	36,367.0	41.1
Total	**121,120.0**	**100.0**	88,523.0	100.0

Clients

As at December 31, 2015, the trust business had a total of 11,430 clients, including 10,679 individual customers and 751 institutional clients.

6.3.3.3 Financial Leasing

We conduct the financial leasing business through Cinda Leasing. As at December 31, 2014 and 2015, the net lease receivables of the Group was RMB36.27 billion and RMB43.54 billion, respectively. In 2014 and 2015, the net revenue generated by the financial leasing business was RMB1,255.2 million and RMB1,340.9 million, respectively, and the net profit from the financial leasing business of the Group was RMB652.3 million and RMB764.1 million, respectively.

Products

In 2015, the total income from specialized products and non-specialized products was RMB165.0 million and RMB2,619.2 million, respectively, representing 5.9% and 94.1%, respectively, of Cinda Leasing's total revenue for the year.

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 composition of the outstanding finance lease receivables by industry as at the dates indicated.

	As at December 31,			
	2015		2014	
	Amount	**% of total**	Amount	% of total
	(in million of RMB)			
Manufacturing	**20,190.1**	**45.4**	14,457.6	39.1
Mining	**6,238.8**	**14.0**	6,768.5	18.3
Water conservancy, environment and public utilities management	**10,678.7**	**24.0**	8,546.2	23.1
Construction	**775.1**	**1.7**	1,469.7	4.0
Transportation, logistics and postal services	**3,146.3**	**7.1**	2,768.3	7.5
Others	**3,491.9**	**7.8**	3,010.1	8.0
Total	**44,520.9**	**100.0**	37,020.4	100.0

6.3.3.4 Insurance Business

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

The table below sets forth details of Cinda P&C's and Happy Life's Original Premium Income for the years indicated.

	For the year ended December 31,			
	2015		2014	
	Amount	**% of total**	Amount	% of total
		(in million of RMB)		
Cinda P&C	**3,101.0**	**22.4**	3,511.8	31.6
Happy Life	**10,748.4**	**77.6**	7,587.1	68.4
Total	**13,849.4**	**100.0**	11,098.9	100.0

Cinda P&C

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

The table below sets forth details on the Original Premium Income and their proportion of overall Original Premium Income of Cinda P&C's main products for the years indicated.

	For the year ended December 31,			
	2015		2014	
	Amount	**% of total**	Amount	% of total
		(in million of RMB)		
Motor vehicle insurance	**2,658.0**	**85.7**	2,960.1	84.3
Compulsory motor vehicle	**1,158.9**	**37.4**	1,198.7	34.1
Commercial automobile insurance	**1,499.1**	**48.3**	1,761.4	50.2
Non-motor vehicle insurance	**443.0**	**14.3**	551.7	15.7
Total	**3,101.0**	**100.0**	3,511.8	100.0

Happy Life

Happy Life primarily offers all types of life and health insurance and accident insurance as well as re-insurance.

The table below sets forth details of the Original Premium Income of the main types of life insurance products for the years indicated.

	For the year ended December 31,			
	2015		2014	
	Amount	**% of total**	Amount	% of total
	(in million of RMB)			
Life insurance	**10,346.6**	**96.3**	7,232.7	95.3
Participating life insurance	**1,844.5**	**17.2**	2,903.2	38.3
Others	**8,502.1**	**79.1**	4,329.5	57.1
Health insurance	**194.7**	**1.8**	151.8	2.0
Accident insurance	**207.1**	**1.9**	202.6	2.7
Total	**10,748.4**	**100.0**	7,587.1	100.0

6.3.3.5 Business Synergy

In 2015, the Group continued to promote the development of investment and asset management business by leveraging the core advantages of distressed asset business. The Group provided domestic and overseas clients with a wide range of financial services including financial leasing, insurance, asset management, financial and financing advisory services through its diversified business platform. In 2015, the Group offered customers comprehensive financial services through the advantageous platforms of financial subsidiaries, with revenue from cross-selling among subsidiaries amounted to RMB2.66 billion, representing an increase of 13.3% as compared with 2014.

Financial leasing: In 2015, the Group had 167 financial leasing projects from cross-selling, representing an increase of 10.6% as compared with 2014. The financial leasing business volume from cross-selling was RMB55.26 billion, representing an increase of 60.7% as compared with 2014. Income derived from these projects in 2015 amounted to RMB2.22 billion, representing an increase of 16.0% as compared with 2014.

Securities and investment banking: In 2015, the scale of cross-selling projects under the securities and investment banking business of the Group was RMB1.55 billion. Income derived from these projects in 2015 amounted to RMB21.0 million, representing an increase of 32.1% as compared with 2014.

Trust: In 2015, there were 11 cross-selling projects of trusts of the Group with an accumulated scale of RMB7.51 billion and income of RMB21.6 million.

P&C insurance: In 2015, branches of the Group recommended 46 customers to the P&C insurance business platform, with total insured amount and income of RMB33.78 billion and RMB27.2 million respectively.

Life insurance: In 2015, the Group expanded the investment channels for life insurance, and the synergistic investment of life insurance amounted to RMB6.94 billion in aggregate.

6.3.4 Significant Investment and Acquisition

On December 18, 2015, Cinda Financial, an indirectly wholly-owned subsidiary of the Company, entered into a share purchase agreement with BOCHK and Cinda Hong Kong, pursuant to which Cinda Financial has agreed to acquire all the issued shares of Nanyang Commercial Bank from BOCHK for a total consideration of HK$68 billion. On February 24, 2016, such acquisition was considered and approved in the first extraordinary general meeting for 2016 of the Company. The completion of such acquisition is subject to the approval of competent regulatory authorities. Please refer to the major transaction announcement and the circular of the Company dated December 18, 2015 and January 30, 2016, respectively, for details of such acquisition.

Apart from the above acquisition, the Company did not have any significant investment and acquisition subject to disclosure pursuant to the Listing Rules.

6.3.5 Information Technology

In 2015, the information systems of the Company were under stable operation with enhanced information technology management and services.

Informitization Planning

In 2015, the Company prepared the drafts of the 2016–2020 informatization plan and the 2016–2018 implementation schedule.

Establishment of Information Systems

In 2015, the Company focused on the establishment of information systems in relation to financial control, business and risk management based on its business development needs. In particular, a management accounting system was put into operation and a comprehensive budget system and a human resources system were developed to further enhanced the information management of the Company.

Establishment of IT Infrastructure

In 2015, the construction of the Company's disaster recovery and support center in Hefei was basically completed. The information center was furnished and major facilities were installed to facilitate its informatization. Besides, the Company preliminarily developed a data base platform.

6.3.6 Human Resources Management

In 2015, the Company continued to fully enhance its human resources management system. By formulating six management measures, the Company improved its human resources management in a more systematic and standardized manner. It refined the administration structure of its head office and the strategic layout of its branches and subsidiaries. The structural reform of its head office was carried out to enhance the management and operation of the head office. To boost the efficiency and effectiveness of human resources management, the Company continued to optimize the human resources allocation by deploying more resources to key sectors and institutions with outstanding performance and increasing its efforts. In 2015, it recruited graduates from renowned universities and professionals from peers. In an effort to optimize its incentive mechanism, the Company strengthened the link between the performance-based remuneration and project risks. A risk accountability mechanism was also established to raise risk control awareness of the Group. More efforts were also made to develop the human resources information system of the Group in pursuit of informationized, streamlined and standardized management of its human resources.

Employees

As at December 31, 2015, the Group had 18,805 employees (excluding those employed through labour dispatch agency), of which 18,631 were in mainland China and 174 were in Hong Kong and Macao. In the Company and its tier-one subsidiaries (head offices), employees with master's degree or above, with bachelor's degree and aged 45 or below accounted for 46%, 43% and 83% of the total number of employees, respectively. In order to ensure its stable development in the long run, the Company has attached great importance to its relationship with all employees. The business and financial condition of the Company have not relied on particular employee(s).

Remuneration Policy

Consistent with the strategies, business development and talent recruitment of the Group, remuneration management of the Company adhered to maintaining operation efficiency. The performance-based remuneration mechanism of the Group was optimized to achieve its operation targets. Salaries were determined according to the respective positions, duties, competence and contributions of employees under the employee remuneration management mechanism with the principles of "position-based salary, performance-based bonus and contribution-based incentive". The incentive mechanism based on profit contribution was further optimized. 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 fair principle.

In 2015, based on its business development needs and remuneration management requirements, the Company formulated and implemented the plan for deferred payment of performance-based bonuses. In addition to focusing on incentives, the Company gradually refined its performance management mechanism and continuously implemented effective restraints.

Education and Training

In 2015, in accordance with strategic development and business innovation of the Group and to improve professional and management capabilities, employees of different levels from different business lines received a combination of specific training programs. Centralized training was carried out along with video lectures. On-site training was made complete with online learning. Both domestic and overseas training programs were also provided for employees. In 2015, over 1,000 training programs were held by the Company with more than 42,000 attendances, providing sufficient human resources support for the sound and sustainable development of the Company.

6.4 Risk Management

In 2015, 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 refinement of risk management of the Group, the Company was able to enhance the effectiveness and responsiveness of risk prevention and solution. It also ensured stable operations of all businesses and overcame the challenges from adverse changes in macro-economy. In 2015, its overall business risks were managed within an acceptable level and a solid foundation was laid for the realization of the Company's strategic targets.

6.4.1 Structure of Risk Management

The Company has developed an integrated risk management framework consisting of four levels, namely the Board and the Board of Supervisors, the Senior Management, the Risk Management Department and relevant functional departments at the head office, and its branches and subsidiaries, and the three lines of defense comprised of the business operation departments, the functional departments of risk management and the internal audit departments.

The Board assumes ultimate responsibility for the effectiveness of overall risk management. Its Risk Management Committee supervises and evaluates the Group's risk management and internal control, and the Audit Committee supervises the Group's internal control, internal audit and risk management. The Board of Supervisors supervises the risk management and internal control of the Company and makes suggestions and proposals accordingly. The Senior Management, including the Chief Risk Officer, is accountable to the Board for the overall effectiveness of our comprehensive risk management.

The risk management organizations of the Company primarily consist of: (1) the Board and its Risk Management Committee and Audit Committee; (2) the Board of Supervisors; (3) the Senior Management; (4) the Risk Management Department and other functional departments of risk management of the Company; and (5) the risk management positions at the branches and the functional departments of risk management at the subsidiaries.

In 2015, the Company formulated a plan for refining its risk management system so as to enhance risk management at all levels. The Company plans to set up the Risk Management Committee at its management level. The plan will also aim to optimize the internal organizations of risk management for the Group. The structure and systems of risk management of branches and subsidiaries will be strengthened. The plan will be promulgated and implemented in 2016. The Company further refined its risk management system in response to the regulatory requirements and its internal management needs. The Company revised certain regulations during the year, including the Administrative Measures on Internal Rating Management (內部評級管理辦法), the Administrative Measures on Intra-Group Transaction Management (集團內部交易管理辦法), the Risk Reporting System (風險報告制度) and the Regulations on Comprehensive Risk Management (全面風險管理規程), and further refined relevant procedures.

The Company continued to strengthen supervision and management on major risks such as credit risk, market risk, operation risk and concentration risk. New monitoring plans and assessment standards were formulated to further tighten the risk control requirements for the head office, branches and subsidiaries. By carrying out risk inspection, risk management awareness of the head office, branches and subsidiaries was raised while business management process, including risk management, of all business lines was improved. The Company adopted various risk alleviation measures, including enhancing performance evaluation of risk management and optimizing the risk-linked remuneration performance evaluation system to ensure the overall risk control of the Company was within an acceptable range.

Furthermore, the Company further enhanced the information system of risk management through the development and upgrading of information management systems, including internal rating system, related party transaction management system and credit reference system. As such, the effective operation of the risk management was ensured.

6.4.2. 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 financial 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 2015, the Company actively refined its credit risk management policies in response to the changes in the general economy and financial regulatory requirements. The Company revised the Implementation Rules of Business in Non-financial Institution Distressed Assets (非金融機構不良資產業務管理實施細則) in accordance with the Administrative Measures on Business in Non-financial Institution Distressed Assets by AMCs (金融資產管理公司開展非金融機構不良資產

業務管理辦法) jointly issued by the MOF and the CBRC, in order to regulate the development of its major businesses and secure its steady growth. The customer credit rating management was strengthened with specified admittance standards of customers. The Company continuously refined its internal rating system based on the need of risk management to evaluate the customer credit rating, customer risk limit and business rating. As such, its credit risk management was improved with the increasing application of credit risk control tools. In addition, to improve the standard of due diligence investigation, enhance risk prevention and facilitate healthy business growth, the Company revised its guiding documents such as 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) and the Guidelines on Due Diligence of Asset Management Business (資產管理業務盡職調查操作指南) in line with its business development and practice.

In 2015, the Company was connected to the credit inquiry database of Credit Reference Center under the People's Bank of China and was able to use the inquiry services of corporate and personal credit information. The development of credit reference system provides effective channel for business due diligence, review and approval and follow-up management. It is also an important measure for the expansion of customer base, risk identification and supervision of contract performance, resulting in more effective prevention and mitigation of credit risks.

6.4.3. Management of Market Risk

Market risk refers to the risk of 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 establishment and optimization of the market risk management system by identifying, measuring, monitoring, controlling and reporting of market risk in accordance with the risk tolerance of the Company. The Company is able to control market risk within acceptable range and maximize the risk-adjusted returns while continuously increasing the standard of market risk management.

With respect to interest rate risks, the Company has reduced its interest rate risk exposure by focusing on optimizing its financing liabilities structure, lowering financing cost and improving the matching of assets and liabilities of different maturities. The Company accelerated the price transmission from liabilities to assets through internal fund pricing system in accordance with the market prices and characteristics of projects during different periods.

With respect to foreign exchange risks, the Company has effectively controlled its exposure of foreign exchange risks by matching funding sources and currencies in use. With regard to existing foreign exchange exposures, the Company has considered to control them through different methods including forward settlement of foreign exchange.

With respect to risks arising from the fluctuation of stock prices of listed companies owned by the Company, it has closely monitored factors such as the trend of macro-economy, fluctuations in capital market and the latest regulations and requirements that will affect the operation, financial condition and valuation of the enterprises in which the Company owns equities. More research and anticipation efforts were made to reasonably formulate and adjust the management strategies of the market value of its equities in listed companies. In addition, the Company has engaged professional institutions to conduct analysis with respect to the Company's equities in listed companies and closely monitored the capital market for more 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.

6.4.4. 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 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.

Adhering to the liquidity management requirements by relevant regulatory authorities, the Company has strengthened the development of an integrated liquidity network and established a top-down liquidity cooperation mechanism on all aspects. The Company has conducted regular researches and analysis on the internal and external environments. Effective initiatives were adopted to coordinate the capital planning and management of the Group. The transfer and pricing system of internal fund was improved in a timely manner while reinforcement and innovations were introduced to diversify financing channels. The Company has enhanced informatization of fund management, and continuously improved its strategies of capital planning, financing and capital operation for the effective prevention of liquidity risks.

During its daily operation, the Company has put a strong emphasis on monitoring cash flow cap and liquidity stress tests. Efforts were made to enhance the cooperation mechanism among front, middle and back offices. Analysis and estimations were made from various perspectives under different scenarios to facilitate the monitoring and anticipation of cash flow, such as project fund application, repayment maturity of borrowings and interest payment, working capital for operations and collection of project fund. Strictly adhering to the liquidity management requirements by relevant regulatory authorities, the Company has strengthened monitoring and control over liquidity risk and efficiently coordinated the drafting and implementation of liquidity risk contigency plan. It has also optimized the financing machanism within the Group and enchanced the allocation and management of credit and financing resources to reduce the overall liquidity risk of the Group.

The Company further stepped up its basic financing initiatives and refined its liabilities structure with the effort to expand the financing channels for financial bonds and inter-bank financing in order to develop a sound, low-cost, diversified and innovative financing system.

6.4.5. 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 2015, 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.

In accordance with the Administrative Measures on Operational Risk (操作風險管理辦法), the Company has continued to refine the systems of all business lines and optimize the business procedures. At the beginning of 2015, the Company conducted a thorough risk detection, and investigated and rectified the identified risks and potential risks in order to mitigate certain operational risks in a timely manner. Through risk detection, the Company has completed regulation revision, process optimization and system development at all levels, resulting in stronger and more effective control over operational risk.

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

Aiming to raise the information technology management standard, the Company has established 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 has further developed its risk management information system and refined internal rating system, related party transaction management system and credit reference system, so as to enhance the informatization of risk management.

6.4.6. 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 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.

6.4.7. Anti-money Laundering

The Company has diligently performed its social responsibility of anti-money laundering and strictly complied with the relevant anti-money laundering laws and regulations. The Company has imposed requirements of anti-money laundering with focus on risk prevention and continuously increased its ability and effectiveness against anti-money laundering risk.

In 2015, the Company has further improved the management system of anti-money laundering and enhanced training and promotion to raise employees' awareness on anti-money laundering. The risk in relation to anti-money laundering was effectively prevented and controlled, meanwhile the standard of compliance management of anti-money laundering was comprehensively enhanced.

6.4.8. 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 income and expenditure, operating activities, risk exposure 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 2015, the Company fully completed the annual internal audit plan, conducted its audit work with caution and carried out the work of audit supervision rigorously. Focusing on the management and control of the Group, the Company introduced innovative philosophies and ideas to perform its function of audit supervision in line with its risk profile to serve the development of the Company. By improving its audit service awareness and carrying out audit reform, the Company optimized its internal audit system. With enhanced assessments and stronger focus on education and training, the professional capability of its audit team was further improved.

Carried out audits on specific aspects. Based on the operation and management principles of the Company and with a view to improving its internal audit, the Company conducted audits on specific aspects, including intra-group transactions, restructured distressed debt asset projects and traditional distressed debt asset business. As a result, the Company was able to thoroughly refresh and regulate the development of relevant businesses.

Organized evaluation on internal control. Through self-evaluation of all departments of the headquarters, branches and subsidiaries, and onsite tests and inspection of key aspects, the Company evaluated the effectiveness and sufficiency of internal control in various aspects, including development strategy, risk management, internal supervision, financial management, business operation and information communication, and made recommendations for improvement.

Carried out regular and special audits. Based on its risk profile and focusing on effectiveness, the Company carried out regular and special audits for its branches and subsidiaries in respect of significant projects, key business, financial matters and internal control. It also carried out economic responsibility audit on the performance of mid-level management of the Group during their terms of office.

Improved audit system. In line with its strategic development goals and extensive research and studies, the Company explored to establish management measures for the supervision of classified audit, studied service-oriented audit for internal control and started to prepare development plans for its internal audit. At the same time, the Company focused on building up capabilities according to its business development and promoted the construction of internal audit team through comprehensive and diversified training in various forms.

For more details on the risk management of the Company, please see Note VI.69 "Financial risk management" to the consolidated financial statements.

6.5 Capital Management

The Company continued to enhance capital planning and management taking into account the capital regulatory requirements, its sustainable development strategies and returns for shareholders. With internal capital growth, external market financing, effective risk mitigation and other means, its capital strength was continuously enhanced, which laid a solid foundation for the businesses development and implementation of future development strategies of the Company. As such, the Company has been able to maintain certain margins and buffers, and the capital adequacy ratio continued to meet the regulatory requirements of China.

As at December 31, 2014 and 2015, the capital adequacy ratio of the Company were 18.08% and 16.11%, respectively, which were higher than the standard set by the regulatory authorities. As at December 31, 2014 and 2015, the leverage ratio[1] of the Company were 3.4:1 and 4.2:1, respectively. The increase in leverage ratio was mainly due to higher growth in borrowings in the interest-bearing liabilities.

6.6 Outlook

In 2016, the fundamentals of China's economy remain unchanged with high development potential, stronger resilience and more room for development. At the same time, China's economy is facing difficulties and challenges especially on the structural problem of excess production capacity. The PRC government will focus on lowering production capacity and inventory, deleveraging, reducing cost and striving for efficient supply. During the process of eliminating outdated production capacity, disposing of distressed companies and mitigating financial risks, there may be greater changes in related markets and corporate operating environment. The pressure of economic downturn will trigger higher default rate in the entire social credit system. Non-performing loans of banks are still in the growth cycle, and there will also be higher repayment pressure on other debt financing instruments such as trusts, bonds, asset management projects and internet financial products. Defaults and potential defaults may continue to increase, putting greater pressure on the growth of financial and non-financial distressed assets.

The Company will, in line with the 13th Five-Year Plan, actively adapt to the new economic normal, deepen transformation and reform and accelerate innovative development to safeguard its leading advantages in distressed assets business. The Company will develop special situation investment and asset management business, expedite the development of differentiated integrated financial services and enhance the Group's service and synergy standard. With these initiatives, the Company will develop into an integrated, international and modern financial group with core competitiveness.

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

Firstly, the Company will consolidate and utilize the core advantages of its distressed asset business to continuously develop the coverage and diversity of distressed asset business. Innovative disposal plans of distressed assets and distressed entities will be introduced and business model will be refined to mitigate risks of financial institutions and enterprises, and reinforce the competitive edge of its core business. Secondly, the Company will exert greater efforts in exploring special situation investment and asset management business by leveraging the core advantages of distressed asset business to provide customers with risk solutions and featured asset management services in the background of the new economic normal. Thirdly, the Company will speed up the development of differentiated integrated financial services by completing the consolidation of Nanyang Commercial Bank upon its acquisition, integrating existing financial platforms of its customers, products, channels and teams for better synergy effects. As such, the Company will be able to develop its competitive edges for various market segments and provide differentiated integrated financial solutions for customers.

To achieve its strategic targets, the Company will actively carry out reforms in respect of its system and mechanism to further release the potential of its reform and development. The Company will adjust and refine the organizational structure according to the need of its business development, and further enhance the overall management and operation ability of its head office while boosting differentiated development of its branches and subsidiaries. The Company will strengthen the synergy of the Group in order to enhance its overall competitive edges and synergy effects. The Company will transform its information service philosophy to facilitate the efficient development of informationization of the Group. It will also accelerate the improvement of comprehensive risk management system to enhance risk control level. A versatile team of talents will be established in response to the transformation needs of the Company to ensure its sustainable development.

7. Social Responsibility

In 2015, the Company actively fulfilled its social responsibilities by strengthening social responsibility management, and made new achievements and contributions.

New progress in eliminating financial risks and supporting real economy. In response to the increasing pressure of Chinese economic downturn and growing market demand for distressed asset management, the Company made full use of its advantages in distressed assets business to enhance the acquisition and disposal of distressed assets and promote custody and liquidation of distressed entities in order to effectively minimize financial and economic risks and safeguard a stable social and economic development. With the requirements of serving the real economy with financial services, the Company alleviated debt problems of entities and local governments, actively supported the reforms of state-owned enterprises, facilitated structural reorganization, upgrade and innovative development of the industry, and coordinated regional development. In order to achieve inclusive finance, the Company also strengthened its support to agricultural enterprises, private enterprises, small and micro enterprises and major infrastructure projects while consolidating strategic cooperation with state-owned banks, state-owned enterprises and government entities.

New breakthrough in promoting product innovation and improving service quality. Adhering to its customer-oriented philosophy, the Group developed its investment and asset management and financial services by leveraging the advantages of its main distressed asset business. We took the lead in exploring "Internet+distressed assets" through innovation of financial products. We achieved remarkable results in our asset management business and conducted special situations investment. Our asset securitization business won major awards, while insurance products were well-received by the market. The Group improved customers' experience and established good relationship with customers through developing the customer information system, enhancing synergy of services, providing investment research reports and expanding insurance service channels, which improved satisfaction of customers. While ensuring customers' right to know, we strengthened the promotion of financial knowledge. We also deleveraged financing and securities lending business to prevent risks and handled insurance claims to protect the legal interests of customers. In 2015, the Company became the first AMC to sell and dispose of distressed assets on the online asset disposal platform of Taobao.com and achieved great progress. Happy Life offered the reverse mortgage product ("幸福房來寶"), which was the first pension insurance secured by house mortgage in the insurance industry of China and widely acclaimed.

Enhancing corporate harmony and motivation and developing excellent teams with new impression. The Company is committed to protecting the legal rights, supporting the career development, facilitating the healthy life of its employees and develop excellent teams with harmony and effectiveness. The Company standardized labor management, improved performance management, and promoted democratic management, in order to protect various lawful rights and interests of employees such as the right to work, right to know and right to participate in democratic corporate management. We strengthened professional quality trainings, conducted professional skill trainings and promoted inclusive trainings, striving to improve comprehensive quality and business skills of employees. We optimized selection and appointment of talents, strengthened communication of employees, promoted establishment of organization system, developed innovative and distinctive training methods to facilitate the development of employees. Recreational activities, learning competitions, commemoration of the 70th anniversary of the anti-Japanese war and other activities were organized to create a favourable working, learning and living atmosphere. The Company cared about female employees and retired employees by strengthening health management, and visited and provided assistance for employees and their families in need. In 2015, "Catfish Club (鯰魚會)" program organized by Cinda Securities was selected as a subsidized talent training project by Xicheng district government of Beijing.

Gaining recognition in promoting green development and enhancing environmental protection. The Company is committed to the green development concept by organising voluntary plantation activities, daily environmental protection measures, promotion of green philosophy and other activities. The Company promoted green office with low carbon, established environment-friendly service channels, developed green and energy-saving buildings, supported environmental protection organisations, greening services and new energy projects, launched environmental liability insurance and actively participated in the development of energy saving and environment-friendly community, aiming to increase contribution to environmental protection, energy saving and emission reduction. Cinda International performed its duty as a member of the World Wide Fund for Nature and received the Hong Kong Awards for Environmental Excellence jointly granted by the Hong Kong Environmental Protection Department and other authorities.

New achievements in contribution to public welfare and charity. The Company participated in public welfare work in the community, schools and charity organisations. In order to enhance our poverty alleviation activities, cadres and chief secretary were dispatched to conduct specific poverty alleviation activities and station in a town to provide support to the people in need in order to enhance their self-development and improve their living condition and environment. The Company also put greater efforts on promoting education by encouraging staff to make donations and to show our love and care for specific groups, such as the elderly, children and students with financial difficulties. As a result, we were named as the "Advanced Entity for Poverty Relief" (社會扶貧工作先進集體) of Qinghai Province in 2015. The reconstruction of Baiyan Cinda Primary School (白岩信達小學) in Fuquan Town, Hanyuan County, Sichuan Province which was invested by our staff's donation was completed. The "Charity+1" ("益+1") public welfare activity initiated by Cinda P&C became the only winner of the "Innovation Award of Corporate Social Responsibility of China" (中國社會責任公益創新獎)by Xinhuanet.com and Chinese Academy of Social Sciences.

8. Changes in Share Capital and Information on Substantial Shareholders

8.1 Changes in Share Capital

The share capital of the Company as at December 31, 2015 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%**

8.2 Substantial Shareholders and De Facto Controller

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

The Company had 1,901 registered Shareholders as at December 31, 2015. So far as 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%
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	48,236,215	H Shares	Long position	0.13%	0.41%
	Interest of controlled corporation	770,179,210	H Shars	Long position	2.12%	6.61%
	Interest of controlled corporation	326,052,813	H Shares	Short position	0.90%	2.80%
BlackRock, Inc.	Interest of controlled corporation	791,911,584	H Shares	Long position	2.18%	6.79%

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 deemed to be interested in all the H Shares held by UBS AG in the Company.

8.2.2 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.

9. Directors, Supervisors and Senior Management

9.1 Directors

No.	Name	Gender	Age	Position	Term of office
Current Directors					
1	Hou Jianhang	Male	59	Chairman of the Board Executive Director	From June 2013 to the expiration of the term of the current session of the Board
2	Zang Jingfan	Male	60	Executive Director President	From June 2013 to the expiration of the term of the current session of the Board
3	Li Honghui	Male	51	Non-executive Director	From August 2014 to the expiration of the term of the current session of the Board
4	Song Lizhong	Male	56	Non-executive Director	From August 2014 to the expiration of the term of the current session of the Board
5	Xiao Yuping	Female	55	Non-executive Director	From June 2013 to the expiration of the term of the current session of the Board
6	Yuan Hong	Female	51	Non-executive Director	From June 2013 to the expiration of the term of the current session of the Board
7	Lu Shengliang	Male	48	Non-executive Director	From June 2013 to the expiration of the term of the current session of the Board
8	Li Xikui	Male	71	Independent non-executive Director	From June 2013 to the expiration of the term of the current session of the Board
9	Qiu Dong	Male	58	Independent non-executive Director	From June 2013 to the expiration of the term of the current session of the Board
10	Chang Tso Tung, Stephen	Male	67	Independent non-executive Director	From June 2013 to the expiration of the term of the current session of the Board
11	Xu Dingbo	Male	52	Independent non-executive Director	From June 2013 to the expiration of the term of the current session of the Board
Resigned Director					
1	Xu Zhichao	Male	56	Executive Director	From June 2013 to January 2015

9.1.1 Executive Directors

Mr. Hou Jianhang, aged 59, has been executive Director of the Company since June 2010, and the executive Director and Chairman of the Board of the Company since May 2011. He was accredited as a senior economist by CCB in May 1993. Mr. Hou had held various positions successively with CCB (listed on the Hong Kong Stock Exchange, stock code: 00939; and the Shanghai Stock Exchange, stock code: 601939), including deputy director and director of the Planning Department from June 1989 to February 1995, deputy general manager of Shandong Branch from February 1995 to March 1997, general manager of the Credit Management Department from March 1997 to March 1999, and general manager of the Credit Risk Management Department from March 1999 to April 1999. Mr. Hou joined the Company as director of the Debt Management Department in April 1999. He served as Vice President of the Company from September 2000 to June 2010, and as President of the Company from June 2010 to May 2011. Mr. Hou graduated from Liaoning Finance and Economics College (currently known as Dongbei University of Finance and Economics) in August 1979 with a major in infrastructure finance.

Mr. Zang Jingfan, aged 60, has been executive Director and President of the Company since May 2011. He was accredited as a senior economist by PBOC in September 1994. Mr. Zang served as deputy general manager and general manager of PBOC's Liaoyuan Branch from July 1984 to September 1994, deputy general manager of PBOC's Jilin Branch and deputy director of SAFE's Jilin Bureau from September 1994 to November 1998, deputy general manager of the PBOC's Shenyang Branch from November 1998 to July 2003, and head of the Preparation Team and director of the CBRC Heilongjiang Branch from July 2003 to October 2005. He was also director of the Cooperative Financial Institution Supervision Department of the CBRC from October 2005 to June 2010. Mr. Zang joined the Company in June 2010 and worked as Chairman of the Board of Supervisors from June 2010 to May 2011. Mr. Zang graduated from Shaanxi Institute of Finance and Economics (currently known as Xi'an Jiaotong University) in July 1999 with a master's degree in currency banking.

9.1.2 Non-executive Directors

Mr. Li Honghui, aged 51, has been non-executive Director of the Company since August 2014. Mr. Li served as the officer, associate chief officer and chief officer of the General Office of the Department of Industry and Communication Finance, deputy head of the General Information Division of the Department of Industry and Communication, deputy head of the Industry Division and Industry Division I of the Economic and Trade Department, deputy head and head of the Planning and Investment Division, head of the General Office, head of the Environment and Resources Division of the Economic Construction Department and deputy director of the Investment Appraisal and Censoring Centre under the MOF from August 1990 to June 2014. Mr. Li obtained a bachelor's degree in industrial accounting from Hunan College of Finance and Economics (currently known as Hunan University) in September 1987, a master's degree in economics, majoring in finance, from the Graduate School of the Finance Science Institute of the MOF in August 1990, and a doctoral degree in economics, majoring in accounting, from the Graduate School of the Finance Science Institute of the MOF in August 1998.

Mr. Song Lizhong, aged 56, has been non-executive Director of the Company since August 2014. Mr. Song served as the officer, associate chief officer and chief officer of Division II of the Bureau of Retired Veteran Cadres, deputy director and director (chief officer level) and deputy director-general of the CPC Branch Office of the Bureau of Retired Cadres under the MOF from September 1989 to June 2005, temporary post of the deputy head of the Department of Finance of Ningxia Hui Autonomous Region from June 2005 to August 2007, and the deputy head of the Bureau of Retired Cadres of the MOF from August 2007 to June 2014. Mr. Song graduated from the Faculty of Chinese of Renmin University of China (with an associate degree) in Chinese language in July 1987, and graduated from the Correspondence Institute of Party School of the Central Committee of C.P.C (with an undergraduate degree) in economic management in December 1999.

Ms. Xiao Yuping, aged 55, has been non-executive Director of the Company since June 2010. She was admitted to practice PRC law in April 1989, and was accredited as a senior economist by PBOC in November 1999. Ms. Xiao joined PBOC in July 1986 and served successively as deputy director of General Affairs Division of Department of Treaty and Law, deputy director of Financial Debt Management Office of Department of Treaty and Law (deputy director level), deputy director of Legal Affairs Division, director of Department of Banking Risk Disposal of Financial Stability Bureau, director of Department of Risk Supervision and Evaluation of Banking Industry and deputy inspector of Financial Stability Bureau from December 1999 to June 2010. She also served as a visiting scholar at the Los Angeles Branch and New York Branch of Korea First Bank from April 1996 to April 1997. Ms. Xiao graduated from Peking University in July 1986 with a bachelor's degree in law. She received "National Financial Labor-Day Medal" (全國金融五一勞動獎章) from the National Committee of China Financial Labor Union (中國金融工會全國委員會) in April 2007.

Ms. Yuan Hong, aged 51, has been non-executive Director of the Company since June 2013. She was accredited as an economist by Heilongjiang Branch of PBOC in December 1993. Ms. Yuan was an officer of Heilongjiang Branch of PBOC (Foreign Exchange Bureau) from July 1987 to August 1994 (on secondment to Office of Financial Institutions of Foreign Exchange Business Department of SAFE from October 1990 to August 1994), deputy principal officer and principal officer of Office of Financial Institutions, Management and Inspection Department of SAFE from August 1994 to August 1998. She also served successively as principal officer of Policy Bank Regulatory Office of Bank Regulatory First Division, Policy Bank Regulatory Second Office and Policy Bank Regulatory First Office of PBOC from August 1998 to September 2003. Ms. Yuan was an assistant consultant and deputy director of Policy Bank Regulatory First Office of Third Bank Regulatory Department, director of Off-site Regulatory Office of Fourth Bank Regulatory Department, director of Second Off-site Regulatory Office of Fourth Bank Regulatory Department, and an associate counsel of Fourth Bank Regulatory Department of CBRC from September 2003 to June 2013. Ms. Yuan served as a part-time supervisor of the board of supervisors of the Agricultural Development Bank of China from January 2009 to June 2013 and a part-time supervisor of the board of supervisors of Export-Import Bank of China from June 2009 to June 2013. Ms. Yuan graduated from Nankai University in July 1987 with a bachelor's degree in economics.

Mr. Lu Shengliang, aged 48, has been non-executive Director of the Company since June 2012. He was accredited as a deputy researcher by Chinese Academy of Social Sciences ("CASS") in August 1997. Mr. Lu served successively as associate researcher, deputy researcher and deputy director of the Finance, Trade and Economy Research Institution of CASS from August 1992 to May 2001. He also served successively as director of the Secretariat Office, director of the General Affairs Division of the Equity Assets Department, and deputy director of the Equity Assets Department (Industrial Investment Department) of the NSSF since May 2001. Mr. Lu has also served as non-executive director of AVIC International Holding Corporation from January 2010 to July 2014, and non-executive director of China UnionPay Company Limited from February 2011 to August 2014. Mr. Lu graduated from Zhongnan University of Economics and Law in July 1987 with a bachelor's degree in economics, and graduated from CASS Graduate School with a master's degree and a doctoral degree in economics in July 1990 and July 1999, respectively.

9.1.3 Independent Non-executive Directors

Mr. Li Xikui, aged 71, has been independent non-executive Director of the Company since June 2010. He was accredited as a researcher of CCB's head office by CCB in January 1993, and receives special allowance from the State Council. Mr. Li successively served as deputy director, deputy department director, vice president of head office, and director of the Research Institute of CCB from August 1982 to January 1994. He worked as vice general manager of Shougang Group and president of Hua Xia Bank Co., Limited from January 1994 to February 2000. He served as vice president of China Galaxy Securities Co., Ltd. from February 2000 to February 2006, chairman of the board of directors of Galaxy Fund Management Co., Ltd from February 2006 to April 2010, and independent non-executive director of Chiho-Tiande Group Limited (listed on the Hong Kong Stock Exchange, stock code: 00976) from July 2010 to December 2014. Mr. Li graduated from Liaoning Finance and Economics College (currently known as Dongbei University of Finance and Economics) in August 1970, and graduated from the Finance Science Institute of the MOF with a master's degree in economics in July 1982.

Mr. Qiu Dong, aged 58, has been independent non-executive Director of the Company since June 2010. He is a PhD supervisor, representative of the 10th National People's Congress, expert entitled to Government Special Allowance by the State Council and distinguished guest professor of Changjiang Scholars Program. Mr. Qiu served successively as professor, vice president and president of Dongbei University of Finance and Economics from January 1985 to March 2005. From March 2005 to March 2009, he was a professor of Central University of Finance and Economics. Mr. Qiu served as an independent non-executive director of Agricultural Bank of China Limited (listed on the Hong Kong Stock Exchange, stock code: 01288; and the Shanghai Stock Exchange, stock code: 601288) from January 2009 to June 2015. He is currently the chairman of the academic committee of the National Accounting Research Institute of Beijing Normal University, member of the Appraisal Group of National Philosophy, Social Science and Planning, member of the Disciplines Evaluation Panel of the Academic Degrees Committee of the State Council, member of the Advisory Committee of National Bureau of Statistics, vice president of the National Accounting Society of China, vice president of the Statistical Education Society of China, vice president of the China Association of Market Information and Research, vice chairman of the National Statistical Teaching Material Editing and Censoring Committee, member of Selection Committee for Science and Technology Progress Award on Statistics of China, an adjunct PhD supervisor of Tianjin University of Finance and Economics, an adjunct professor of Zhejiang Gongshang University, Jinan University, Zhongnan University of Economics and Law, Shanxi

University of Finance and Economics, Zhejiang University of Finance and Economics, Southwest University of Finance and Economics, and member of editorial board of Statistical Research. Mr. Qiu graduated from Dongbei University of Finance and Economics in November 1990 with a doctoral degree in economics.

Mr. Chang Tso Tung, Stephen, aged 67, has been independent non-executive Director of the Company since June 2013 and is a senior member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants. Mr. Chang has been practising as a certified public accountant in Hong Kong for about 30 years and has extensive experience in accounting, auditing and financial management. Mr. Chang was the deputy chairman of Ernst & Young Greater China, partner of professional service management and chairman of audit and consultant services of Ernst and Young until his retirement in 2004. Mr. Chang is also a member of the Investment Committee of Shanghai Fudan University Education Development Foundation and Shanghai Fudan University Education Development Foundation (Overseas). Mr. Chang served as independent non-executive director of China Pacific Insurance (Group) Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 02601) from June 2007 to May 2013. Mr. Chang currently serves as an independent non-executive director of Kerry Properties Limited (listed on the Hong Kong Stock Exchange, stock code: 00683), independent non-executive director of Hua Hong Semiconductor Ltd. (listed on the Hong Kong Stock Exchange, stock code: 01347) and independent non-executive director of China Life Insurance Co. Ltd. (listed on the Hong Kong Stock Exchange, stock code: 02628; and the Shanghai Stock Exchange, stock code: 601628). Mr. Chang graduated from the University of London in August 1973 with a bachelor's degree in science.

Mr. Xu Dingbo, aged 52, has been independent non-executive Director of the Company since June 2013 and is a member of the American Accounting Association. Mr. Xu was a teaching assistant in the University of Pittsburgh and the University of Minnesota and an assistant professor in The Hong Kong University of Science & Technology from 1986 to 2003, and was an adjunct professor in Peking University from April 1999 to April 2009. Mr. Xu joined China Europe International Business School in January 2004. He currently serves as the Essilor Chair Professor of Accounting, Associate Dean and member of Management Committee, and has also served as a member of Financial Budget Committee since October 2009. Mr. Xu has been serving as an independent non-executive director and chairman of the Audit Committee of The People's Insurance Company (Group) of China Limited (listed on the Hong Kong Stock Exchange, stock code: 01339), independent director and chairman of the Audit Committee of DongyiRisheng Home Decoration Group Limited Company (listed on the Shenzhen Stock Exchange, stock code: 002713), independent director and chairman of the Audit Committee of Shanghai Shyndec Pharmaceutical Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600420), independent director and chairman of the Audit Committee of Sany Heavy Industry Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600031) and independent director, chairman of the Audit Committee and chairman of the Related Transaction Committee of Societe Generale (China) Limited. Mr. Xu graduated from Wuhan University in July 1983 and October 1986 with a bachelor's degree in science and a master's degree in economics, respectively. Mr. Xu graduated from the University of Minnesota in October 1996 with a doctoral degree in accounting.

9.2 Supervisors

No.	Name	Gender	Age	Position	Term of office
Current Supervisors					
1	Gong Jiande	Male	52	Chairman of the Board of Supervisors Shareholder Representative Supervisor	From February 2015 to the expiration of the term of the current session of the Board of Supervisors
2	Liu Yanfen	Female	62	External Supervisor	From February 2015 to the expiration of the term of the current session of the Board of Supervisors
3	Li Chun	Male	58	External Supervisor	From February 2015 to the expiration of the term of the current session of the Board of Supervisors
4	Wei Jianhui	Male	53	Employee Representative Supervisor	From June 2013 to the expiration of the term of the current session of the Board of Supervisors
5	Gong Hongbing	Female	49	Employee Representative Supervisor	From July 2014 to the expiration of the term of the current session of the Board of Supervisors
Resigned Supervisors					
1	Chen Weizhong	Male	61	Chairman of the Board of Supervisors Shareholder Representative Supervisor	From June 2013 to February 2015
2	Dong Juan	Female	63	External Supervisor	From June 2013 to February 2015

Mr. Gong Jiande, aged 52, has served as deputy secretary of the Party Committee of the Company since September 2014 and has been Shareholder Representative Supervisor and Chairman of the Board of Supervisors of the Company since February 2015. Mr. Gong served as secretary to general office, deputy secretary and secretary of department level to the State Ethnic Affairs Commission of the PRC from August 1995 to October 2000. He also held various positions such as department cadre, research consultant, deputy director and director of the organization department of the CPC Financial Work Committee from October 2000 to July 2003, the secretary to the Discipline Supervisory Committee (deputy director level) of the CBRC, the chairman of the labor union (deputy director level) of the CBRC, the member of Discipline Supervisory Committee of the CBRC (during which he worked for the CPC Financial Inspection Group), general deputy secretary to the Party Committee of the headquater (director level) of the CBRC, member of the informatization panel of the CBRC, head of the government procurement office of the CBRC, deputy chairman of the Research Institute of the Party Construction of the central government authorities and deputy director of the Chamber of Financial Street from July 2003 to September 2014. Mr. Gong graduated from the Party School of the Central Committee of C.P.C. majoring in economic management in December 1996, and graduated from the postgraduate program of the Party School of the Central Committee of C.P.C. in July 2007.

Ms. Liu Yanfen, aged 62, has been External Supervisor of the Company since February 2015 and is a senior accountant and certified public accountant of the PRC. Ms. Liu joined Bank of China (listed on the Hong Kong Stock Exchange, stock code: 03988; listed on the Shanghai Stock Exchange, stock code: 601988) in 1982. She served as the general manager of the financial and accounting department of the head office of Bank of China from June 1998 to February 2007, as general manager of the Singapore branch of Bank of China from June 2007 to December 2011, and as chief audit officer of Bank of China from December 2011 to November 2014. Prior to the above, Ms. Liu had held various positions such as the general manager of China Dongfang Trust and Investment Company and deputy general manager of the financial and accounting department of the head office of Bank of China. Ms. Liu graduated from Liaoning Finance and Economics College (currently known as Dongbei University of Finance & Economics) with a bachelor's degree in 1982 and obtained a master's degree in finance from Wuhan University in 1999.

Mr. Li Chun, aged 58, has been External Supervisor of the Company since February 2015 and is the founding partner and executive partner of Grandall Law Firm, the managing partner of the Hong Kong office of Grandall Law Firm, the president and chief researcher of the Grandall Research Institute. Mr. Li served as solicitor of Changchun Law Firm, deputy director of Jilin Institute of Law of Chinese Academy of Social Sciences, general manager of Jilin Economic and Legal Consultation Centre, chief legal adviser of China Merchants Shekou Industrial Zone Ltd., deputy general manager and chief legal counsel of Shenzhen Property Rights Exchange, president of Shenzhen Lawyers Association, vice president of Guangdong Lawyers Association, member of the first session of the Listing Committee of Shenzhen Stock Exchange, Secretary-general to Development Strategy Committee of All China Lawyers Association. Mr. Li concurrently holds the positions as chief executive and chief researcher of China Private Funds and Risk Investment Legal Consultation Centre, honorable president of Shenzhen Lawyers Association, adjunct professor and researcher of Peking University, Renmin University of China, East China University of Political Science and Law and Shenzhen University. He has participated in the drafting and consultation process for the PRC Company Law and PRC Securities Law. At present, he is the independent director of Shangdong Airlines Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 200152), Shenzhen Laibao Hi-Tech Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 002106), EDAN Instruments, INC. (listed on the Shenzhen Stock Exchange, stock code: 300206) and Long Ji Tai He Holding Limited (listed on the Hong Kong Stock Exchange, stock code: 01281). Mr. Li graduated from Jilin University in July 1996 and obtained his master degree in law.

Mr. Wei Jianhui, aged 53, has been Employee Representative Supervisor of the Company since June 2013. He was accredited as an economist by CCB in November 1993. Mr. Wei worked as senior staff member of Hebei Branch Office of CCB from April 1990 to February 1992, vice president of Baoding Central Sub-branch of CCB from February 1992 to February 1993, and secretary of deputy director level, deputy director and director of the General Office of CCB's Hebei Branch from February 1993 to November 1999. Mr. Wei joined the Company in November 1999 and served as assistant director and deputy director of Shijiazhuang office until January 2008, director of Haikou office from April 2008 to July 2010, general manager of Hainan branch from July 2010 to December 2010, and deputy director (department general manager level) of the President Office from December 2010 to June 2011. He served as deputy director of the labor union, director of the Discipline Inspection Office and general manager of the General Office from June 2011 to March 2014, and director of Discipline Inspection Office from March 2014 to February 2016. Since July 2015, he has been the general manager of the Corporate Culture Department. Mr. Wei graduated from Hebei Banking School in October 1983, Correspondence College of Renmin University of China in June 1988 majoring in economics of capital construction, and graduated from the Law Department, Graduate School of Chinese Academy of Social Sciences in April 1998 majoring in economic law.

Ms. Gong Hongbing, aged 49, has been Employee Representative Supervisor of the Company since July 2014, and was accredited as senior political worker by the Company in 2000. From August 1988 to August 1999, Ms. Gong served as the officer, associate chief officer and chief officer of the personnel department of Yantai branch and the personnel division of Shandong branch of CCB. Ms. Gong joined the Company in August 1999 and served as the senior deputy manager and senior manager of the general office, general management department and policy and business department of Jinan Branch of the Company, and the senior manager of the Human Resources Department of the Company until January 2010. Ms. Gong served as an assistant to general manager of the General Office and assistant to the director of the Board of Directors' Office of the Company from January 2010 to June 2012, deputy general manager of General Office from June 2012 to March 2014, deputy director of the Labor Union and deputy general manager in charge of the General Office (Mass Work Department) from March 2014 to October 2015. Since October 2015, she has served as the deputy director of the Labor Union and general manager of the General Office (Mass Work Department). Ms. Gong graduated from Harbin Senior Finance College majoring in bank management in July 1988 and graduated from Shangdong Branch of the Central Party School majoring in economics and management in 2002. She obtained a master's degree in business administration from Beijing Jiaotong University in June 2008.

9.3 Senior Management

No.	Name	Position	Gender	Age	Term of office
Current Senior Management					
1	Zang Jingfan	President	Male	60	From May 2011
2	Chen Xiaozhou	Senior Management member	Male	53	From September 2000
3	Yang Junhua	Senior Management member	Male	59	From September 2005
4	Zhuang Enyue	Vice President	Male	55	From March 2007
5	Li Yuejin	Vice President	Male	58	From February 2011
6	Wu Songyun	Vice President	Male	51	From June 2013
7	Gu Jianguo	Vice President	Male	53	From June 2013
8	Liu Ligeng	Vice President	Male	51	From June 2015
9	Zhang Weidong[1]	Board Secretary	Male	49	From February 2011
10	Liang Qiang	Assistant to the President	Male	44	From February 2016
11	Chen Yanqing	Assistant to the President	Male	52	From February 2016
12	Luo Zhenhong	Chief Risk Officer	Male	50	From October 2013
Resigned Senior Management					
1	Xu Zhichao	Vice President	Male	56	From June 2013 to January 2015
2	Xiao Lin	Senior Management member	Male	61	From February 2007 to July 2015
3	Zhang Weidong	Assistant to the President	Male	49	From June 2013 to July 2015

Mr. Zang Jingfan, please see "Executive Directors".

Mr. Chen Xiaozhou, aged 53, has been a member of Senior Management of the Company since September 2000, and is responsible for the investment and asset management business of the Company. He was accredited as a senior economist by CCB in December 1995. Mr. Chen had held various positions successively in CCB, including director of Projects Financing Division of International Business Department of Head Office from October 1994 to June 1996, director of Agency Industry Financing Division of International Department from June 1996 to March 1997, and deputy general manager of the Business Department of Head Office from March 1997 to April 1999. Mr. Chen joined the Company in April 1999 and had served successively as director of Investment Banking Department until September 2000, Assistant to the President from September 2000 to February 2003, Vice President from February 2003 to December 2008, member of Party Committee of the Company from December 2008 to June 2013, Deputy Secretary of the Party Committee of the Company since June 2013, and concurrently as chairman of the board of directors of Cinda Hong Kong from April 2011 to January 2015. Mr. Chen worked as chairman and executive director of Silver Grant International Industries Limited (listed on the Hong Kong Stock Exchange, stock code: 00171) since February 2006, and served as chairman and non-executive director since September 2006. He worked as executive director and chairman of Cinda International (listed on the Hong Kong Stock Exchange, stock code: 00111) from December 2008 to January 2015. Mr. Chen graduated from Hangzhou University in July 1983 with a bachelor's degree in economics, the Graduate School of Finance Research Institute of PBOC in November 1988 with a master's degree in economics, and the University of New South Wales in Australia in November 2002 with a master's degree in business.

[1] Mr. Zhang Weidong has tendered his resignation as Secretary to the Board in January 2016, and such resignation will take effect from the date of approval of the qualification of his successor by the CBRC.

Mr. Yang Junhua, aged 59, has been a member of Senior Management of the Company since September 2005, and is responsible for the general affairs of the Head Office of the Company. He was accredited as a senior economist by CCB in December 1992. Mr. Yang had held various positions successively in CCB, including director of Construction and Economics Division of Shaanxi Branch from April 1989 to May 1993 (during which he also served as director of Real Estate Credit Department from May 1989 to June 1992), general manager of Central Sub-branch of Weinan District from May 1993 to March 1994, and vice general manager of Shaanxi Branch from March 1994 to August 1999. Mr. Yang joined the Company in August 1999 and had served successively as director of Xi'an office from August 1999 to September 2005, vice president of the Company from September 2005 to December 2007, Vice President of the Company and President of Happy Life from December 2007 to March 2008, member of the Party Committee of the Company and the president of Happy Life from March 2008 to March 2011, member of the Party Committee of the Company and chairman of the board of directors of Happy Life from March 2011 to July 2013, and member of the Party Committee of the Company since July 2013. Mr. Yang graduated from Liaoning Finance and Economics College (currently known as Dongbei University of Finance and Economics) in August 1982 with a bachelor's degree in economics, University of International Business and Economics in June 2005 with an EMBA degree, and University of Science and Technology of China in December 2011 with a doctoral degree in management.

Mr. Zhuang Enyue, aged 55, has been Vice President of the Company since March 2007. He was accredited as a researcher by the National Audit Office in October 1997 and receives government special allowance from the State Council. Mr. Zhuang had held various positions successively in the National Audit Office, including deputy director of Directing Bureau from July 1990 to April 1994, director of the Second Scientific Research Office from April 1994 to January 1997, deputy director of Scientific Research Centre from January 1997 to July 1998, and deputy director of Economic and Trading Section from October 1999 to March 2001. Mr. Zhuang was the vice president of Nanjing Audit University from July 1998 to October 1999, supervisor of deputy director level of the board of supervisors and deputy office director of ICBC from March 2001 to November 2001, and supervisor of director level and office director of ICBC from November 2001 to July 2003. Mr. Zhuang joined the Company in July 2003 and was appointed as the Supervisor of director level of the Board of Supervisors of the Company until March 2007, and executive director of the Company from May 2011 to June 2013. Mr. Zhuang graduated from the Department of Management of Shanghai Maritime University in July 1983 with a bachelor's degree in accounting, and graduated from Renmin University of China in July 1990 with a master's degree in economics.

Mr. Li Yuejin, aged 58, has been Vice President of the Company since February 2011. He was accredited as a senior economist by CCB in December 1995. Mr. Li had held various positions successively in CCB, including chief of the Credit Planning Department and deputy general manager of Dongying Branch, Shandong Province from November 1989 to September 1996, deputy general manager of Zibo Branch from September 1996 to November 1997 and branch general manager of Tai'an Branch from November 1997 to December 1999. Mr. Li joined the Company in December 1999, and had served as deputy director of Jinan office from December 1999 to March 2006, director of Xi'an office from August 2006 to July 2010, general manager of Shaanxi Branch from July 2010 to August 2010, and general manager of Shandong Branch from August 2010 to January 2011. Mr. Li graduated from Shandong University in July 1999 majoring in currency banking, and graduated from Peking University in July 2007 with an EMBA degree.

Mr. Wu Songyun, aged 51, has served as Vice President of the Company since June 2013. He was accredited as a senior economist by CCB in December 1997. Mr. Wu had held various positions successively in CCB, including officer in the Construction and Economics Department from July 1986 to August 1994, officer in the Second Credit Department from August 1994 to April 1996, and deputy director of the Credit Management Department and deputy director of Credit Risk Management Department from April 1996 to April 1999. Mr. Wu joined the Company in April 1999 and had served successively as senior manager and deputy director of the Debt Management Department until February 2005, general manager of the Asset Management Department from February 2005 to April 2009, general manager of the Assets Operation Department from April 2009 to September 2011, and Assistant to the President from February 2011 to June 2013. Mr. Wu graduated from Tianjin University in July 1986 with a bachelor's degree in engineering and graduated from Tsinghua University in January 2012 with an EMBA degree.

Mr. Gu Jianguo, aged 53, has served as Vice President of the Company since June 2013. He was accredited as a senior accountant by CCB in March 1997. Mr. Gu had served successively as deputy manager of Securities Department, assistant to president as well as manager of the Finance and Accounting Department of China Cinda Trust Investment Company from April 1994 to January 1998. From January 1998 to March 1999, he worked as deputy general manager of the Accounting Department of CCB. He worked as executive director and deputy general manager of Well Kent International Group Co., Ltd. from March 1999 to March 2002. Mr. Gu served as executive director and general manager of Well Kent International Group Co., Ltd. from March 2002 to February 2011, and served as Assistant to the President of the Company from February 2011 to June 2013. He is the executive director of Silver Grant International Industries Limited (listed on the Hong Kong Stock Exchange, stock code: 00171). Mr. Gu obtained a bachelor's degree in engineering from Zhejiang Institute of Technology (currently known as Zhejiang University of Technology) in July 1984 and a master's degree in economics from Zhejiang University in January 1991, respectively. He also received a doctoral degree in economics from the Finance Science Institute of the MOF in July 1994.

Mr. Liu Ligeng, aged 51, has served as the Vice President of the Company since June 2015. He was accredited as an economist by the PBOC in June 1993. Mr. Liu had served as an officer and deputy head of the Education Division, Human Resources Division, and Human Resources and Staff Training Division of the PBOC from July 1988 to September 2003 and as a researcher, the head and the deputy director (deputy head) of the Human Resources Department of the CBRC from September 2003 to January 2014. Mr. Liu joined the Company in January 2014 and has served as the chairman of the labor union of the Company since then. He graduated from Beijing Normal University in July 1988 with a bachelor's degree in education and obtained a postgraduate diploma from Hunan College of Finance and Economics (currently known as Human University) in July 1998.

Mr. Zhang Weidong, aged 49, has served as the Board Secretary[1] of the Company since February 2011 and was accredited as a senior economist by the Company in December 1999. He served successively as officer of the Real Estate Credit Department and secretary of the Youth League Committee of CCB from July 1992 to April 1999. Mr. Zhang joined the Company in April 1999, and served successively as senior manager of the Chief Executive Office, senior manager of the Review Committee, deputy director and general manager of the Asset Appraisal Department from May 1999 to February 2006, and general manager of the Market Development Department from February 2006 to November 2008. He has also served successively as director of the Reorganization Leading Panel Office, the Strategic Investors Introduction and Listing Panel Office and the Listing Preparation Leading Panel Office from November 2008 to February 2016 and general manager of the Investment and Financing Department from April 2009 to September 2011. Mr. Zhang served as the general manager of the Strategic Development Department (the Financial Risk Research Center and Post-doctoral Management Office) since September 2013, and the assistant to the President of the Company from June 2013 to July 2015. He graduated from Tongji University in July 1989 with a bachelor's degree in engineering, and graduated from Renmin University of China in June 1992 with a master's degree in economics.

Mr. Liang Qiang, aged 44, has been the assistant to the President of the Company since February 2016. He was accredited as a senior economist by the Company in May 2005. Mr. Liang served as the officer, director of the General Affairs Division, assistant to the director of the general office and deputy general manager of the Retail Operation Department of the Shanxi Branch of China Construction Bank from July 1993 to September 1999. Mr. Liang joined the Company in September 1999. He successively served various positions in the Taiyuan Office and the Equity Management Department, the Market Development Department, the Capital and Finance Department and the Planning Finance Department of the Head Office, including the senior manager, assistant to general manager and deputy general manager until February 2012. Since November 2008, he has successively served as deputy head of the Reorganization Leading Panel Office, the Strategic Investors Introduction and Listing Panel Office and Listing Preparation Leading Panel Office. He has been serving as the head of Listing Preparation Leading Panel Office since February 2016. Mr. Liang has been the general manager of the Finance & Budget Department of the Company since February 2012. He has been responsible for the overall management of the Shanghai Branch since May 2014 and has concurrently served as the general manager of the Shanghai Branch since April 2015. Mr. Liang has been a standing member of All-China Financial Youth Federation since January 2014. Mr. Liang graduated from Shanxi Finance & Taxation College in July 1993 majoring in investment and economic management. He graduated from Shanghai University of Finance and Economics majoring in accountancy and obtained a bachelor's degree in economics in June 1999. He obtained an MBA degree from Tsinghua University in January 2005.

[1] Mr. Zhang Weidong has tendered his resignation as Secretary to the Board in January 2016, and such resignation will take effect from the date of approval of the qualification of his successor by the CBRC.

Mr. Chen Yanqing, aged 52, has been the assistant to the President of the Company since February 2016 and was accredited as a senior engineer by the Ministry of Machinery in October 1996. From January 1987 to January 2000, Mr. Chen consecutively served as the division head of the Nation Machinery Committee and the Department of Engineering, Agriculture and Machinery of the Ministry of Machine Building and Electronics Industry, the secretary (deputy director level) of the General Office of the Ministry of Machinery and the secretary (director level) of the office of the head of the National Machinery Bureau. Mr. Chen joined the Company in January 2000. He successively served as the senior manager of the Investment Banking Department and the Equity Management Department form January 2000 to February 2005, deputy general manager of the Asset Management Department form February 2005 to January 2008, and general manager of the Restructuring Business Department, the Market Development Department, the Group Synergy Department and the Corporate Management Department from January 2008 to August 2011. He has been responsible for the overall management of the Shenzhen Branch since March 2011 and served as the general manager, secretary to the Party Committee of the Shenzhen Branch and Shenzhen regional business director from August 2011 to July 2013. He has been the general manager of the Human Resources Department and the head of the Organization Department of the Party Committee of the Company since July 2013. Mr. Chen graduated from Anhui Institute of Technology (currently known as Hefei University of Technology) majoring in tractor design and manufacturing and obtained a bachelor's degree in engineering in July 1983. He completed his postgraduate studies of management engineering at Jiangsu University of Science and Technology (currently known as Jiangsu University) and obtained a master's degree in engineering in May 1998. He obtained an EMBA degree from Tsinghua University in July 2010.

Mr. Luo Zhenhong, aged 50, has been the Chief Risk Officer of the Company since October 2013. Mr. Luo had worked consecutively in the Inner Mongolia Branch and Head Office of CCB from July 1988 to April 1999. Mr. Luo joined the Company in April 1999 and had served successively as senior manager, deputy general manager and general manager of Legal Department of the Company until April 2009. Since April 2009, Mr. Luo has served as the general manager of the Legal & Compliance Department of the Company. Mr. Luo was vice president of the Banking Law Division of China Law Society from October 2008 to November 2012, and has worked as vice president of China Banking Law Society since November 2012. Mr. Luo graduated from Peking University with a bachelor's degree in law in July 1988, a master's degree in law in July 2002, and an EMBA degree in July 2012.

9.4 Change in Directors, Supervisors and Senior Management

9.4.1 Change in Directors

Due to other work arrangements, Mr. Xu Zhichao ceased to act as Executive Director of the Company since January 20, 2015.

9.4.2 Change in Supervisors

On February 10, 2015, Mr. Gong Jiande was elected as a Shareholder Representative Supervisor, while Ms. Liu Yanfen and Mr. Li Chun were elected as External Supervisors at the first extraordinary general meeting in 2015 of the Company. On the same date, Mr. Gong Jiande was elected as the Chairman of the Board of Supervisors of the Company at the first meeting of the Board of Supervisors in 2015.

Since February 10, 2015, Mr. Chen Weizhong ceased to act as the Shareholder Representative Supervisor and Chairman of the Board of Supervisors due to his age and Ms. Dong Juan ceased to act as the External Supervisor due to other work arrangement.

9.4.3 Change in Senior Management

Due to other work arrangements, Mr. Xu Zhichao ceased to act as the Vice President since January 20, 2015.

On June 18, 2015, Mr. Liu Ligeng was appointed as Vice President of the Company at the third Board meeting in 2015, whose qualification was approved by CBRC on July 30 2015.

On July 3, 2015, Mr. Xiao Lin ceased to act as a member of senior management of the Company due to his age.

On July 22, 2015, Mr. Zhang Weidong ceased to act as Assistant to the President of the Company due to change of work arrangements.

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

On January 29, 2016, Mr. Zhang Weidong tendered his resignation as Secretary to the Board due to change of work arrangements, and such resignation will take effect from the date of approval of the qualification of his successor by the CBRC. On the same date, Mr. Ai Jiuchao was appointed as the Secretary to the Board at the first Board meeting in 2016, while his qualification is still subject to the approval of the CBRC.

9.5 Annual remuneration

9.5.1 Remuneration of Directors, Supervisors and Senior Management

For details of the remuneration of Directors, Supervisors and Senior Management of the Company, please see Note VI.20 “Emoluments of directors and supervisors” and Note VI.21 “Key management personnel and five highest paid individuals” to the consolidated financial statements.

9.5.2 Highest paid individuals

For details of the emoluments of the five highest paid individuals of the Company during the Reporting Period, please see Note VI.21 “Key management personnel and five highest paid individuals” to the consolidated financial statements.

10 Corporate Governance Report

10.1 Summary

During the Reporting Period, 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 actively enforced sound modern corporate governance principle by nurturing sound corporate governance culture and enhancing its corporate governance system and policies. Through refining its risk management and internal control, improving its governance structure and mechanism and enhancing its information disclosure and investor relationship management, the Company has maintained its stable development and created fair returns for its Shareholders. During the Reporting Period, the Company won the "Corporate Governance Excellence Award" jointly granted by the Chamber of Hong Kong Listed Companies and Hong Kong Baptist University, and the "Stars of China Awards, 2015 — Best Corporate Governance Bank" by Global Finance, a magazine based in U.S.

10.1.1 Corporate Governance Code

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

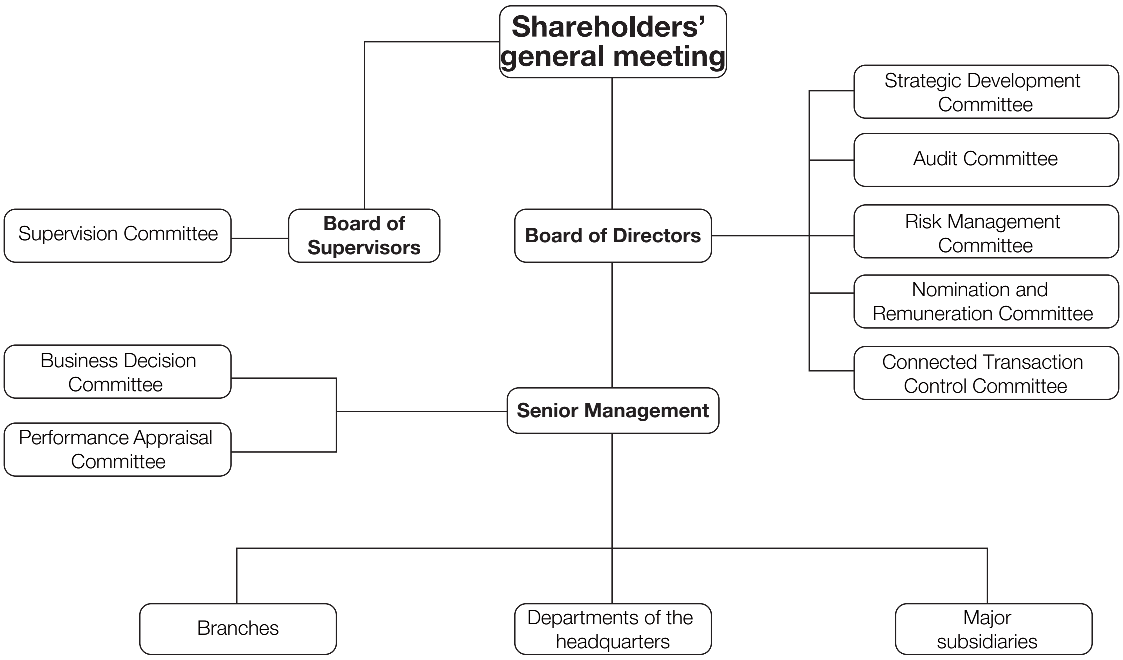
Corporate Governance Functions

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

10.1.2 Corporate Governance Structure

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

Corporate Governance Structure



10.1.3 Amendments to the Articles of Association

During the Reporting Period, the Company did not make any amendments to the Articles.

10.2 Shareholders' general meeting

10.2.1 Responsibilities of Shareholders' general meeting

The Shareholders' general meeting is the organ of authority of the Company and its main functions and powers include: (1) to decide the Company's operating policies and investment plans; (2) to elect and replace the Directors and Supervisors who are not representatives of the employees of the Company, and to decide on matters related to the emoluments of Directors and Supervisors; (3) to consider and approve the reports of the Board and the reports of the Board of Supervisors; (4) to consider and approve the annual financial budgets, final account plans, profit distribution plan and loss recovery plan of the Company; (5) to resolve on any increase or reduction in the Company's registered capital; (6) to resolve on the issuance of corporate bonds, any class of shares, warrants or other marketable securities of the Company and their listing; (7) to resolve on matters related to merger, separation, dissolution, liquidation of the Company or alternation on the form of the Company; (8) to amend the Articles, the procedural rules of the Shareholders' general meeting, the meetings of the Board and the Board of Supervisors; and (9) to consider and approve major investment and disposal of equity interests, investment and disposal of debentures, financing, pledges and guarantee of assets, purchases and disposal of fixed assets, disposal of debt-to-equity swap assets, write-off of assets, external donations of the Company and major decisions of invested legal entities.

10.2.2 Details of Shareholders' general meetings

During the Reporting Period, the Company held three Shareholders' general meetings in Beijing, including one annual general meeting and two extraordinary general meetings, and approved 15 resolutions. The Company strictly complied with the legal procedures applicable to Shareholders' general meetings to ensure Shareholders are able to attend the meetings and exercise their rights. Shareholders of the Company voted at the Shareholders' general meetings by poll according to the Listing Rules, and they were fully informed of the voting procedures by poll. The Company engaged lawyers to attend Shareholders' general meetings as scrutinisers and to provide legal advice. Major matters considered and approved at the meetings include:

- resolution on the remuneration settlement scheme for Directors of the Company for 2013;
- resolution on the remuneration settlement scheme for Supervisors of the Company for 2013;
- resolution on the appointment of accounting firms of the Company for 2015;
- resolution on the election of Mr. Gong Jiande, Ms. Liu Yanfen and Mr. Li Chun as Supervisors of the Company;
- resolution on the issuance plan of financial bonds and relevant authorizations of the Company for 2015;
- resolution on the work report of the Board of the Company for 2014;
- resolution on the work report of the Board of Supervisors of the Company for 2014;
- resolution on the final financial account of the Company for 2014;
- resolution on the profit distribution of the Company for 2014;
- resolution on the fixed assets investment budget of the Company for 2015;
- resolution on the provision of guarantee for issuance of RMB3 billion capital supplement bonds by Happy Life by the Company; and
- resolution on the proposed issuance of capital supplement bonds of the Company for 2016.

10.2.3 Shareholders' rights

Right to propose to convene extraordinary general meetings

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

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

Right to propose resolutions to Shareholders' general meetings

Shareholders, individually or in the aggregate, holding 3% or more of the Shares with voting rights shall have the right to submit proposals to the Company in writing. The Company shall place matters in the proposals within the scope of functions of the Shareholders' general meeting on the agenda of such meeting.

Shareholders, individually or in the aggregate, holding 3% or more of the Shares with voting rights shall have the right to submit interim proposals 10 days before the Shareholders' general meeting to the convener of such meeting. The convener shall within two days upon receiving such proposals give supplemental notice to other shareholders, and place matters in the interim proposals within the scope of functions of the Shareholders' general meeting on the agenda of such meeting.

Right to propose to convene extraordinary Board meetings

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

Right to propose resolutions for Board meetings

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

Right to raise proposals and enquiries

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

Other rights

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

10.2.4 Attendance of Directors at Shareholders' general meetings

Directors' attendance at Shareholders' general meetings

Members of the Board	Number of meetings attended/ required to attend	Attendance rate
Executive Directors		
Hou Jianhang	3/3	100%
Zang Jingfan	3/3	100%
Non-executive Directors		
Li Honghui	3/3	100%
Song Lizhong	3/3	100%
Xiao Yuping	3/3	100%
Yuan Hong	3/3	100%
Lu Shengliang	3/3	100%
Independent non-executive Directors		
Li Xikui	3/3	100%
Qiu Dong	2/3	67%
Chang Tso Tung, Stephen	3/3	100%
Xu Dingbo	3/3	100%
Resigned Directors during the Reporting Period		
Xu Zhichao	–	–

Notes:

1. Please see “Directors, Supervisors and Senior Management” — “Changes in Directors, Supervisors and Senior Management” in this report for changes in Directors.

2. Attendance includes on-site attendance and attendance through electronic means such as telephone and video online.

3. Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

10.2.5 Independence from controlling shareholder

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

10.3 Board of Directors

10.3.1 Composition and responsibilities of the Board

As at the date of this report, the Board has 11 members, including two executive Directors, namely Mr. Hou Jianhang (Chairman) and Mr. Zang Jingfan, five non-executive Directors, namely Mr. Li Honghui, Mr. Song Lizhong, Ms. Xiao Yuping, Ms. Yuan Hong and Mr. Lu Shengliang, and four independent non-executive Directors, namely Mr. Li Xikui, Mr. Qiu Dong, Mr. Chang Tso Tung, Stephen and Mr. Xu Dingbo. Their term of office shall end on the expiry of the current session of the Board.

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

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

10.3.2 Board Meetings

In 2015, the Board conducted eight meetings, including four regular meetings and four extraordinary meetings. 34 resolutions were passed and 10 work reports were reviewed at the meetings. Before the meetings, Directors were provided with appropriate notice and information necessary for making informed decision. Among the resolutions passed, there were 15 resolutions on management matters, six resolutions on major transactions, five resolutions on work reports, two resolutions on appointment or dismissal of employees, three resolutions on remuneration and insurance matter and three other resolutions. The major issues were as follows:

- the final account plan and the profit distribution plan of the Company for 2014 and fixed assets investment budget for 2015;

- the annual report (annual results announcement) of the Company for 2014 and the interim report (interim results announcement) of the Company for 2015;

- the issuance of financial bonds for 2015 and relevant authorization;

- the work report of the Board, internal control evaluation report and social responsibility report of the Company for 2014;

- the internal audit working plan for 2015;

- the proposal in relation to the application for participation in the bidding for acquisition of Nanyang Commercial Bank;

- the raising of syndicated loans of an amount of USD5 billion by Cinda Hong Kong and credit enhancement measures provided by the Company;

- the remuneration plan for Directors and Senior Management for 2014; and

- received the reports on implementation of proposals passed at previous Board meetings and new connected persons of the Company.

In addition, the Board conducted self-evaluation on the effectiveness of internal control of the Group during the Reporting Period. For details, please see "Internal Control" in this report.

10.3.3 Directors' Attendance at Board Meetings

Directors' attendance at Board meetings

Members of the Board	**Number of meetings attended/ required to attend**	**Attendance rate**
Executive Directors		
Hou Jianhang	8/8	100%
Zang Jingfan	6/8	75%
Non-executive Directors		
Li Honghui	8/8	100%
Song Lizhong	8/8	100%
Xiao Yuping	8/8	100%
Yuan Hong	8/8	100%
Lu Shengliang	8/8	100%
Independent non-executive Directors		
Li Xikui	8/8	100%
Qiu Dong	6/8	75%
Chang Tso Tung, Stephen	8/8	100%
Xu Dingbo	8/8	100%
Resigned Directors during the Reporting Period		
Xu Zhichao	–	–

Notes:

1. Please see "Directors, Supervisors and Senior Management" — "Changes in Directors, Supervisors and Senior Management" in this report for changes in Directors.

2. Attendance includes on-site attendance and attendance through electronic means such as telephone and video online.

3. Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

4. Director who was not able to attend in person appointed another Director to attend and vote at the meetings on his/her behalf.

10.4 Special Committees of the Board

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

In December 2015, in accordance with the latest amendments to the CG Code and Corporate Governance Report, the Board considered and approved the resolution on the amendments to the Terms of Reference of the Audit Committee, in order to supplement and improve the requirements relating to risk management and internal control under the Terms of Reference of the Audit Committee. For the revised Terms of Reference of the Audit Committee, please see the announcement dated December 18, 2015. In addition, the Board considered and approved the resolution on the Terms of Reference of the Risk Management Committee, in order to further refine the duties of the Risk Management Committee (including the on-going supervision of the effectiveness of the risk management and internal control system of the Company). The newly revised Terms of Reference of the Audit Committee and Terms of Reference of the Risk Management Committee became effective on December 18, 2015.

10.4.1 Strategic Development Committee

As at the date of this report, the Strategic Development Committee had nine members. Mr. Hou Jianhang (Chairman of the Board) served as the chairman. The members included an executive Director, Mr. Zang Jingfan, five non-executive Directors, Mr. Li Honghui, Mr. Song Lizhong, Ms. Xiao Yuping, Ms. Yuan Hong and Mr. Lu Shengliang and two independent non-executive Directors, Mr. Li Xikui and Mr. Chang Tso Tung, Stephen.

The Strategic Development Committee shall perform the following duties, among others, to review the general strategic development plan, annual operation plan and the fixed asset investment budget, major restructuring and adjustment proposals, major investments and financing proposals, major merger and acquisition proposals of the Company and make relevant suggestions to the Board; and to review and assess the comprehensiveness of governance structure of the Company and make relevant suggestions to the Board.

During the Reporting Period, the Strategic Development Committee conducted six meetings to consider 14 resolutions, mainly including the 2014 final accounts, 2015 annual operation plan, 2015 fixed asset investment budget and the financial bonds issuance plan of the Company, and received corporate governance report of the Company for 2014.

Directors' attendance at Strategic Development Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Hou Jianhang	6/6	100%
Zang Jingfan	5/6	83%
Li Honghui	6/6	100%
Song Lizhong	6/6	100%
Xiao Yuping	6/6	100%
Yuan Hong	6/6	100%
Lu Shengliang	6/6	100%
Li Xikui	6/6	100%
Chang Tso Tung, Stephen	6/6	100%

Notes:

1. Attendance in person includes on-site attendance and attendance through electronic means such as telephone and video online.

2. Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

3. Director who was not able to attend in person appointed another Director to attend and vote at the meetings on his/her behalf.

10.4.2 Audit Committee

As at the date of this report, the Audit Committee had four members. Mr. Xu Dingbo (independent non-executive Director) served as the chairman. The members included one non-executive Director, Mr. Li Honghui and two independent non-executive Directors, Mr. Li Xikui and Mr. Chang Tso Tung, Stephen.

The Audit Committee shall perform the following duties, among others, to review significant financial policies of the Company and their implementation, and supervise financial activities of the Company; to review the financial information and relevant disclosure of the Company; to consider and approve the internal control evaluation working plan of the Company; to supervise and evaluate the internal control and risk management of the Company; to review the corporate governance report to ensure the disclosure therein complies with the relevant requirements of the CG Code and Corporate Governance Report; to consider and approve the audit budget, remuneration of staff and appointment and removal of major officers of the Company, supervise and evaluate the internal audit work of the Company in accordance with the authorization of the Board; to propose the appointment or dismissal of the external auditor; and to monitor the non-compliance of the Company in respect of financial reporting and internal controls; and to evaluate whether the resources in accounting, internal auditing and financial reporting functions were sufficient (including whether qualification and experience of relevant personnel in accounting, internal audit and financial reporting as well as the training provided to the staff and the relevant budget were adequate).

During the Reporting Period, the Audit Committee conducted five meetings to review six resolutions including the 2014 annual report and results announcement, the internal control evaluation report for 2014, the internal audit work plan for 2015, the appointment of external accounting firms, the interim report (interim results announcement) for 2015 and the implementation plan for internal control evaluation of the Company, and received five reports including the special audit report on the infrastructure project of operation support center of the Group, report on related matters of internal control for 2014 and relevant suggestions from auditors and audit plan for financial statements for 2015.

On March 24, 2016, the Audit Committee conducted a meeting to resolve the submission of the 2015 annual financial report to the Board for review. The Audit Committee together with the Board and the external auditing firm jointly reviewed the accounting standards and practice adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2015.

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

Directors' attendance at Audit Committee meetings

Members	**Number of meetings attended/ required to attend**	**Attendance rate**
Xu Dingbo	5/5	100%
Li Honghui	5/5	100%
Li Xikui	5/5	100%
Chang Tso Tung, Stephen	5/5	100%

Notes:

1. Attendance in person includes on-site attendance and attendance through electronic means such as telephone and video online.

2. Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

10.4.3 Risk Management Committee

As at the date of this report, the Risk Management Committee had four members. Ms. Xiao Yuping (non-executive Director) served as the chairperson. The members included two non-executive Directors, Mr. Li Honghui and Mr. Lu Shengliang and an independent non-executive Director, Mr. Xu Dingbo.

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

During the Reporting Period, the Risk Management Committee had convened five meetings to review and receive six reports, including revising the relevant provisions of Terms of Reference of the Risk Management Committee in accordance with the amendments of the Companies Ordinance and Listing Rules, and reviewing the 2014 risk management report and receiving quarterly risk management reports of the Company.

Directors' attendance at Risk Management Committee meetings

Members	**Number of meetings attended/ required to attend**	**Attendance rate**
Xiao Yuping	5/5	100%
Li Honghui	5/5	100%
Lu Shengliang	5/5	100%
Xu Dingbo	5/5	100%
Resigned members during the Reporting Period		
Xu Zhichao	–	–

Notes:

1. Attendance in person includes on-site attendance and attendance through electronic means such as telephone and video online.

2. Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

10.4.4 Nomination and Remuneration Committee

As at the date of this report, the Nomination and Remuneration Committee had three members. Mr. Li Xikui (independent non-executive Director) served as the chairman. The members included a non-executive Director, Mr. Song Lizhong and an independent non-executive Director, Mr. Qiu Dong.

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

During the Reporting Period, the Nomination and Remuneration Committee had conducted two meetings to consider five resolutions, including the preliminary verification of the qualification of candidates for Senior Management; the remuneration settlement scheme of Directors and Senior Management for 2014; the review of the structure, size and composition (in respect of knowledge, skills and experience) of the Board, the duty performance of Directors and the independence of independent non-executive Directors.

Directors' attendance at Nomination and Remuneration Committee meetings

Members	**Number of meetings attended/ required to attend**	**Attendance rate**
Li Xikui	2/2	100%
Song Lizhong	2/2	100%
Qiu Dong	1/2	50%

Notes:

1. Attendance in person includes on-site attendance and attendance through electronic means such as telephone and video online.

2. Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

3. Members who were unable to attend the meetings in person have authorized other members to attend and vote on their behalf.

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

1. Candidates of Directors or independent non-executive Directors shall be nominated by way of proposal with their detailed information including:

   - personal particulars such as education background, working experience and any part-time positions;

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

   - their shareholdings in the Company; and

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

2. A candidate of Director shall, prior to the convening of the Shareholders' general meeting, give a written undertaking letter indicating that he/she agrees to accept the nomination and that the personal information as publicly disclosed is true and complete, and warrants that he/she will duly perform his/her obligations as a Director after he/she is elected. A written notice of the intention to nominate a candidate of Director and willingness of the candidate to be elected as well as the written documents of the basic information of the candidate shall be given to the Company within 10 days prior to the date of the Shareholders' general meeting;

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

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

5. The Shareholders' general meeting shall review and vote on the election of the candidates by way of separate resolutions; and

6. A candidate of Director shall act as a Director of the Company upon approval at the Shareholders' general meeting with his qualification verified by the regulatory authorities.

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

10.4.5 Connected Transaction Control Committee

As at the date of this report, the Connected Transaction Control Committee had three members. Mr. Qiu Dong served as the chairman, an independent non-executive Director. The members included Ms. Yuan Hong, a non-executive Director, and Mr. Xu Dingbo, an independent non-executive Director.

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

During the Reporting Period, the Connected Transaction Control Committee conducted three meetings to consider eight resolutions, mainly including the resolution on the identification of connected persons of the Company, the 2014 connected transaction management report, the report of the construction of the connected transaction management information system and the internal transaction report of the Group for 2014.

Directors' attendance at Connected Transaction Control Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Qiu Dong	3/3	100%
Yuan Hong	3/3	100%
Xu Dingbo	3/3	100%

Notes:

1. Attendance in person includes on-site attendance and attendance through electronic means such as telephone and video online.

2. Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

10.5 Board of Supervisors

10.5.1 Duties of the Board of Supervisors

The Board of Supervisors is a supervisory body of the Company and shall be responsible to and report the work to the Shareholders' general meeting pursuant to the Articles. The Board of Supervisors shall perform the following duties and authorities: (1) to examine and supervise the financial condition of the Company, and review the financial information including the financial reports and the profit distribution plan of the Company; (2) to supervise the performance of the Board, Senior Management and their constituent members; request Directors and Senior Management to correct their acts which have impaired the interests of the Company; (3) to propose the convening of extraordinary general meeting and to convene and preside over Shareholders' general meetings when the Board fails to perform its duty of convening and presiding over the Shareholders' general meeting under laws, regulations and the Articles; (4) to submit proposals to the Shareholders' general meeting; (5) to propose to convene an extraordinary meeting of the Board; (6) to formulate the evaluation method and remuneration scheme of Supervisors and assess and evaluate their performance for approval at the Shareholders' general meeting; (7) to supervise and evaluate the risk management and internal control of the Company and guide the internal audit department of the Company; and (8) to nominate Shareholder Representative Supervisors, External Supervisors and independent non-executive Directors.

10.5.2 Composition of Board of Supervisors

As at the date of this report, the Board of Supervisors consists of five Supervisors, including one Shareholder Representative Supervisor, Mr. Gong Jiande, and two External Supervisors, Ms. Liu Yanfen and Mr. Li Chun, and two Employee Representative Supervisors, Mr. Wei Jianhui and Ms. Gong Hongbing. The term of office of the above Supervisors shall be valid until the end of the term of the Board of Supervisors and they shall be eligible for re-election upon the expiry of their term of office.

The Shareholder Representative Supervisors and External Supervisors of the Company are elected at the Shareholders' general meeting and the Employee Representative Supervisors of the Company are elected at the employees' general meeting.

10.5.3 Chairman of the Board of Supervisors

From January 1, 2015 to February 10, 2015, Mr. Chen Weizhong acted as the chairman of the Board of Supervisors. Since February 10, 2015, Mr. Gong Jiande has acted as the chairman of the Board of Supervisors and has been responsible for the operation of the Board of Supervisors in accordance with the Articles.

10.5.4 Meetings of the Board of Supervisors

The Board of Supervisors of the Company conducted five meetings in 2015 and approved 12 resolutions, including the resolution regarding the work report of the Board of Supervisors for 2014, the performance appraisal report of the Directors and Senior Management for 2014, the internal control evaluation report for 2014, the remuneration settlement scheme of Supervisors for 2014, the 2014 annual report (the annual results announcement), the final financial account for 2014, the profit distribution plan for 2014, the social responsibility report of the Company for 2014, the interim report (the interim results announcement) for 2015, the major tasks of the Board of Supervisors in 2015, the election of Mr. Gong Jiande as the chairman of the Board of Supervisors, and the election of the chairman and members of the Supervision Committee of the Board of Supervisors.

Supervisors' attendance at meetings of the Board of Supervisors

Supervisors	**Number of meetings attended/ required to attend**	**Attendance rate**
Current members		
Gong Jiande	5/5	100%
Liu Yanfen	5/5	100%
Li Chun	5/5	100%
Wei Jianhui	5/5	100%
Gong Hongbing	5/5	100%
Resigned members during the Reporting Period		
Chen Weizhong	–	–
Dong Juan	–	–

Notes:

1. Attendance in person includes on-site attendance and attendance through telephone and other means.

2. Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

10.5.5 Special committee of the Board of Supervisors

The Supervision Committee shall be established under the Board of Supervisors. The Supervision Committee under the Board of Supervisors shall be accountable to the Board of Supervisors, assist the Board of Supervisors to perform its obligations under the authority of the Board of Supervisors, and report its work to the Board of Supervisors.

As at the date of this report, the Supervision Committee of the Board of Supervisors consisted of four members, including Ms. Liu Yanfen (External Supervisor) as chairperson, and Mr. Li Chun (External Supervisor), Mr. Wei Jianhui (Employee Representative Supervisor) and Ms. Gong Hongbing (Employee Representative Supervisor) as members.

The duties of the Supervision Committee primarily include: (1) to review the financial reports of the Company and report to the Board of the Supervisors; (2) to assess the internal control report of the Company and report to the Board of the Supervisors; (3) to assess the performance of the Directors and Senior Management and report to the Board of the Supervisors; (4) to supervise the risk management of the Company; and (5) to perform other duties as authorized by the Board of the Supervisors.

In 2015, the Supervision Committee conducted three meetings to review and approve the following resolutions, including the review plan of financial report of the Board of Supervisors for 2014, the final financial account of the Company for 2014, internal control evaluation report of the Company for 2014 and the interim report of the Company for 2015 (interim results announcement).

10.6 Chairman of the Board and President

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

Mr. Hou Jianhang acts as the Chairman of the Board and the legal representative of the Company, and is responsible for leading the Board to formulate the annual budget and final account, and determine business development strategies, risk management, compliance, internal control policies and other major matters of the Company.

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

10.7 Senior Management

10.7.1 Composition and duties of Senior Management

The Senior Management is the execution body of the Company and is accountable to the Board. As at the date of this report, the Senior Management of the Company comprises 12 members. For details of its composition, please see "Directors, Supervisors and Senior Management" — "Senior Management" in this report. There is a strict separation of power between the Senior Management and the Board. The Senior Management determines the operation management and decisions within its terms of reference as authorized by the Board. Senior Management of the Company includes President, Vice presidents, Secretary to the Board, Assistant to the President and Chief Risk Officer. Other members of Senior Management perform their duties as according to the authorization of the President. The Board, in turn, conducts appraisal on the Senior Management and its members in accordance with the evaluation requirements of the MOF and CBRC, the results of which form the basis of their remuneration and performance arrangements.

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

In accordance with the Measures on the Supervision of the Performance of the Board of Directors, Senior Management and its Members (監事會對董事會、高級管理層及其成員履職監督管理辦法) and Implementation Rules for the Appraisal of the Performance of Senior Management (監事會對高級管理人員履職評價實施細則), the Board of Supervisors conducted supervision and appraisal of the performance of the Board, Senior Management and its members through examination of agenda and minutes of Shareholders' general meetings, Board meetings, meetings of the special committees of the Board and meetings of Senior Management, review of the annual performance reports of the Board, the special committees of the Board, Senior Management and its members and centralized evaluation and review.

10.7.3 Remuneration of Directors and Senior Management

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

For the remuneration of Senior Management by band, please refer to note VI. 21 "Key management personnel and five highest paid individuals" to the consolidated financial statements.

10.8 Communication with shareholders

10.8.1 Investor relations and information disclosure

The Company has strictly complied with the regulatory provisions and requirements under the rules of the Company, including the Information Disclosure System (信息披露管理制度), the Administrative Measures on the Preparation of Regular Information Disclosure Reports (信息披露定期報告編制管理辦法), the Accountability System of Material Errors of Information Disclosure in Annual Report (年報信息披露重大差錯責任追究制度), the Administrative Measures on the Internal Reporting of Material Information (重大信息內部報告管理辦法) and the Provisional Measures of Investor Relations (投資者關係工作暫行辦法) to manage the information disclosure and investor relations management of the Company. During the Reporting Period, the Company communicated and interacted with shareholders and potential investors through various channels to assist them in making rational investment decisions and to protect the legal interests of investors.

10.8.2 Contacts of Board of Directors' Office

Board of Directors' Office of the Company is responsible for assisting in the daily operation of the Board. Should investors have any enquiries or Shareholders have any suggestions, enquiries or proposals, please contact:

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

10.9 Insider information management

During the Reporting Period, the Company raised the compliance awareness of employees and regulated insider information management in accordance with the Insider Information Management System. We also increased efforts to keep confidentiality of insider information and strictly implemented the insider registration system to limit the number of insiders. During the Reporting Period, there was no incident of insider trading of the Shares of the Company by taking advantage of the insider information.

10.10 Auditor's Remuneration

As approved by the third meeting and third regular meeting of the Board in 2014, the first extraordinary general meeting for 2015 and the annual general meeting for 2014, the Company appointed Ernst & Young Hua Ming LLP and Ernst & Young (collectively "Ernst & Young") as its onshore and offshore auditors for 2015, respectively, to provide audit of the annual financial report, review of the interim financial report, audit of internal control and other professional services for the Company for 2015. During the Reporting Period, the audit fee paid by the Group to Ernst & Young and its member firms for the audit of financial statements and audit of internal control amounted to a total of RMB17.50 million. During the year, the Group has not made any material payment for the provision of non-audit services by Ernst & Young and its member firms.

10.11 Responsibilities of Directors in respect of financial statements

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

10.12 Securities transactions by Directors, Supervisors and Senior Management

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

10.13 Independence of independent non-executive Directors

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

10.14 Trainings for Directors

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

External Trainings

Specialized training regarding the indicator system of equity management of subsidiaries and associates and working guidance on duty performance as representative of the state-owned shareholders organized by Central Huijin Investment Ltd.;

Specialized training regarding the legal practice on the structure of equity and controlling rights organized by lawyertraining.com.cn (中國法律教育培訓中心網).

Internal Trainings

Training regarding the conveying of the spirit of the Central Economic Work Conference (中央經濟工作會議);

Training regarding the economic development and policy highlights under the 13th Five-Year Plan;

Training regarding the macro-economy and financial development trend under the 13th Five-Year Plan;

Training regarding the good practice of overseas leading financial institutions;

Specialized training regarding the revisions and requirements of the Listing Rules.

10.15 Joint company secretaries

The Secretary to the Board and one of our joint Company secretaries, Mr. Zhang Weidong, is the employee of the Company. He is familiar with the ordinary business of the Company. In addition, the Company has appointed Mr. Ngai Wai Fung as another joint company secretary to work closely with Mr. Zhang. He also assists Mr. Zhang in discharging the functions and duties of joint company secretary and acquiring relevant experience within the meaning of Rule 3.28 of the Listing Rules. Mr. Ngai is a director and chief executive officer of SW Corporate Services Group Limited, a corporate service provider. In respect of corporate governance, the Listing Rules and other applicable laws and regulations related to the Company and other matters, Mr. Ngai shall discuss with Mr. Zhang, the key contact person of the Company. Mr. Zhang is responsible to report to the Directors and/or the President. During the Reporting Period, Mr. Zhang and Mr. Ngai participated in the relevant professional training courses for 15 hours in compliance with the requirements of Rule 3.29 of the Listing Rules.

11. Internal Control

11.1 Statement of the Board in relation to internal control responsibilities

The Board of the Company is responsible for the establishment and implementation of a sound and effective internal control system, and the evaluation of its effectiveness. The Company has a well-established internal control structure: the Board has set up the Audit Committee, Risk Management Committee and Connected Transaction Control Committee to supervise and inspect works in respects of risk management, internal control, connected transactions and intra-group transactions; the Board of Supervisors oversees the internal control system established and implemented by the Board and Senior Management; the Senior Management is responsible for the daily operation of internal control of the Company; branches and subsidiaries of the Company have also set up functional departments for internal control, which are responsible for organizing and coordinating the establishment, implementation and daily operation of internal control; the internal audit department is responsible for conducting regular audits on internal control.

The objectives of the internal control of the Company are to reasonably ensure its operation and management in compliance with laws and regulations, assets safety, the authenticity and integrity of financial reports and relevant information, to improve operation efficiency and effects, and to facilitate the Company to achieve its development strategic targets. Due to its inherent limitations, internal control only provides reasonable assurance regarding the achievement of above objectives. In addition, as the changes of situation may lead to improper internal control or lower compliance with the internal control policy and procedure, there exists certain risk in the estimation of the effectiveness of future internal control based on the evaluation results of internal control.

Pursuant to the regulatory requirements set out in the Basic Internal Control Norms for Enterprises (企業內部控制基本規範) and its supporting guidelines of the MOF and four other ministries, the Company adopted an implementation plan for internal control assessment for 2015, which has defined the scope, procedures and methods of internal control assessment, and actively conducted on-site test and off-site assessment of internal control.

The internal control assessment of the Company for 2015 covered all departments at the headquarters, branches, subsidiaries and major products and business lines, and consisted of comprehensive self-assessment by all departments at the headquarters, branches and subsidiaries, on-site tests and inspection of key aspects. No material deficiencies in internal control were identified during the assessment while matters to be addressed did not constitute a substantial impact on the operation and management of the Company. The Company attaches great importance to the matters to be addressed and will continue to take further rectification measures.

11.2 Basis of internal control system of the Company

During the Reporting Period, the Company established a sound internal control system and has continuously improved it in line with its management objectives by duly implementing the regulatory requirements as set out in the Basic Internal Control Norms for Enterprises (企業內部控制基本規範) and its supporting guidelines jointly promulgated by the MOF and four other ministries, the Measures on the Internal Control of Financial Asset Management Companies (金融資產管理公司內部控制辦法) and Guidelines on the Internal Control of Commercial Banks (商業銀行內部控制指引) and the regulatory requirement under CG Code and Corporate Governance Report.

11.3 Establishment of internal control system

During the Reporting Period, the structure of the internal control system of the Company was in compliance with the regulatory requirements and the development strategies of the Company. Based on the existing governance and management structures, the Company further enhanced its management system and internal control manual and strengthened compliance inspection and problem rectification. The effectiveness of internal control assessment was improved, resulting in higher internal control efficiency.

The Company actively developed the culture of internal control compliance. The Company promoted core values of internal control compliance through various methods, such as seminars and surveys. Specific training programs were carried out for different management levels of compliance and internal control personnel in order to enhance their performance.

In 2015, in accordance with regulatory requirements and management needs, the Company conducted special inspection on the effectiveness of internal control of several aspects including regulation implementation of various business lines, contract management, prevention of irregularities and anti-money laundering management. In accordance with its internal control requirements, the Company assessed the integrity of its system, process efficiency and compliance and internal control awareness of personnel. It also analyzed the weaknesses of internal control in the management of major business and strengthened the support for various business lines.

11.4 Establishment and implementation of accountability system for material errors in annual report

The Company has formulated and implemented the Accountability System for Material Errors in Information Disclosure of Annual Reports (年報信息披露重大差錯責任追究制度), putting in place the accountability mechanism for material errors in information disclosure of annual report. During the Reporting Period, the Company has strictly complied with the policies and regulations relating to the preparation and disclosure of annual report and further strengthened the awareness of accountability so as to enhance the quality and transparency of information disclosure in annual report. During the Reporting Period, there were no material errors discovered in the information disclosure of annual report.

12. Report of the Board of Directors

12.1 Principal Business

The Company primarily engages in distressed asset management, financial investment and asset management as well as financial services. Details of the business review and operating performance analysis of the Company are set out in "Management Discussion and Analysis" in this report. During the Reporting Period, there were no significant changes to the principal business scope of the Company.

12.2 Profit and dividend distribution

The profit and financial condition of the Company for the year ended December 31, 2015 are set out in the "Management Discussion and Analysis" — "Analysis of Financial Statements" in this report.

Having considered the long-term development requirement and the interests of investors of the Company, the Board proposed to distribute cash dividends for 2015 of RMB1.161 per 10 shares (tax inclusive) to holders of Domestic Shares and H shares whose names appear in the register of Shareholders on the record date, representing total cash dividends of approximately RMB4,209 million on the basis of 36,256,690,035 Domestic Shares and H Shares in issue on December 31, 2015.

The 2015 profit distribution plan of the Company shall be subject to approval at the Shareholders' annual general meeting for 2015. Subject to approval, the cash dividend for 2015 is expected to be distributed on or around August 18, 2016 to the holders of Domestic Shares and H shares whose names appear in the register of Shareholders of the Company on the record date for dividend distribution. The cash dividend will be denominated and declared in Renminbi and will be paid in Renminbi to holders of Domestic Shares and in Hong Kong dollars to holders of H Shares. The amount of Hong Kong dollar will be calculated on the basis of the average basic exchange rate between Renminbi and Hong Kong dollar quoted by the People's Bank of China in one week prior to the date of the Shareholders' annual general meeting for 2015 (including the date of the meeting).

The Company will announce the date of the Shareholders' general meeting for 2015 and the period of closure of register of members of the Company for the determination of the entitlement of Shareholders to attend the meeting and vote thereat and the determination of the entitlement of Shareholders to cash dividends for 2015 in due course.

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

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得稅法實施條例》), other laws and regulations and relevant regulatory documents promulgated by the State Administration of Taxation of the PRC, the Company shall, as a withholding agent, withhold and pay individual income tax at the rate of 10% for the individual holders of H Shares in respect of the dividend for 2015 to be distributed to them. The individual holders of H Shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled and the tax arrangements between mainland China, Hong Kong or Macau.

For non-resident enterprise holders of H Shares, the Company will withhold and pay enterprise income tax at the tax rate of 10% for such holders of H Shares pursuant to relevant regulatory documents of the State Administration of Taxation of the PRC.

For investors of the Shanghai Stock Exchange investing in the H Shares of the Company, the Company will distribute the cash dividend for 2015 to the Shanghai Branch of China Securities Depository and Clearing Corporation Limited which, as the nominee of the investors of H Shares of Southbound Trading, will then distribute the cash dividends to the relevant investors of H Shares of Southbound Trading through its depository and clearing system. Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知) (Caishui [2014] No. 81), for domestic individual investors, the Company shall withhold and pay individual income tax at the rate of 20% on behalf of the investors. For domestic securities investment funds, the tax payable shall be the same as that for individual investors. The Company will not withhold and pay the income tax of dividends for domestic enterprise investors which shall report and pay the relevant tax themselves. The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H Shares of the Company.

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

12.3 Distributable Reserves

Details of distributable reserves of the Group for the year ended December 31, 2015 are set out in the Consolidated Statement of Financial Position in the consolidated financial statements.

12.4 Financial Highlights

The operating results and summary of assets and liabilities of the Group for the year ended December 31, 2015 are set out in the "Financial Summary" in this report.

12.5 Donations

Donations made by the Group for the year ended December 31, 2015 amounted to RMB2.928 million.

12.6 Property and Equipment

None of the properties held by the Group had any percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) of more than 5%. Details in relation to the changes in property and equipment of the Group for the year ended December 31, 2015 are set out in Note VI.42 "Property and equipment" to the consolidated financial statements.

12.7 Pension plan

According to the relevant regulations of the PRC, the employees of the Group participate in the social basic pension insurance implemented by the local labor and social security departments. The Group shall pay pension insurance fee to the local social basic pension insurance agency according to the base and proportion prescribed by the local regulations. Such insurance fees payable were charged to the profit or loss for the period on an accrual basis. Local labor and social security departments will pay basic social pension to the staff upon their retirement.

Besides the basic social pension insurance, the employees of the Company also participate in the Annuity Scheme of China Cinda Asset Management Co., Ltd. established by the Company in accordance with relevant policies of the annuity system of the PRC. The Company makes contributions to the Annuity Scheme at a certain proportion of the total wages of the employees, and the contributions are expensed as profit or loss when incurred.

For details of the payment of pension by the Company for its employees, please see Note VI. 13 "Employee benefits" to the consolidated financial statements.

12.8 Major Clients

During the Reporting Period, the combined revenue from the top five entities to which the Company disposed of distressed assets did not exceed 30% of its total revenue for 2015.

12.9 Major Suppliers

During the Reporting Period, the top five entities from which the Company acquired distressed assets combined accounted for less than 30% of total costs for distressed assets acquisition in 2015.

12.10 Share Capital and Public Float

As at December 31, 2015, the Company had a total of 36,256,690,035 Shares in issue and 1,901 registered Shareholders. Please see "Changes in Share Capital and Information on Substantial Shareholders" in this report for details. As at the Latest Practicable Date, based on the information available to the Company and to the knowledge of the Directors, the public float of the Company was 32.16%, which was in compliance with the relevant laws and regulations and the requirement of the Listing Rules.

12.11 Pre-emptive Right

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

12.12 Purchase, Sale and Redemption of Shares

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

12.13 Equity-linked Agreement

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

12.14 Issuance of Securities

12.14.1 Issuance of Securities of the Company

During the Reporting Period, the Company issued two batches of financial bonds, details of which are set out as follows:

As approved by "Yin Jian Fu [2015] No. 261" and "Yin Shi Chang Xu Zhun Yu Zi [2015] No. 85" issued by the CBRC and the People's Bank of China respectively, the Company issued financial bonds of RMB20 billion on May 20, 2015. The bonds comprised two types, which were three-year fixed rate bond with coupon rate of 4.10% and five-year fixed rate bond with coupon rate of 4.30%.

As approved by "Yin Jian Fu [2015] No. 473" and "Yin Shi Chang Xu Zhun Yu Zi [2015] No. 201" issued by the CBRC and the People's Bank of China respectively, the Company issued financial bonds of RMB16 billion on September 22, 2015. The bonds comprised three types, which were three-year fixed rate bond with coupon rate of 3.50%, five-year fixed rate bond with coupon rate of 3.75% and ten-year fixed rate bond with coupon rate of 4.60%.

The proceeds from the above two batches of issuance were used to replenish the working capital of the Company, optimize the assets and liabilities structure of the Company, promote the business development and financial innovation of the Company as well as for other purposes approved by the competent authorities.

12.14.2 Issuance of Securities of Subsidiaries

The issuance of bonds by the subsidiaries of the Company during the Reporting Period is as follows:

In April 2015, China Cinda Finance (2014) Limited (中國信達金融有限公司), a wholly-owned subsidiary of Cinda Hong Kong, issued five-year USD1.3 billion fixed rate guaranteed senior notes and ten-year USD1.7 billion fixed rate guaranteed senior notes in Hong Kong, with coupon rates of 3.125% and 4.250% respectively. The proceeds raised were used for replenishment of working capital, investment and other general corporate purposes.

Cinda Investment issued eight-year corporate bond of RMB3 billion with coupon rate of 3.80% in December 2015. The proceeds raised were used for repayment of borrowings from financial institutions and replenishment of working capital.

Cinda Real Estate, a subsidiary of Cinda Investment, issued the first batch of five-year medium term note of RMB1.5 billion with coupon rate of 5.80% in June 2015, the second batch of five-year medium term note of RMB1.4 billion with coupon rate of 5.50% in August 2015, and the third batch of five-year medium term note of RMB100 million with coupon rate of 5.50% in December 2015. The proceeds raised were used for funding of ordinary commodity housing projects supported by the national policies, replenishment of liquidity, repayment of bank loans and other purposes.

Cinda Securities made private placements of subordinated bonds of not more than RMB6 billion. The first batch of RMB3 billion was issued on February 13, 2015, which had a term of 3 years at fixed rate with coupon rate of 5.90%. The second batch of RMB3 billion was issued on April 24, 2015, which had a term of 3 years at fixed rate with coupon rate of 6.00%. The proceeds from the above two batches of issuance were primarily used to replenish the net capital and medium-to-long-term working capital of Cinda Securities.

Cinda Securities issued three batches of beneficiary certificates through inter-institutional private equity products quotation and service system. The first batch of RMB10.28 million under the name of "Cinda Securities Sailing No. 1 (信達證券揚帆1號)" was issued on May 29, 2015, which had a term of 180 days with coupon rate of 6.00%. The second batch of RMB1 billion under the name of "Cinda Securities Sailing No. 2 (信達證券揚帆2號)" was issued on June 25, 2015, which had a term of 720 days with coupon rate of 6.50%. The third batch of RMB101.71 million under the name of "Cinda Securities Sailing No. 3 (信達證券揚帆3號)" was issued on July 8, 2015, which had a term of 530 days with coupon rate of 6.25%. The proceeds from the above three batches of issuance of beneficiary certificates were used to replenish the working capital of Cinda Securities.

As approved by "Bao Jian Xu Ke [2015] No. 1180" and "Yin Shi Chang Xu Zhun Yu Zi [2015] No. 321" issued by the China Insurance Regulatory Commission and the People's Bank of China respectively, Happy Life issued RMB3 billion of capital supplement bonds with a term of ten years in the national inter-bank bond market through book building process in December 2015. Such bonds are conditionally redeemable on the last day of the fifth year with coupon rate of 4.00%. The proceeds from the issuance of such bonds were used to strengthen the solvency of Happy Life in compliance with the requirements of regulatory authorities.

Save as the abovementioned issuance, during the Reporting Period, the Company and its subsidiaries did not have any other issuance or grant of shares, convertible bonds, options or other securities.

12.15 Material Interests and Short Positions

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

12.16 Borrowings

The borrowings of the Group as of December 31, 2015 amounted to approximately RMB317.07 billion. Details of our borrowings are set out in Note VI.50 "Borrowings" to the consolidated financial statements.

12.17 Directors, Supervisors and Senior Management

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

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

As at December 31, 2015, none of the Directors, Supervisors and chief executive officer 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), which was required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Appendix 10 Model Code for Securities Transactions by Directors of Listed Companies to the Listing Rules.

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

None of the Directors and Supervisors of the Company (or their connected entities) had any material interests, directly or indirectly, in any major transactions, arrangements or contracts (except service contracts) regarding the business of the Group entered into by the Company or any of its controlling companies, subsidiaries or fellow subsidiaries in 2015.

None of the Directors and Supervisors of the Company had entered into any service contract with the Company which was determinable by the Company within one year without payment of compensation (other than statutory compensation).

12.20 Interests of Directors in Business Competing with the Company

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

12.21 Material Contracts with Controlling Shareholders

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

12.22 Management Contracts

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

12.23 Remuneration Policy of Directors, Supervisors and Senior Management

The remuneration policy of Directors, Supervisors and Senior Management of the Company is in compliance with the Interim Measures on Management of Remuneration of Representatives of Central Financial Enterprises (中央金融企業負責人薪酬管理暫行辦法) promulgated by the MOF. The remuneration policy of Directors, Supervisors and Senior Management consists of incentive and restriction based on their performance and the risks and responsibilities of their positions and is subject to government supervision and adjustment along with market condition. The remuneration system comprises basic salary, bonus and other benefits, as well as corporate pension scheme in accordance with relevant national requirements. During the Reporting Period, the Company had no arrangement for any stock incentive plan for Directors, Supervisors and Senior Management.

12.24 Relationship between Directors, Supervisors and Senior Management

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

12.25 Indemnity for Directs, Supervisors and Senior Management

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

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

12.26 Connected Transactions

During the Reporting Period, the Company did not conduct any connected transactions or continuing connected transactions required to be reported, announced or approved by independent shareholders under Chapter 14A "Connected Transactions" of the Listing Rules. Details of related party transactions as defined under the IFRS are set out in Note VI.68 "Related party transactions" to the consolidated financial statements, which do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

12.27 Compliance with Relevant Laws and Regulations

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

12.28 Auditors

The financial report of the Company for 2015 prepared under the IFRS and PRC GAAP has been audited by Ernst & Young and Ernst & Young Hua Ming LLP, respectively.

12.29 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) (金融企業選聘會計師事務所招標管理辦法（試行）) (Caijin [2010] No. 169) issued by the MOF, the term of appointment of an accounting firm by a financial enterprise shall not exceed five years in principle. The terms of service of Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu, the previous domestic and international auditors of the Company, respectively, have reached the maximum term stipulated in the above regulation. Therefore, as considered and approved at the third meeting and the third regular meeting of the Board in 2014, the first extraordinary general meeting in 2015 and the annual general meeting for 2014, the Company appointed Ernst & Young Hua Ming LLP and Ernst & Young as its domestic and international auditors for 2015, respectively, responsible for the audit of the annual financial statements, review of the interim financial statements, audit of internal control and other relevant works for the Company for 2015.

By Order of the Board of Directors
Hou Jianhang
Chairman

March 29, 2016

13. Report of the Board of Supervisors

In 2015, pursuant to the national laws and regulations, the Articles and regulatory requirements and in line with the development targets of the Company, the Board of Supervisors of the Company adopted innovative initiatives, formulated supervision mechanism and strived for effective risk prevention and education. With excellent team building and training programs, it efficiently discharged its supervisory duties in respect of performance, risk, internal control and finance. These efforts facilitated the risk prevention, management and sustainable development of the Company.

13.1 Major Work Completed

The Board of Supervisors carried out strategic supervision and gave proposals and suggestions regarding our next five-year strategic plan. It also paid close attention to the execution of our first Five-Year Plan and formulation of our next five-year strategic plan of the Company and conducted specific strategy-related investigation. Through carrying out in-depth analysis with respect to the macro-economic and financial landscape, industry regulatory policies, strategic management, business development and core competitiveness of the Company, the Board of Supervisors investigated and reviewed the operation of commercial business with a focus on key areas and aspects of risk management. It also provided opinions and suggestions regarding the system and regional risk limit to facilitate the formulation of the Company's next five-year strategic planning.

The Board of Supervisors duly carried out performance evaluation to enhance the efficiency of performance and supervision. Pursuant to the new economic and financial landscape and regulatory requirements, it determined the key areas of the annual performance and supervision evaluation in line with the annual work plans of the Company for better supervision efficiency. It attached great importance to the strategic planning of the Company and the execution of major decisions through attending meetings, studying relevant information and reviewing reports. It organized the annual performance evaluation, issued performance evaluation reports of Directors and Senior Management and submitted reports to the Shareholders' general meetings and relevant regulatory authorities, and inform the Board and Senior Management in accordance with relevant requirements.

The Board of Supervisors further implemented risk and internal supervision to ensure its operation is in compliance with laws and regulations. It placed emphasis on the supervision of the comprehensive risk management of the Company. It regularly reviewed special reports regarding risk management, further conducted investigations of asset quality, simulated use of capital and risk accountability system, and provided relevant opinions and suggestions. Focusing on the establishment of the internal control system, authorization management system and business audit system and the progress of major projects of the year of the Company, it regularly reviewed reports regarding internal control and compliance and major issues identified during internal audits. It conducted random inspections on certain branches and key areas of internal controls, so as to strengthen the supervision on the internal control system and evaluation of its effectiveness.

The Board of Supervisors enhanced financial supervision to ensure the truthfulness, accuracy and completeness of financial information by supervising regular reports and specific financial matters. It analyzed major issues which may affect the truthfulness, accuracy and completeness of financial reports. Efforts were also made to strengthen its communication with external auditors and finance and accounting departments. Special investigation and research regarding the liquidity of the Company was carried out. It also conducted special financial investigations on certain branches and subsidiaries, supervised the execution of the overall operation plan and budget and prepared relevant reports.

The Board of Supervisors reformed its operation system to increase supervision efficiency. Faced with the new opportunities and challenges arising from the new economic normal and the development of the Company, it formulated its annual work plan with specific focus areas for higher effectiveness. In addition, it strengthened its communication and cooperation with the Board and Senior Management to maintain the efficiency of the governance of the Company. It also established a coordination system of internal supervision of the Company. Regular joint meetings were convened for better resource integration and synergy effects. It launched an education program of risk and compliance under the theme of "Controlling Risks to Promote Development". Relevant forums were held and a bulletin was created to raise the awareness of risk and compliance of employees. A supervision information data base of the Board of Supervisors with selected core indicators was established and launched to ensure immediate information collection. The feedback mechanism was optimized to facilitate the efficient implementation of the work and opinions of the Board of Supervisors.

The Board of Supervisors convened meetings pursuant to the laws and rules of procedures to ensure the compliance and efficiency of the meetings. In 2015, the Board of Supervisors held five meetings to review and approve 12 resolutions, including the reports of the Board of Supervisors, the annual work plans of the Board of Supervisors, the internal control evaluation report and performance evaluation reports. Meanwhile, the Board of Supervisors reviewed special reports regarding the audit of the annual report of the Company, risk management and the execution of the 2015 annual work plans of the Board of Supervisors, and discussed matters including the performance and supervision evaluation of the Board of Supervisors for 2015. All members of the Board of Supervisors duly performed their duties in accordance with laws and regulations, attended meetings of the Board of Supervisors as scheduled, and participated in the studying, consideration and voting of resolutions, and conducted in-depth investigation. They also attended Board meetings and relevant meetings of the special committees of the Board and meetings of the Senior Management to perform their duties.

13.2 Independent opinions on relevant matters

Lawful operation

During the Reporting Period, operation of the Company was in compliance with laws and regulations, and its decision-making procedures conformed to relevant laws, regulations and the Articles. Directors and Senior Management duly performed their duties. The Board of Supervisors is not aware of any breach of laws, regulations and the Articles or any act detrimental to the interests of the Company by any of the Directors or Senior Management in performing their duties.

Financial reports

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

Opinions on the performance evaluation of Directors and Senior Management of the Company

The results of the performance evaluation of all Directors and members of Senior Management for 2015 were competent.

Internal control

During the Reporting Period, the Company continued to improve internal control and the Board of Supervisors had no objection to the evaluation opinions on internal control of the Company for 2015.

Implementation of resolutions adopted at Shareholders' general meetings

During the Reporting Period, the Board of Supervisors had no objection to the matters submitted to Shareholders' general meetings for review. The Board duly implemented the resolutions approved at the Shareholders' general meetings.

Performance of social responsibilities

During the Reporting Period, the Company duly performed its social responsibilities and the Board of Supervisors had no objection to the report on social responsibilities of the Company for 2015.

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

March 29, 2016

14. Significant Events

14.1 Material Litigation and Arbitration

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

14.2 Major Acquisition and Disposal of Assets and Merger

For details of the acquisition of 100% shares of Nanyang Commercial Bank through Cinda Financial Holdings by the Company, please see "Management Discussion and Analysis" — "Business Overview" in this report.

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

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

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

14.4 Implementation of Share Incentive Plan

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

14.5 Major Contracts and their Implementation

14.5.1 Major Custodies, Underwriting and Leasings

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

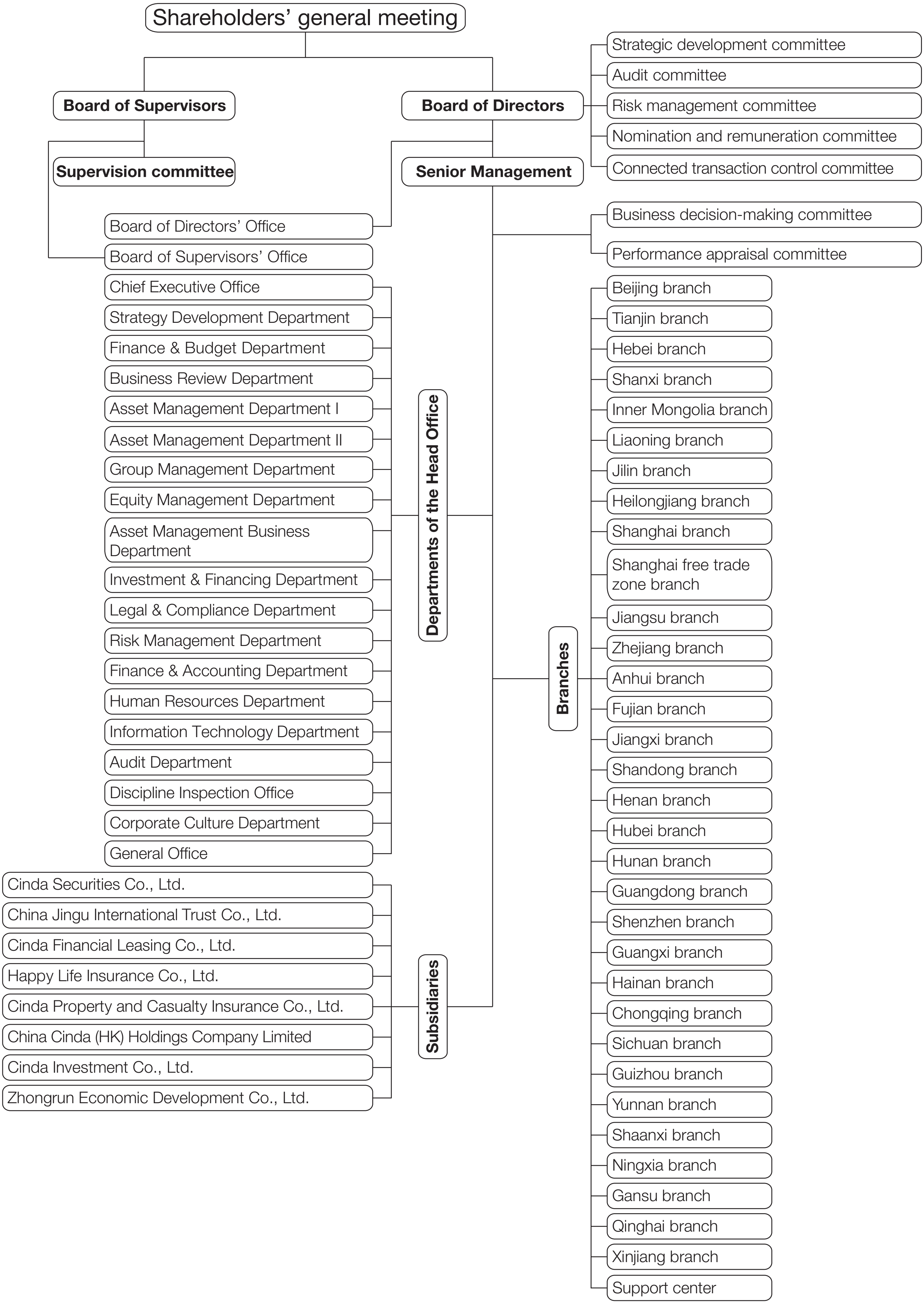
14.5.2 Material Guarantees

Save as the guarantee provided for the issuance of RMB3 billion capital supplement bonds by Happy Life (for details, please refer to the circular of the Company dated October 30, 2015), the Company did not make any material guarantee which is required to be disclosed during the Reporting Period.

14.6 Penalty 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, reprimanded by any stock exchange, as well as punishment by other regulatory authorities with material impact on the operation, or prosecuted for criminal liabilities by the judicial authority.

15. Organizational Chart



16. Audit Report and Financial Statements

INDEPENDENT AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

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

We have audited the consolidated financial statements of China Cinda Asset Management Co., Ltd (the "Company") and its subsidiaries set out on pages 135 to 369, which comprise the consolidated statement of financial position as at December 31, 2015, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board ("IASB") and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with International Standards on Auditing issued by the IASB. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Company and its subsidiaries as at December 31, 2015, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

March 29, 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2015

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended December 31	
	Notes VI	**2015**	2014
Income from distressed debt assets classified as receivables	*1*	**18,883,901**	18,113,566
Fair value changes on distressed debt assets	*2*	**4,420,108**	4,077,498
Fair value changes on other financial instruments	*3*	**1,971,185**	2,180,533
Investment income	*4*	**13,552,229**	9,116,469
Net insurance premiums earned	*5*	**12,912,192**	7,442,985
Interest income	*6*	**13,516,464**	8,810,539
Revenue from sales of inventories	*7*	**7,637,046**	4,340,500
Commission and fee income	*8*	**4,329,509**	3,008,181
Net gains on disposal of subsidiaries and associates	*9*	**262,886**	642,948
Other income and other net gains or losses	*10*	**1,258,619**	2,056,843
Total		**78,744,139**	59,790,062
Interest expense	*11*	**(20,185,316)**	(15,961,121)
Insurance costs	*12*	**(13,766,891)**	(6,865,310)
Employee benefits	*13*	**(5,192,299)**	(4,600,557)
Purchases and changes in inventories	*7*	**(5,587,055)**	(2,824,007)
Commission and fee expense	*14*	**(1,471,848)**	(1,034,318)
Business tax and surcharges		**(2,806,766)**	(1,981,262)
Depreciation and amortization expenses		**(408,287)**	(456,360)
Other expenses		**(3,406,407)**	(2,872,582)
Impairment losses on assets	*15*	**(4,376,544)**	(5,438,067)
Total		**(57,201,413)**	(42,033,584)
Change in net assets attributable to other holders of consolidated structured entities	*39*	**(2,557,001)**	(1,909,945)
Profit before share of results of associates and tax		**18,985,725**	15,846,533
Share of results of associates		**312,175**	460,166
Profit before tax	*16*	**19,297,900**	16,306,699
Income tax expense	*17*	**(4,594,014)**	(4,163,950)
Profit for the year		**14,703,886**	12,142,749
Profit attributable to:			
Equity holders of the Company		**14,027,474**	11,896,243
Non-controlling interests		**676,412**	246,506
		14,703,886	12,142,749
Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)	*18*		
— Basic		**0.39**	0.33
— Diluted		**0.39**	0.33

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2015

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2015	2014
Profit for the year	**14,703,886**	12,142,749
Other comprehensive income/(expense)		
Items to be reclassified subsequently to profit or loss:		
Fair value changes on available-for-sale financial assets		
— fair value changes arising during the year	**411,318**	5,162,379
— amounts reclassified to profit or loss upon disposal	**(3,525,235)**	(964,519)
— amounts reclassified to profit or loss upon impairment	**2,165**	554,379
Income tax effect	**458,982**	(1,010,362)
	(2,652,770)	3,741,877
Share of other comprehensive income/(expense) of associates	**(8,894)**	498
Exchange differences arising on translation of foreign operations	**(69,110)**	11,250
Other comprehensive income/(expense) for the year, net of income tax	**(2,730,774)**	3,753,625
Total comprehensive income for the year	**11,973,112**	15,896,374
Total comprehensive income attributable to:		
Equity holders of the Company	**11,575,022**	15,147,822
Non-controlling interests	**398,090**	748,552
	11,973,112	15,896,374

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2015

(Amounts in thousands of RMB, unless otherwise stated)

		As at December 31	
	Notes VI	**2015**	2014
Assets			
Cash and bank balances	*23*	**58,069,970**	43,891,249
Clearing settlement funds	*24*	**6,567,709**	5,145,163
Deposits with exchanges and financial institutions	*25*	**1,364,230**	918,240
Placements with banks and financial institutions	*26*	**300,000**	3,000,000
Financial assets at fair value through profit or loss	*27*	**117,287,436**	57,220,521
Financial assets held under resale agreements	*28*	**30,982,266**	11,454,214
Available-for-sale financial assets	*29*	**120,604,306**	85,794,554
Financial assets classified as receivables	*30*	**181,058,288**	180,913,089
Loans and advances to customers	*31*	**104,738,490**	80,224,726
Accounts receivable	*32*	**3,434,791**	7,022,083
Held-to-maturity investments	*34*	**6,703,763**	7,042,523
Properties held for sale	*35*	**31,085,307**	29,932,835
Investment properties	*36*	**1,901,785**	1,606,297
Interests in associates	*40*	**13,270,176**	10,079,555
Property and equipment	*42*	**3,918,234**	3,687,619
Goodwill		**392,935**	324,109
Other intangible assets		**190,408**	183,978
Deferred tax assets	*43*	**5,029,152**	3,442,600
Other assets	*44*	**27,075,429**	12,544,062
Total assets		**713,974,675**	544,427,417

CONSOLIDATED STATEMENT OF FINANCIAL POSITION — continued

AS AT DECEMBER 31, 2015

(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	As at December 31 **2015**	2014
Liabilities			
Borrowings from central bank	*45*	**986,058**	986,058
Accounts payable to brokerage clients	*46*	**21,533,181**	11,663,334
Financial liabilities at fair value through profit or loss	*47*	**2,779,923**	37,005
Financial assets sold under repurchase agreements	*48*	**10,949,445**	9,939,649
Placements from banks and financial institutions	*49*	**1,807,000**	11,827,000
Borrowings	*50*	**317,070,650**	263,452,411
Accounts payable	*51*	**4,970,775**	13,891,177
Investment contract liabilities for policyholders	*52*	**20,057,746**	6,251,226
Tax payable	*53*	**2,373,094**	1,742,755
Insurance contract liabilities	*54*	**28,275,174**	25,219,005
Bonds issued	*55*	**111,773,372**	43,694,852
Deferred tax liabilities	*43*	**886,161**	664,465
Other liabilities	*56*	**79,618,167**	53,195,218
Total liabilities		**603,080,746**	442,564,155
Equity			
Share capital	*57*	**36,256,690**	36,256,690
Capital reserve	*58*	**17,666,143**	17,328,518
Investment revaluation reserve	*59*	**1,587,561**	3,970,903
Surplus reserve	*60*	**4,292,386**	3,394,304
General reserve	*61*	**6,739,459**	4,461,263
Retained earnings	*62*	**35,646,222**	28,366,310
Foreign currency translation reserve		**(478,240)**	(409,130)
Equity attributable to equity holders of the Company		**101,710,221**	93,368,858
Non-controlling interests		**9,183,708**	8,494,404
Total equity		**110,893,929**	101,863,262
Total equity and liabilities		**713,974,675**	544,427,417

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

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

CHAIRMAN *PRESIDENT*

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2015

(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	**Year ended December 31** **2015**	2014
OPERATING ACTIVITIES			
Profit before tax		**19,297,900**	16,306,699
Adjustments for:			
Impairment losses on assets		**4,376,544**	5,438,067
Depreciation of property and equipment, and investment properties		**299,426**	343,810
Amortization of intangible assets and other long-term assets		**108,861**	112,550
Share of results of associates		**(312,175)**	(460,166)
Net gains on disposal of property and equipment, and investment properties		**(73,152)**	(319,409)
Net gains on disposal of subsidiaries and associates		**(262,886)**	(642,948)
Fair value changes on financial assets		**188,692**	(1,411,614)
Investment income		**(13,552,229)**	(9,116,469)
Borrowing costs		**9,930,547**	2,709,840
Change in reserves for insurance contracts		**3,424,865**	4,280,446
Operating cash flows before movements in working capital		**23,426,393**	17,240,806
Decrease in bank balances		**(7,749,807)**	(3,571,278)
Increase in financial assets at fair value through profit or loss		**(57,116,731)**	(30,634,969)
Increase/(decrease) in financial assets held under resale agreements		**5,174,312**	(10,603,333)
Increase in financial assets classified as receivables		**(2,663,372)**	(48,437,583)
Increase in loans and advances to customers		**(25,933,824)**	(32,436,806)
Decrease/(increase) in accounts receivable		**(1,301,325)**	1,348,024
Increase in properties held for sale		**(1,152,472)**	(12,177,509)
Decrease in borrowings from the central bank		**–**	(3,926,919)
Decrease in accounts payable to brokerage clients		**9,869,847**	5,182,537
Increase in financial assets sold under repurchase agreements		**1,550,171**	2,315,752
Increase in borrowings		**38,113,061**	82,859,619
Decrease in accounts payable		**790,088**	3,043,022
Increase in other operating assets		**(11,478,009)**	(8,904,511)
Increase in other operating liabilities		**15,298,874**	16,077,076
Cash generated from operations		**(13,172,794)**	(22,626,072)
Income taxes paid		**(4,941,957)**	(4,786,215)
NET CASH USED IN OPERATING ACTIVITIES		**(18,114,751)**	(27,412,287)
INVESTING ACTIVITIES			
Cash receipts from disposals and recovery of investment securities		**93,471,173**	31,649,348
Dividends received from investment securities		**2,099,300**	1,005,502
Dividends received from associates		**240,077**	367,812
Interest received from investment securities		**2,926,729**	1,678,407
Cash receipts from disposals of property and equipment, investment properties and other intangible assets		**263,143**	570,287
Net cash flows from disposals of subsidiaries	*71*	**32,715**	1,199,317
Net cash flows from disposals of associates		**3,627,530**	–
Cash payments to acquire investment securities		**(137,919,617)**	(64,850,754)
Net cash flows from acquisition of subsidiaries		**(90,663)**	–
Net cash flows from consolidated structured entities		**17,058,222**	11,068,707
Cash payments for purchase of property and equipment, investment properties and other assets		**(1,077,136)**	(359,678)
Cash payments for establishment and acquisition of interests in associates		**(4,898,308)**	(3,378,453)
NET CASH USED IN INVESTING ACTIVITIES		**(24,266,835)**	(21,049,505)

CONSOLIDATED STATEMENT OF CASH FLOWS — continued

FOR THE YEAR ENDED DECEMBER 31, 2015

(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	Year ended December 31 2015	2014
FINANCING ACTIVITIES			
Net proceeds from issue of shares		**–**	2,183,740
Capital contribution from non-controlling interests of subsidiaries of the Company		**532,755**	1,105,417
Proceeds from disposal of partial interests in subsidiaries that does not involve loss of control		**430,327**	78,942
Cash payments to acquire additional interests in subsidiaries		**(117,702)**	(6,200)
Cash receipts from borrowings raised		**34,609,608**	23,820,864
Cash receipts from bonds issued		**73,006,308**	30,867,390
Cash receipts from financial assets sold under repurchase agreements		**3,757,354**	3,997,729
Cash repayments on financial assets sold under repurchase agreements		**(4,297,729)**	(5,816,656)
Cash repayments of borrowings		**(17,969,931)**	(17,062,761)
Cash repayment of bonds		**(7,000,000)**	(1,007,068)
Interest expenses on borrowings paid		**(7,721,456)**	(2,140,622)
Dividends paid		**(3,596,648)**	(1,202,804)
Dividends paid to non-controlling interests of subsidiaries		**(155,525)**	(193,387)
Cash payments for transaction cost of bonds issued		**(277,939)**	(132,930)
Other net cash flows from financing activities		**(27,000)**	—
NET CASH FROM FINANCING ACTIVITIES		**71,172,422**	34,491,654
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**28,790,836**	(13,970,138)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**34,476,920**	48,192,046
Effect of foreign exchange changes		**(165,075)**	255,012
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*63*	**63,102,681**	34,476,920
Net cash flows from operating activities include:			
Interest received		**12,178,075**	8,246,753
Interest paid		**12,388,932**	12,535,945

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2015

(Amounts in thousands of RMB, unless otherwise stated)

	Equity attributable to equity holders of the Company									
	Share capital *(Note VI.57)*	**Capital reserve** *(Note VI.58)*	**Investment revaluation reserve** *(Note VI.59)*	**Surplus reserve** *(Note VI.60)*	**General reserve** *(Note VI.61)*	**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 year	–	–	–	–	–	14,027,474	–	14,027,474	676,412	14,703,886
Other comprehensive expense for the year	–	–	(2,383,342)	–	–	–	(69,110)	(2,452,452)	(278,322)	(2,730,774)
Total comprehensive income/ (expense) for the year	–	–	(2,383,342)	–	–	14,027,474	(69,110)	11,575,022	398,090	11,973,112
Capital contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	532,755	532,755
Acquisition of additional interests in subsidiaries	–	(45,297)	–	–	–	–	–	(45,297)	(72,405)	(117,702)
Disposal of partial interests in subsidiaries	–	382,922	–	–	–	–	–	382,922	47,405	430,327
Disposal of interests in subsidiaries	–	–	–	–	–	–	–	–	(34,016)	(34,016)
Appropriation to surplus reserve	–	–	–	898,082	–	(898,082)	–	–	–	–
Appropriation to general reserve	–	–	–	–	2,278,196	(2,278,196)	–	–	–	–
Dividends recognized as distribution	–	–	–	–	–	(3,571,284)	–	(3,571,284)	–	(3,571,284)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(155,525)	(155,525)
Others	–	–	–	–	–	–	–	–	(27,000)	(27,000)
As at December 31, 2015	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY — continued

FOR THE YEAR ENDED DECEMBER 31, 2015

(Amounts in thousands of RMB, unless otherwise stated)

	Equity attributable to equity holders of the Company									
	Share capital *(Note VI.57)*	**Capital reserve** *(Note VI.58)*	**Investment revaluation reserve** *(Note VI.59)*	**Surplus reserve** *(Note VI.60)*	**General reserve** *(Note VI.61)*	**Retained earnings**	**Foreign currency translation reserve**	**Subtotal**	**Non-controlling interests**	**Total**
As at January 1, 2014	35,458,864	15,903,578	730,574	2,483,115	3,866,093	17,976,426	(420,380)	75,998,270	6,763,851	82,762,121
Profit for the year	–	–	–	–	–	11,896,243	–	11,896,243	246,506	12,142,749
Other comprehensive income for the year	–	–	3,240,329	–	–	–	11,250	3,251,579	502,046	3,753,625
Total comprehensive income/(expense) for the year	–	–	3,240,329	–	–	11,896,243	11,250	15,147,822	748,552	15,896,374
Shares issued	797,826	1,385,914	–	–	–	–	–	2,183,740	–	2,183,740
Capital contribution from non-controlling interests	–	–	–	–	–	–	–	–	1,105,417	1,105,417
Acquisition of additional interests in subsidiaries	–	3,117	–	–	–	–	–	3,117	(9,317)	(6,200)
Disposal of partial interests in subsidiaries	–	35,909	–	–	–	–	–	35,909	90,319	126,228
Disposal of interests in subsidiaries	–	–	–	–	–	–	–	–	(11,031)	(11,031)
Appropriation to surplus reserve	–	–	–	911,189	–	(911,189)	–	–	–	–
Appropriation to general reserve	–	–	–	–	595,170	(595,170)	–	–	–	–
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(193,387)	(193,387)
As at December 31, 2014	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

I. CORPORATE AND GROUP INFORMATION

China Cinda Asset Management Co., Ltd. (the "Company") was transformed from China Cinda Asset Management Corporation (the "Former Cinda"), which was a wholly state-owned financial enterprise established in the People's Republic of China (the "PRC") by the Ministry of Finance (the "MOF") on April 19, 1999 as approved by the State Council of the PRC (the "State Council"). On June 29, 2010, China Cinda Asset Management Co., Ltd. was established after the completion of the financial restructuring of the Former Cinda as approved by the State Council. As at December 31, 2015, 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 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

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

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets available for sale, financial assets, 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 preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note V.

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

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In current year, the Group has applied the following revised standards, amendments and interpretations that are effective for the Group's annual period beginning on January 1, 2015.

Amendments to IAS19	Defined Benefit Plans: Employee Contributions
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle

The application of the above revised standards has had no material effect on the amounts reported and disclosures set out in these consolidated financial statements.

In addition, the Group has adopted the amendments to the disclosure requirements in Hong Kong Companies Ordinance (Cap. 622) in current financial year. As a result, there are changes to presentation and disclosures of certain information in the financial statements.

(Amounts in thousands of RMB, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS — continued

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

IFRS 9	Financial Instruments (1)
IFRS 15	Revenue from Contracts with Customers (1)
IFRS 16	Leases (2)
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (3)
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception (3)
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (3)
Amendments to IAS 1	Disclosure Initiative (3)
Amendments to IAS 7	Statement of Cash Flow (4)
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (3)
Amendments to IAS 27	Equity Method in Separate Financial Statements (3)
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle (3)

(1) Effective for annual periods beginning on or after January 1, 2018
(2) Effective for annual periods beginning on or after January 1, 2019
(3) Effective for annual periods beginning on or after January 1, 2016
(4) Effective for annual periods beginning on or after January 1, 2017

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. IFRS 9 was subsequently amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and further amended in 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS — continued

IFRS 9 Financial Instruments — continued

Key requirements of IFRS 9 are described below:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS — continued

IFRS 9 Financial Instruments — continued

- The new general hedge accounting requirements retain the three types of hedge accounting. However, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an economic relationship. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS — continued

IFRS 16 Leases

In January 2016, IFRS 16 was issued sets out the principles for the recognition, measurement, presentation and disclosure of leases. IFRS 16 will supersede the current leasing guidance including IAS 17 Leases and the related Interpretations when it becomes effective.

The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the entity.

Lessee accounting

- IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

- A lessee measures right-of-use assets similarly to other non-financial assets (such as property, plant and equipment) and lease liabilities similarly to other financial liabilities. As a consequence, a lessee recognises depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows applying IAS 7 Statement of Cash Flows.

- Assets and liabilities arising from a lease are initially measured on a present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease.

- IFRS 16 contains disclosure requirements for lessees. Lessees will need to apply judgement in deciding upon the information to disclose to meet the objective of providing a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of the lessee.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS — continued

IFRS 16 Leases — continued

Lessor accounting

- IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to IFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into IFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS — continued

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture — continued

Amendments to IAS 28:

- The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

- A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

- A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

For the application of the above new and revised IFRSs, the directors are either in the process of assessing their impact or of the opinion that they will not have significant impact on the consolidated financial statements.

IV. SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance (Cap. 622).

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

2. Basis of consolidation

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

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

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

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

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

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

2. Basis of consolidation — continued

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

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

When the Group loses control of a subsidiary, it (i) derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognizes the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognizes the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognized as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

3. Business combinations

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

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively.

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

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

4. Goodwill

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

4. Goodwill — continued

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

5. Cash and cash equivalents

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

6. Foreign currency transactions

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

6. Foreign currency transactions — continued

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

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

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

7. Financial instruments

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

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

7. Financial instruments — continued

7.1 Determination of fair value

Fair value is determined in the manner described in note VI.70.

7.2 Effective interest method

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

7.3 Classification, recognition and measurement of financial assets

The Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, available-for-sale financial assets and loans and receivables. Investment securities comprise held-to-maturity investments, available-for-sale financial assets and financial assets classified as receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

7. Financial instruments — continued

7.3 Classification, recognition and measurement of financial assets — continued

Financial assets at fair value through profit or loss ("FVTPL")

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

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling it in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument or a financial guarantee contract.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with changes in fair value arising from remeasurement recognized directly in profit or loss in the period in which they arise. Any interest income arising from financial assets designated as at fair value through profit or loss is also included in fair value changes of such assets.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

7. Financial instruments — continued

7.3 Classification, recognition and measurement of financial assets — continued

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group has the positive intention and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method, less any identified impairment losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include Cash and bank balances, deposits with exchanges and financial institutions, placements with banks and financial institutions, financial assets classified as receivables, loans and advances to customers and accounts receivable.

Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition or impairment is recognized in profit or loss.

Debt securities with fixed or determinable payments but have no quoted price in an active market are classified as receivables.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

7. Financial instruments — continued

7.3 Classification, recognition and measurement of financial assets — continued

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or are not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. The Group designated debt instruments issued by financial institutions as available-for-sale financial assets on initial recognition of those items.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in the investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of the reporting period.

When a debt is swapped into equity interest of an entity during a debt restructuring, the difference between the carrying amount of the debt receivable and the fair value of the equity interest being swapped is recognized in profit or loss for the period.

7.4 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial assets, the estimated future cash flows of the financial assets have been affected.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

7. Financial instruments — continued

7.4 Impairment of financial assets — continued

Objective evidence that a financial asset is impaired includes the following observable events:

(1) significant financial difficulty of the issuer or obligor;

(2) a breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

(3) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(4) it becoming probable that the borrower will enter bankruptcy or other financial reorganizations;

(5) the disappearance of an active market for that financial asset because of financial difficulties of the issuer;

(6) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

— adverse changes in the payment status of borrowers in the portfolio; and

— national or local economic conditions that correlate with defaults on the assets in the portfolio;

(7) significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;

(8) a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;

(9) other objective evidence indicating there is an impairment of a financial asset.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

7. Financial instruments — continued

7.4 Impairment of financial assets — continued

Impairment of financial assets measured at amortized cost

For financial assets carried at amortized cost, an impairment loss is recognized in profit or loss when there is objective evidence that the assets are impaired, and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. For financial assets with variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

When the Group calculates the present value of the estimated future cash flows of a collateralized financial asset whether the collateral will be recovered, the foreclosure and obtaining and selling of collateral costs should been taken into account.

The carrying amount of a financial asset is reduced through the use of an allowance account. Changes in carrying amount of the allowance account are recognized in the profit or loss. When a financial asset is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

Impairment of available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in other comprehensive income and accumulated in the investment revaluation reserve and there is objective evidence that asset is impaired, the cumulative gains or losses previously recognized in other comprehensive income are reclassified to profit or loss in the period in which the impairment takes place.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

7. Financial instruments — continued

7.4 Impairment of financial assets — continued

Impairment of available-for-sale financial assets — continued

Impairment loss on equity investment at fair value is not reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated in the investment revaluation reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment of financial assets measured at cost

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

7.5 Transfer of financial assets

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

7. Financial instruments — continued

7.5 Transfer of financial assets — continued

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

7.6 Classification, recognition and measurement of financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

The criteria for a financial liability to be classified as held for trading or designated as at FVTPL are the same as those for a financial asset to be classified as held for trading or designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized directly in profit or loss in the period in which they arise. The net gain or loss recognized in profit or loss excludes any interest paid on the financial liabilities.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

7. Financial instruments — continued

7.6 Classification, recognition and measurement of financial liabilities — continued

Other financial liabilities

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with gain or loss arising from derecognition or amortization recognized in profit or loss.

7.7 Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

7.8 Derivatives and embedded derivatives

Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value. The resulting gain or loss is recognized in profit or loss.

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss, and treated as a standalone derivative if (i) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and (ii) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative. If the Group is unable to measure the embedded derivative separately either at acquisition or at the end of each reporting period, it designates the entire hybrid instrument as a financial asset or financial liability at fair value through profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

7. Financial instruments — continued

7.9 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when both of the following conditions are satisfied: (i) the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable; and (ii) the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

8. Inventories

Properties under development and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realizable value on an individual basis. Cost comprises the acquisition cost and other costs directly attributable to such properties as well as borrowing costs capitalized in accordance with the Group's accounting policy.

Others

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

9. Interests in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

9. Interests in associates — continued

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, investments in associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of an associate recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss. The requirements of IAS 39 are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

9. Interests in associates — continued

Upon disposal of an associate that results in the Group losing significant influence over that associate, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition of a financial asset in accordance with IAS 39. The difference between the previous carrying amount of the associate attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amount previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it loses significant influence over that associate. When a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

10. Investment properties

Investment properties are initially measured at cost, including any directly attributable expenditure.

Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

Construction costs incurred for investment properties under construction are capitalized as part of the carrying amount of the investment properties under construction.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the property is derecognized.

Investment properties are depreciated or amortized in accordance with the same policies of buildings and land use rights.

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

11. Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

	Depreciation period	Residual value rates	Annual depreciation rates
Buildings	20–50 years	3%–5%	1.90%–4.85%
Machinery and equipment	5–10 years	3%–5%	9.50%–19.40%
Electronic equipment and furniture	3–10 years	3%–5%	9.50%–32.33%
Motor vehicles	5–10 years	3%–5%	9.50%–19.40%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, less any recognized impairment loss and borrowing cost capitalized in accordance with the Group's accounting policy. Such properties are reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

12. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally. Capitalization is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

13. Intangible assets

Intangible assets include trading seat fee and computer software, etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the reporting period, and makes adjustments when necessary.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

13. Intangible assets — continued

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

14. Impairment losses on tangible and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its tangible and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

15. Resale and repurchase agreements

15.1 Financial assets held under resale agreements

Financial assets that have been purchased under agreements with a commitment to resell at a specific future date are not recognized in the consolidated statement of financial position. The cost (including interests) of purchasing such assets is presented under "financial assets held under resale agreements" in the consolidated statement of financial position. The difference between the purchasing price and reselling price is recognized as interest income during the term of the agreement using the effective interest method.

15.2 Financial assets sold under repurchase agreements

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date are not derecognized in the consolidated statement of financial position. The proceeds (including interests) from selling such assets are presented under "financial assets sold under repurchase agreements" in the consolidated statement of financial position. The difference between the selling price and repurchasing price is recognized as interest expense during the term of the agreement using the effective interest method.

16. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency such as action at law, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the provision.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

17. Insurance contracts and significant insurance risk testing

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts held by the Group are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as determined by the Group is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Some insurance contracts contain both an insurance component and a deposit component. The Group should unbundle the insurance component and the deposit component.

The unbundled insurance component is accounted for according to IFRS 4 and the unbundled deposit component is accounted for as investment contract liabilities according to relevant accounting policies. If the insurance component and the deposit component are not distinct and separately measurable, the whole contract is accounted for as an insurance contract.

For contracts issued by the Group which require testing the significance of insurance risk, it will be performed at the initial recognition of such contracts, and based on a group of contracts with similar nature. When performing the insurance risk significance test, the Group makes judgments in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

18. Insurance contracts liabilities

Insurance contract liabilities of the Group include long-term life insurance contract liabilities, unearned premium reserves and claim reserves.

When measuring the long-term life insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of a similar nature as a measurement unit and mainly considers the characteristics of policies, including product type, gender, age, and durations of policies, when determining the measurement unit, etc.

The Group’s short-term insurance contracts, which include non-life and short-term accident and health insurance policies, are grouped into certain measurement units by business line.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

18. Insurance contracts liabilities — continued

Insurance contract liabilities are measured based on reasonable estimates of the amount of payments when the Group fulfills relevant obligations under the insurance contracts, which represents the difference between expected future cash outflows and inflows under such contracts, i.e. the expected future net cash outflows.

- Expected future cash outflows represent cash outflows which are necessary for the Group to fulfill the obligations under the insurance contracts (including benefits attributable to the policyholders), and mainly include:

  (i) Guaranteed benefits under the insurance contracts, including mortality benefits, disability benefits, morbidity benefits, survival benefits, maturity benefits and other benefits guaranteed by the insurance contracts;

  (ii) Non-guaranteed benefits under the insurance contracts which are subject to certain level of discretion by the Group, including policyholder dividends; and

  (iii) Reasonable expenses necessary for policy administration and claims handling, including policy maintenance expenses and claim expenses.

- Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

A reasonable estimate of expected future net cash flows is determined based on information available at the end of each reporting period.

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the statement of profit or loss over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin.

- Risk margin represents provision for the uncertainty associated with the future net cash flows.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

18. Insurance contracts liabilities — continued

- At inception of an insurance contract, any "Day 1" gain is not recognized in the statement of profit or loss , but included in the insurance contract liabilities as a residual margin. However, any "Day 1" loss should be recognized in the statement of profit or loss at inception when it occurs. Any residual margin is amortized over the life of the contracts. The subsequent measurement of residual margin is independent from reasonable estimate of future discounted cash flows and risk margin, and will not be adjusted for future changes in assumptions.

For long-term life insurance contracts, the Group amortizes the residual margin on the basis of the effective sum of insured amount or numbers of insurance contracts during the whole insurance coverage period. For short-term insurance contracts, the Group amortizes the residual margin on a time basis during the whole insurance coverage period and records it in profit or loss.

When measuring insurance contract liabilities, time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short-term insurance contracts which duration is within one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money are determined with reference to information available at the end of each reporting period.

The Group uses information available at the end of each reporting period to derive the following assumptions used for measuring the reserve of long-term life insurance contracts:

- For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on the market interest rate which is in line with the period and risk of liability of cash outflows. For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the portfolios backing the liabilities.

- The Group reasonably estimates the insurance incident occurrence rate, lapse and surrender rate, expenses assumption and policy dividend assumption based on actual experience and expected future development trends.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

18. Insurance contracts liabilities — continued

When measuring insurance contract liabilities, the expected period of future net cash outflows is the entire insurance period. For insurance policies with a guaranteed renewal option, the expected period is extended to the date when the option to renew policy ceases if the probability that the policyholders may execute the option is high and the Group does not have the right to re-price the premium.

Unearned premium reserves

Unearned premium reserves for short-term insurance contracts represent the larger of a) portion of the premiums written net of certain acquisition costs relating to the unexpired terms of coverage and b) estimated future net cash outflows.

At inception of the insurance contracts, unearned premium reserves are measured based on premiums received less relevant acquisition costs. Subsequent to the initial recognition, unearned premium reserves are released on a 1/365 basis according to the insurance coverage period.

The risk margin of the unearned premium reserves is determined by reference to the industry ratio and the Group's experience.

Claim reserves

Claim reserves are provided for insurance claims of short-term insurance contracts and include incurred and reported reserves, Incurred but not reported reserves ("IBNR") and claim expense reserves.

Incurred and reported reserves are measured at amounts not higher than the sum insured of the insurance contracts, using methods such as the case-by-case estimate method or average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

IBNR are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using methods such as the chain ladder method, average claim per case method, expected loss ratio method or Bornhuetter-Ferguson method, based on a reasonable estimate of ultimate claim amounts as well as margins.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

18. Insurance contracts liabilities — continued

Claim reserves — continued

Claim expense reserves are measured based on the best estimates of the future payments for claim expenses.

The risk margin of the claim reserves is determined by reference to the industry ratio and the Group's experience.

Liability adequacy test

The Group assesses the adequacy of insurance contract liabilities using the current estimate of future cash flow with available information at the end of each reporting period. If the insurance contract liabilities re-calculated with the insurance actuarial methods exceed their carrying amounts on the date of the liability adequacy test, an additional provision is made for the respective insurance contract liabilities based on the difference. Otherwise, no adjustment is made for the respective insurance contract liabilities.

Investment contracts

Insurance policies that are not considered insurance contracts under IFRS 4 are classified as investment contracts. These policies do not contain significant insurance risk and are accounted for as follows:

- Premium receipts are recognized not as premium income, but rather as liabilities, presented as investment contract liabilities. For those non-life investment type policies without guaranteed benefits, the related contract liabilities are measured at fair value and the related transaction costs are recognized in the statement of profit or loss. For other investment contracts, the related liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

- Charges including policy administration fees are recognized as other income during the period of service provided.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

18. Insurance contracts liabilities — continued

Universal life contracts

The individual universal life contracts of the Group contain significant insurance risks and are classified as insurance contracts. These policies also contain both insurance components and deposit components. The deposit components are unbundled from these hybrid insurance contracts. The rest of the contracts are accounted for as insurance contracts. Certain group universal life contracts of the Group that do not contain significant insurance risks are classified as investment contracts.

The group universal life contracts and the deposit component unbundled from the above individual universal life insurance contracts are accounted for as follows:

- Premium receipts are recognized not as premium income, but rather as liabilities, presented in investment contract liabilities. These liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

- Fees from surrenders and other service charges are recognized in other income.

Reinsurance

The Group cedes insurance risk in the normal course of business. Reinsurance agreements that transfer significant insurance risk are treated as reinsurance contracts; reinsurance agreements that do not transfer significant insurance risk are treated as financial assets. Reinsurance assets primarily represent balances due from reinsurance companies for ceded insurance liabilities. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured risks and in accordance with the terms of the reinsurance contracts.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when objective evidence exists that the Group may not recover outstanding amounts under the terms of the contract and when the impact on the amounts that the Group will receive from the reinsurer can be measured reliably. The impairment loss is recorded in the statement of profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

18. Insurance contracts liabilities — continued

Reinsurance — continued

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts payable to reinsurers are estimated in a manner consistent with that of the associated reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance unless a legal right and the intention of offset exist. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

19. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and when the revenue can be reliably measured. Specific recognition criteria for different nature of revenue are disclosed below:

19.1 Income from distressed assets

Income from distressed assets is mainly generated from distressed debt assets included in financial assets classified as receivables and financial assets at fair value through profit or loss, equity instruments relating to distressed asset business included in available-for-sale financial assets and assets in satisfaction of debts.

Income from distressed debt assets includes interest income arising on distressed debt assets classified as receivables, 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, both of which are accounted for as fair value changes on distressed debt assets. Any interest income arising from distressed debt assets designated as at fair value through profit or loss is also included in fair value changes of such assets. Income is also generated from the disposal of assets in satisfaction of debts. The accounting policy for interest income arising on distressed debt assets classified as receivable is detailed in note IV.19.5.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

19. Revenue recognition — continued

19.1 Income from distressed assets — continued

Income from equity instruments relating to distressed asset business classified as available-for-sale financial assets includes dividend income and gains or losses from disposal of these instruments and are presented under investment income. The accounting policy for dividend income is detailed in note IV.19.6.

19.2 Fee and commission income

Income from investment contracts

Fees are charged for investment contracts issued by the Group for policy administration, investment management, surrenders or other contract services. The fees may be for fixed amounts or vary with the amounts being managed, and will generally be charged as an adjustment to the policyholder's balance. The fees are recognized as revenue in the period in which they are due unless they relate to services to be provided in future periods which would be deferred and recognized as the service is provided. Initiation and other front-end fees are charged for certain investment contracts recorded at amortized cost and are mainly recognized through an adjustment to the effective yield.

Income from investment contracts is included in commission and fee income.

Other fee and commission income

The income from securities trading brokerage business is recognized as fee and commission income on trade date basis.

The income from securities underwriting services is recognized according to the underwriting agreements as fee and commission income when the securities are allotted.

Funds and asset management fee, future business fee and consultancy and financial advisory fee are recognized on accrual basis when services are provided.

Fee from leasing business is recognized on accrual basis when services are provided.

Fee and commission income from trustee services is recognized on accrual basis and calculated in accordance with the terms of the trust contract.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

19. Revenue recognition — continued

19.3 Premium income

Premium income and reinsurance premium income are recognized when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that related economic benefits will flow to the Group and related income can be reliably measured.

Premiums from long-term life insurance contracts are recognized as revenue when due from the policyholders. Premiums from direct short-term insurance contracts are recognized as revenue based on the amount of total premium stated in the contracts.

Reinsurance premiums are recognized as revenue in accordance with the terms stated in the reinsurance contracts.

19.4 Revenue from sale of goods

Revenue from sale of goods is recognized when (1) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (2) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (3) the amount of revenue can be measured reliably; (4) it is probable that the associated economic benefits will flow to the Group; and (5) the associated costs incurred or to be incurred can be measured reliably.

Specifically, revenue from sale of properties in the ordinary course of business is recognized when the respective properties have been completed and delivered to the buyers. Deposits and installments received from purchasers prior to meeting the above criteria for revenue recognition are included in the consolidated statement of financial position under other liabilities.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

19. Revenue recognition — continued

19.5 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognized within "interest income" and "interest expense" in profit or loss using the effective interest method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

19.6 Dividend income

Dividend income from investments is recognized when the shareholder's rights to receive the payment has been established and is recognized provided that the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group.

19.7 Other income

Property rental income

The property rental income is recognized when the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group, and is recognized on accrued basis.

Property management fee

The property management fee is recognized when the services are provided and it is probable that the associated economic benefits will flow to the Group and relevant income and cost can be measured reliably.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

20. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

20.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

20.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with interests in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

20. Taxation — continued

20.2 Deferred tax — continued

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

21. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

21.1 The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

21. Leasing — continued

21.1 The Group as lessor — continued

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

21.2 The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

21.3 Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, leasehold interests in land (i.e. land use rights) are accounted for as operating leases and amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

22. Fiduciary activities

The Group's fiduciary activities mainly include trust and asset custody services.

The trust service of the Group refers to the business that the Group acts as trustee to undertake investment activity within the agreed period and scope on behalf of the third-party lenders who provide the fund.

The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

23. Employee benefits

In the reporting period in which an employee has rendered services, the Group recognises the employee benefits payable for those services as a liability.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the PRC government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognized in profit or loss for the period in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Annuity Scheme

The employees of the Group participate in Annuity Scheme set up by the Company (the "Annuity Scheme"). The Company made annuity contributions with reference to employees' salaries of last year, and the contributions are expensed in profit or loss when incurred. The Group has no further obligation even if the Annuity Scheme does not have sufficient assets for payment of supplementary retirement benefits to employees.

IV. SIGNIFICANT ACCOUNTING POLICIES — continued

24. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

The following are the critical judgments and key estimation uncertainties that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements and/or in the next financial year.

1. Classification of financial assets

The Group's management needs to make critical judgment in classifying financial assets based on the purpose and nature on the initial recognition date. Due to the differences of the subsequent measurement of financial assets, the classification will affect the financial position and operating results. If the Group sold more than an insignificant amount of held-to-maturity investments before maturity, it is required to reclassify the entire portfolio of held-to-maturity investments as available-for-sale financial assets.

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION — continued

2. Fair value of financial instruments

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate. To the extent practical, models use only observable data. However, areas such as credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

3. Impairment of available-for-sale equity financial instruments

The determination of whether an available-for-sale equity financial instrument is impaired requires significant judgment. In making this judgment, the Group evaluates the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, credit ratings, delinquency rates and counterparty risk.

4. Impairment of held-to-maturity investments

The determination of whether a held-to-maturity financial asset is impaired requires significant judgment. Objective evidence that a financial asset or group of assets is impaired includes a breach of contract, such as a default or delinquency in interest or principal payments or the disappearance of an active market for that financial asset because of significant financial difficulty of the issuer. In making such judgment, the impact of objective evidence for impairment on expected future cash flows of the investment is taken into account.

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION — continued

5. Impairment of loans and advances to customers and financial assets classified as receivables

The Group reviews its loans and advances to customers and financial assets classified as receivables to assess impairment on a periodic basis. In determining whether there are objective evidence of impairment, the Group makes judgments as to whether the estimated future cash flows from loans and advances to customers and financial assets classified as receivables would likely be lower than those stated on the repayment schedule as stipulated in the loan agreements. The Group first makes the assessment on an individual basis to determine allowance for impairment losses. When the decrease may not have been identified individually or the individual loans and advances to customers or financial assets classified as receivables is not significant, management uses estimates based on historical loss experience and industrial experience data on a collective basis to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

6. Measurement method of insurance contract reserve

At the end of each reporting period, the Group needs to make reasonable estimations on the future cash layout for carrying out insurance contract obligations, such estimations are based on current available information obtainable at the end of each reporting period, and determined by taking into account all different circumstances and relevant probability calculation. The Group makes estimations on the assumptions in measurement of the insurance contract reserves, which are determined based on the current information available at the end of each reporting period.

7. Taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION — continued

8. Control on structured entities

The Group's management needs to assess whether the Group has the power over a structured entity and is exposed to significant variable return of a structured entity. If such power and exposure exist, the Group has to consolidate such structured entity. The judgments the Group used in determining whether or not it has control over the structured entities are detailed in note VI.39.

The Group reassess whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control as listed in note IV.2.

VI. EXPLANATORY NOTES

1. Income from distressed assets classified as receivables

The amounts mainly represent interest income arising from distressed debt assets classified as receivables, which include loans acquired from financial institutions and accounts receivable acquired from non-financial institutions (see note VI.30).

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 year (see note VI.27).

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 is included in fair value changes.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

3. Fair value changes on other financial instruments

	Year ended December 31	
	2015	2014
Held-for-trading financial assets	**1,610,736**	1,776,025
Financial assets designated as at fair value through profit or loss	**360,449**	413,491
Financial liabilities designated as at fair value through profit or loss	**–**	(8,983)
Total	**1,971,185**	2,180,533

4. Investment income

	Year ended December 31	
	2015	2014
Net realized gain from disposal of		
— available-for-sale financial assets	**7,855,047**	4,822,711
Interest income from investment securities		
— available-for-sale financial assets	**1,063,613**	865,693
— debt instruments classified as receivables	**1,603,970**	2,011,801
— held-to-maturity financial assets	**307,812**	348,780
Dividend income from		
— available-for-sale financial assets	**2,721,787**	1,067,484
Total	**13,552,229**	9,116,469

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

5. Net insurance premiums earned

	Year ended December 31	
	2015	2014
Gross written premiums	**13,854,170**	11,096,037
Less: Premiums ceded to reinsurers	**1,099,119**	3,488,405
Change of unearned premium reserves	**(157,141)**	164,647
Total	**12,912,192**	7,442,985

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

	Year ended December 31	
	2015	2014
Life insurance	**10,748,440**	7,579,569
Property and casualty insurance	**3,105,730**	3,516,468
Total	**13,854,170**	11,096,037

6. Interest income

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

	Year ended December 31	
	2015	2014
Loans and advances to customers	**10,612,315**	6,191,460
Bank balances	**1,839,062**	1,861,456
Accounts receivable	**234,208**	360,979
Placements with banks and financial institutions	**59,075**	77,713
Financial assets held under resale agreements	**651,541**	236,798
Others	**120,263**	82,133
Total	**13,516,464**	8,810,539

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

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

	Year ended December 31	
	2015	2014
Revenue from sales of inventories	**7,637,046**	4,340,500
Purchases and changes in inventories	**(5,587,055)**	(2,824,007)
Including:		
Revenue from sales of properties held for sale	**7,557,762**	4,194,009
Purchases and changes in properties held for sale	**(5,523,071)**	(2,706,164)
Gross profit from sales of properties	**2,034,691**	1,487,845
Revenue from other trading operations	**79,284**	146,491
Purchase and changes in inventories of other trading operations	**(63,984)**	(117,843)
Gross profit from other trading operations	**15,300**	28,648

8. Commission and fee income

	Year ended December 31	
	2015	2014
Securities and futures brokerage	**3,001,268**	1,207,123
Fund and asset management business	**372,262**	277,714
Consultancy and financial advisory	**335,817**	559,641
Trustee services	**286,860**	553,063
Securities underwriting	**205,942**	323,675
Agency business	**81,189**	66,458
Others	**46,171**	20,507
Total	**4,329,509**	3,008,181

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

9. Net gains on disposal of subsidiaries and associates

	Year ended December 31	
	2015	2014
Net gains on disposal of subsidiaries	**63,574**	642,948
Net gains on disposal of associates	**199,312**	–
Total	**262,886**	642,948

10. Other income and other net gains or losses

	Year ended December 31	
	2015	2014
Revenue from hotel operation	**494,776**	482,266
Rental income	**294,364**	289,607
Revenue from property management business	**215,280**	234,290
Net gains on disposal of investment properties	**79,322**	291,053
Government grant and compensation	**27,314**	30,706
Net gains on disposal of other assets	**3,916**	231,001
Net gains/(losses) on exchange differences	**(103,641)**	244,148
Others	**247,288**	253,772
Total	**1,258,619**	2,056,843

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

11. Interest expense

	Year ended December 31	
	2015	2014
Borrowings from central bank		
— wholly repayable within five years	**–**	(32,500)
Accounts payable to brokerage clients	**(81,636)**	(26,609)
Financial assets sold under repurchase agreements	**(510,113)**	(305,666)
Borrowings		
— wholly repayable within five years	**(15,324,723)**	(13,430,214)
— not wholly repayable within five years	**(88,227)**	(25,827)
Amount due to the MOF	**(163,368)**	(375,831)
Bonds issued	**(3,738,535)**	(1,488,971)
Placements from banks and financial institutions	**(250,250)**	(224,424)
Others	**(28,464)**	(51,079)
Total	**(20,185,316)**	(15,961,121)

12. Insurance costs

	Year ended December 31	
	2015	2014
Reserves for insurance contracts	**(3,582,006)**	(4,115,798)
Interest credited and policyholder dividends	**(1,476,478)**	(481,555)
Refund of reinsurance premiums	**1,375,756**	3,374,357
Other insurance expenses	**(10,084,163)**	(5,642,314)
Total	**(13,766,891)**	(6,865,310)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

13. Employee benefits

	Year ended December 31	
	2015	2014
Wages or salaries, bonuses, allowances and subsidies	**(4,038,761)**	(3,615,122)
Social insurance	**(461,810)**	(437,818)
Annuity scheme	**(221,278)**	(63,499)
Housing funds	**(180,781)**	(168,550)
Labor union and staff education expenses	**(145,519)**	(124,341)
Others	**(144,150)**	(191,227)
Total	**(5,192,299)**	(4,600,557)

14. Commission and fee expense

	Year ended December 31	
	2015	2014
Insurance sales	**(912,190)**	(807,746)
Securities brokerage	**(469,001)**	(150,462)
Others	**(90,657)**	(76,110)
Total	**(1,471,848)**	(1,034,318)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

15. Impairment losses on assets

	Year ended December 31	
	2015	2014
Allowances of impairment losses on assets		
— Distressed debt assets classified as receivables	**(1,627,430)**	(2,744,368)
— Available-for-sale financial assets	**(380,932)**	(1,512,263)
— Loans and advances to customers	**(2,316,061)**	(856,469)
— Properties held for sale	**–**	(82,891)
— Interests in associates	**–**	(60,413)
— Debt securities classified as receivables	**(15,150)**	(60,353)
— Property and equipment	**(3,341)**	(17,261)
— Accounts receivable	**(32,796)**	(5,744)
— Other assets	**(834)**	(98,305)
Total	**(4,376,544)**	(5,438,067)

16. Profit before tax

	Year ended December 31	
	2015	2014
Profit before tax for the year has been arrived at after charging:		
Operating lease expenses	**(298,586)**	(288,262)
Depreciation of property and equipment	**(233,929)**	(255,588)
Depreciation of investment properties	**(65,497)**	(88,222)
Amortization	**(108,861)**	(112,550)

Principal auditors' remuneration for the year ended December 31, 2015 was RMB17.50 million (2014: RMB23.82 million).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

17. Income tax expense

	Year ended December 31	
	2015	2014
Current income tax:		
— PRC Enterprise Income Tax	**(5,403,833)**	(4,272,709)
— PRC Land Appreciation Tax ("LAT")	**(246,784)**	(175,054)
— Hong Kong Profits Tax	**(8,656)**	(6,764)
Overprovision/(Underprovision) in prior years:		
— PRC Enterprise Income Tax	**121,894**	(13,878)
Subtotal	**(5,537,379)**	(4,468,405)
Deferred income tax (Note VI.43)	**943,365**	304,455
Total	**(4,594,014)**	(4,163,950)

The statutory income tax rate applicable to PRC enterprise is 25% for the year (2014: 25%). A subsidiary of the Company set up in the Western Region (as defined in note VI.69.1) of the PRC is taxed at 15% subject to an annual special approval by the tax bureau.

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profit for the year.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

17. Income tax expense — continued

Reconciliation of profit before tax to income tax expense is as follows:

	Year ended December 31	
	2015	2014
Profit before tax	**19,297,900**	16,306,699
Income tax calculated at the tax rate of 25%	**(4,824,476)**	(4,076,675)
Tax effect of expenses not deductible for tax purpose [(1)]	**(94,661)**	(225,227)
Tax effect of income not taxable for tax purpose [(2)]	**712,058**	284,046
Tax effect of share of results of associates	**78,044**	115,042
Effect of tax losses and temporary differences not recognized	**(393,159)**	(213,943)
Effect of utilization of tax losses not previously recognized	**98,242**	63,536
LAT	**(246,784)**	(175,054)
Tax effect of LAT	**61,696**	43,764
Overprovision/(Underprovision) in prior years	**121,894**	(13,878)
Effect of different tax rates of subsidiaries	**(106,868)**	34,439
Income tax expense	**(4,594,014)**	(4,163,950)

(1) Expenses not deductible for tax purpose mainly include employee benefits and entertainment expenses in excess of the tax deduction limits according to the PRC tax regulations.

(2) Income not taxable for tax purpose mainly include interest income on treasury bonds and dividend income.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

18. Earnings per share

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

	Year ended December 31	
	2015	2014
Earnings:		
Profit attributable to equity holders of the Company	**14,027,474**	11,896,243
Number of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	**36,256,690**	36,243,575
Effect of dilutive potential ordinary shares — Over-allotment option (in thousand)	**–**	3,611
Weighted average number of shares in issue for the purpose of diluted earnings per share (in thousand)	**36,256,690**	36,247,186
Basic earnings per share (RMB Yuan)	**0.39**	0.33
Diluted earnings per share (RMB Yuan)	**0.39**	0.33

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

19. Dividends

	Year ended December 31	
	2015	2014
Final dividend for 2014	**3,571,284**	–
Final dividend for 2013	**–**	–
Dividends recognized as distribution during the period	**3,571,284**	–

The resolution on the profit distribution plan for 2014 was duly approved by the shareholders at the Annual General Meeting held on June 29, 2015. In accordance with the plan, the dividend of RMB3,571.28 million was distributed during the year.

The Board of Directors proposed distributing a cash dividend of RMB1.161 per 10 share (tax inclusive) for 2015 to shareholders (2014: RMB0.985 per 10 share), which is subject to the approval at the Annual General Meeting for 2015. The dividend payable is not reflected in liabilities of the consolidated financial statements.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

20. Emoluments of directors and supervisors

	Year ended December 31, 2015				
	Fees	Remuneration	Employer's contribution to pension scheme	Other benefits in kind	Total (before tax)
Executive directors					
HOU Jianhang	–	448	78	234	760
ZANG Jingfan(1)	–	448	75	234	757
XU Zhichao(2)	–	53	6	2	61
Non-executive directors					
XIAO Yuping(3)	–	–	–	–	–
LI Honghui(3)	–	–	–	–	–
SONG Lizhong(3)	–	–	–	–	–
YUAN Hong(3)	–	–	–	–	–
LU Shengliang(3)	–	–	–	–	–
Independent non-executive directors					
LI Xikui	250	–	–	–	250
QIU Dong	250	–	–	–	250
CHANG Tso Tung Stephen	250	–	–	–	250
XU Dingbo	250	–	–	–	250
Supervisors					
GONG Jiande(4)	–	448	74	230	752
CHEN Weizhong(5)	–	–	–	–	–
DONG Juan(6)	–	–	–	–	–
WEI Jianhui(7)	20	–	–	–	20
GONG Hongbin(7)	20	–	–	–	20
LIU Yanfen(8)	167	–	–	–	167
LI Chun(8)	167	–	–	–	167
Total	1,374	1,397	233	700	3,704

VI. EXPLANATORY NOTES — continued

20. Emoluments of directors and supervisors — continued

(1) Zang Jingfan is also the Chief Executive and his emoluments disclosed above include those for services rendered by him as the Chief Executive during the year.

(2) Xu Zhichao ceased to be executive director from January 20, 2015.

(3) These non-executive directors did not receive any fees from the Company.

(4) Gong Jiande was elected as the director of supervisors and shareholder representative supervisor in February 2015.

(5) Chen Weizhong ceased to be the director of supervisors from February 2015 and did not receive any fee from the Company during the year.

(6) Dong Juan did not receive any fee from the Company after June 2014 and ceased to be director from February, 2015.

(7) The amounts only included fees for their services as employee representative supervisors.

(8) Liu Yanfen and Li Chun were elected as external supervisors in February 2015.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

20. Emoluments of directors and supervisors — continued

	Year ended December 31, 2014						
			Discretionary Bonus				
	Fees	Basic Salary	Paid	Deferred	Employer's contribution to pension scheme	Other benefits in kind	Total (before tax)
Executive directors							
HOU Jianhang	–	490	547	547	75	285	1,944
ZANG Jingfan[(1)]	–	441	492	493	71	281	1,778
XU Zhichao	–	431	471	471	69	273	1,715
Non-executive directors							
WANG Shurong[(2)(3)]	–	–	–	–	–	–	–
YIN Boqin[(2)(3)]	–	–	–	–	–	–	–
XIAO Yuping[(2)]	–	–	–	–	–	–	–
LI Honghui[(2)(4)]	–	–	–	–	–	–	–
SONG Lizhong[(2)(4)]	–	–	–	–	–	–	–
YUAN Hong[(2)]	–	–	–	–	–	–	–
LU Shengliang[(2)]	–	–	–	–	–	–	–
Independent non-executive directors							
LI Xikui	250	–	–	–	–	–	250
QIU Dong	250	–	–	–	–	–	250
CHANG Tso Tung Stephen	250	–	–	–	–	–	250
XU Dingbo	250	–	–	–	–	–	250
Supervisors							
CHEN Weizhong	–	441	481	482	70	278	1,752
DONG Juan[(5)]	80	–	–	–	–	–	80
LIU Xianghui[(6)]	–	–	–	–	–	–	–
LIN Jian	10	–	–	–	–	–	10
WEI Jianhui[(8)]	20	–	–	–	–	–	20
GONG Hongbin[(7)(8)]	10	–	–	–	–	–	10
Total	1,120	1,803	1,991	1,993	285	1,117	8,309

VI. EXPLANATORY NOTES — continued

20. Emoluments of directors and supervisors — continued

(1) Zang Jingfan is also the President and his emoluments disclosed above include those for services rendered by him as the Chief Executive during the year.

(2) Non-executive directors do not receive remuneration from the Company.

(3) Wang Shurong and Yin Boqin ceased to be non-executive directors in August 2014.

(4) Li Honghui and Song Lizhong were appointed as non-executive director in August 2014.

(5) Dong Juan did not receive any fee after June 2014.

(6) Liu Xianghui ceased to be external supervisor in June 2014 and did not receive any fee from the Company during the year.

(7) Gong Hongbin was elected as employee representative supervisor in July 2014.

(8) The amounts only included fees for their services as employee representative supervisors.

The total compensation packages for the above executive directors, supervisors and Chief Executive for the year ended December 31, 2015 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed in a separate announcement when determined.

During the year, no emolument was paid by the Group to any of the directors, supervisors, key management personnel or the five highest paid individuals as set out in note VI.21 below as an inducement to join or upon joining the Group or as a compensation for loss of office. None of them waived any emoluments during the year. Bonus was determined based on the performance of individuals by the Group on a discretionary basis.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

21. Key management personnel and five highest paid individuals

(1) Key management personnel

Group

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers. The aggregate compensation paid/payable to key management personnel for employment services, excluding the directors, supervisors and the Chief Executive whose emoluments details have been reflected in note VI.20, is as follows:

	Year ended December 31	
	2015	2014
Emoluments of key management personnel		
Basic Salary	**2,360**	4,136
Discretionary bonus		
— Paid	**1,929**	4,327
— Deferred	**–**	–
Employer's contribution to pension scheme	**688**	659
Other benefits in kind	**2,111**	2,678
Total (before tax)	**7,088**	11,800

The total compensation packages for the above key management personnel for the year ended December 31, 2015 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed in a separate announcement when determined.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

21. Key management personnel and five highest paid individuals — continued

(1) Key management personnel — continued

Group — continued

The number of key management personnel with emoluments within the following bands is as follows:

	Year ended December 31	
	2015	2014
RMB100,001 to RMB500,000	**3**	1
RMB500,001 to RMB1,000,000	**7**	–
RMB1,000,001 to RMB1,500,000	**1**	9
RMB1,500,001 to RMB2,000,000	**–**	1
Total	**11**	11

(2) Five highest paid individuals

The emoluments of the five highest paid individuals whose emoluments were the highest in the Group for the year ended December 31, 2015 were as follows:

	Year ended December 31	
	2015	2014
Remuneration	**11,373**	33,769
Employer's contribution to pension scheme	**463**	155
Other benefits in kind	**1,148**	666
Total	**12,984**	34,590

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

21. Key management personnel and five highest paid individuals — continued

(2) Five highest paid individuals — continued

Among the five highest paid individuals in the Group, none of them was director. The number of these five individuals with emoluments within the following bands is as follows:

	Year ended December 31	
	2015	2014
RMB2,000,001 to RMB4,500,000	**5**	–
RMB4,500,001 to RMB7,000,000	**–**	2
RMB7,000,001 to RMB9,500,000	**–**	3
Total	**5**	5

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

22. Statement of financial position

	Note	As at December 31 **2015**	2014
Assets			
Cash and bank balances	*23*	**9,638,860**	11,521,730
Placements with banks and financial institutions	*26*	**300,000**	2,000,000
Financial assets at fair value through profit or loss	*27*	**84,015,602**	42,837,267
Financial assets held under resale agreements	*28*	**21,909,260**	8,795,500
Available-for-sale financial assets	*29*	**61,697,526**	57,996,590
Financial assets classified as receivables	*30*	**174,862,734**	177,893,099
Accounts receivable	*32*	**1,234,057**	6,053,629
Amounts due from subsidiaries	*33*	**282,735**	876,392
Held-to-maturity investments	*34*	**–**	210,000
Investment properties	*36*	**351,684**	367,723
Interests in subsidiaries	*37*	**25,806,293**	25,502,767
Interests in consolidated structured entities	*39*	**16,297,032**	7,204,057
Interests in associates	*40*	**5,407,813**	3,916,062
Property and equipment	*42*	**1,203,770**	853,913
Other intangible assets		**11,316**	15,609
Deferred tax assets	*43*	**2,946,723**	2,253,176
Other assets	*44*	**6,399,315**	4,954,478
Total assets		**412,364,720**	353,251,992

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

22. Statement of financial position — continued

	Note	As at December 31 **2015**	2014
Liabilities			
Borrowings from central bank	*45*	**986,058**	986,058
Financial liabilities at fair value through profit or loss	*47*	**3,607,386**	431,742
Placement from a bank	*49*	**–**	10,000,000
Borrowings	*50*	**245,839,500**	212,495,000
Accounts payable	*51*	**1,281,877**	10,160,682
Tax payable	*53*	**891,378**	722,159
Bonds issued	*55*	**62,034,492**	30,544,927
Other liabilities	*56*	**9,678,333**	4,250,323
Total liabilities		**324,319,024**	269,590,891
Equity			
Share capital	*57*	**36,256,690**	36,256,690
Capital reserve	*58*	**16,513,787**	16,513,787
Investment revaluation reserve	*59*	**1,548,215**	2,573,161
Surplus reserve	*60*	**4,292,386**	3,394,304
General reserve	*61*	**5,038,659**	3,348,747
Retained earnings	*62*	**24,395,959**	21,574,412
Total equity		**88,045,696**	83,661,101
Total equity and liabilities		**412,364,720**	353,251,992

CHAIRMAN *PRESIDENT*

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

23. Cash and bank balances

Group

	As at December 31	
	2015	2014
Cash	**44,464**	3,319
Bank balances		
— House accounts	**42,706,582**	37,482,898
— Cash held on behalf of clients	**15,318,924**	6,405,032
Total	**58,069,970**	43,891,249
Including:		
Restricted bank balances	**24,934,963**	12,497,491
— Pledged bank deposits	**5,732,272**	2,157,830

Company

	As at December 31	
	2015	2014
Cash	**543**	745
Bank balances		
— House accounts	**9,638,317**	11,520,985
Total	**9,638,860**	11,521,730

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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

24. Clearing settlement funds

Group

	As at December 31	
	2015	2014
Clearing settlement funds held with clearing houses for:		
— House accounts	**729,011**	312,049
— Clients	**5,593,717**	4,659,664
held with commodity and futures exchanges for:		
— Clients	**244,981**	173,450
Total	**6,567,709**	5,145,163
Including:		
Restricted clearing settlement funds	**5,838,698**	4,833,114

As at December 31, 2015 and 2014, the Group's clearing settlement funds were interest bearing at prevailing market interest rates and mainly deposited in the China Securities Depository and Clearing Corporation Limited.

The Company had no balance in clearing settlement funds at the end of 2015 and 2014.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

25. Deposits with exchanges and financial institutions

Group

	As at December 31	
	2015	2014
Shanghai Stock Exchange	**70,141**	31,491
Shenzhen Stock Exchange	**56,921**	20,332
Hong Kong Stock Exchange	**3,102**	2,383
China Securities Finance Corporation Limited	**545,509**	282,474
Shanghai Futures Exchange	**178,290**	126,487
China Financial Futures Exchange	**214,180**	179,958
Hong Kong Futures Exchange	**1,307**	1,339
Dalian Commodity Exchange	**224,598**	210,520
Zhengzhou Commodity Exchange	**56,778**	62,298
Other	**13,404**	958
Total	**1,364,230**	918,240

The Company had no deposits with any exchanges or financial institutions at the end of 2015 and 2014.

26. Placements with banks and financial institutions

Group

	As at December 31	
	2015	2014
Placements with the domestic financial institutions	**300,000**	3,000,000
Total	**300,000**	3,000,000

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

26. Placements with banks and financial institutions — continued

Company

	As at December 31	
	2015	2014
Placements with the domestic financial institutions	**300,000**	2,000,000
Total	**300,000**	2,000,000

The placements with financial institutions as at December 31, 2015 and 2014 were repayable within three months after the end of the reporting period.

27. Financial assets at fair value through profit or loss

Group

	As at December 31	
	2015	2014
Held-for-trading financial assets		
Debt securities		
— Government bonds	**149,604**	38,691
— Public sector and quasi-government bonds	**2,019,729**	932,062
— Corporate bonds	**12,436,013**	6,093,985
	14,605,346	7,064,738
Equity instruments listed or traded on exchanges	**4,508,447**	2,409,893
Mutual funds	**1,941,898**	1,505,083
Derivatives	**252,396**	17,355
Subtotal	**21,308,087**	10,997,069

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

27. Financial assets at fair value through profit or loss — continued

Group — continued

	As at December 31	
	2015	2014
Financial assets designated as at fair value through profit or loss		
Distressed debt assets	**84,620,657**	42,302,037
Financial institution convertible bonds	**–**	698,301
Corporate convertible bonds	**68,023**	46,322
Wealth management products	**5,882,728**	2,521,569
Unlisted equity instruments	**5,407,941**	655,223
Subtotal	**95,979,349**	46,223,452
Total	**117,287,436**	57,220,521
Analyzed as:		
Listed	**19,457,536**	10,915,422
Unlisted	**97,829,900**	46,305,099
Total	**117,287,436**	57,220,521
Including:		
Debt securities analyzed as:		
Listed	**14,605,346**	7,064,738
Total	**14,605,346**	7,064,738
Held-for-trading equity instruments analyzed as:		
Listed	**4,508,447**	2,409,893
Total	**4,508,447**	2,409,893

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

27. Financial assets at fair value through profit or loss — continued

Company

	As at December 31	
	2015	2014
Financial assets designated as at fair value through profit or loss		
Distressed debt assets	**83,264,252**	42,169,392
Investment fund [(1)]	**751,350**	667,875
Total	**84,015,602**	42,837,267
Analysed as:		
Unlisted	**84,015,602**	42,837,267

(1) This represents investment fund issued by a subsidiary of the Company.

28. Financial assets held under resale agreements

Group

	As at December 31	
	2015	2014
By collateral type:		
Bonds	**25,129,105**	10,587,290
Equity instruments	**5,858,349**	868,869
Funds	**–**	1,260
Subtotal	**30,987,454**	11,457,419
Less: Allowance for impairment losses	**5,188**	3,205
Total	**30,982,266**	11,454,214

VI. EXPLANATORY NOTES — continued

28. Financial assets held under resale agreements — continued

Company

	As at December 31	
	2015	2014
By collateral type:		
Bonds	**21,909,260**	8,795,500
Less: Allowance for impairment losses	**–**	–
Total	**21,909,260**	8,795,500

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

29. Available-for-sale financial assets

Group

	Note	As at December 31 **2015**	2014
Debt securities			
— Government bonds		**80,627**	76,889
— Public sector and quasi-government bonds		**4,617,214**	3,956,771
— Financial institution bonds		**1,566,626**	1,639,576
— Corporate bonds		**3,841,953**	5,111,992
Subtotal		**10,106,420**	10,785,228
Equity instruments		**51,886,938**	45,492,029
Debt instruments issued by financial institutions	*(1)*	**3,840,322**	13,002,708
Funds		**30,737,505**	8,646,276
Trust products and rights to trust assets		**10,712,882**	2,870,706
Asset management plans		**8,507,045**	2,608,289
Wealth management products		**1,702,930**	1,238,116
Asset backed securities		**629,974**	605,156
Others		**2,480,290**	546,046
Total		**120,604,306**	85,794,554
Analysed as:			
Listed		**47,129,472**	21,883,599
Unlisted		**73,474,834**	63,910,955
Total		**120,604,306**	85,794,554
Including:			
Debt securities analysed as:			
Listed		**10,106,420**	10,785,228
Total		**10,106,420**	10,785,228
Equity instruments analysed as:			
Listed		**17,401,114**	8,583,294
Unlisted		**34,485,824**	36,908,735
Total		**51,886,938**	45,492,029
Including:			
Equity instruments pledged for borrowings		**–**	480,232

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

29. Available-for-sale financial assets — continued

Company

	Note	As at December 31 **2015**	2014
Debt securities			
— Government bonds		**–**	–
— Public sector and quasi-government bonds		**1,381,299**	–
— Financial institution bonds		**100,809**	–
— Corporate bonds		**–**	–
Subtotal		**1,482,108**	–
Equity instruments		**36,205,523**	40,194,825
Debt instruments issued by financial institutions	*(1)*	**3,840,322**	13,002,708
Funds		**13,210,480**	3,447,658
Trust products and rights to trust assets		**4,752,445**	–
Asset management plans		**1,600,674**	740,697
Asset backed securities		**605,974**	571,156
Others		**–**	39,546
Total		**61,697,526**	57,996,590
Analysed as:			
Listed		**14,114,683**	6,431,019
Unlisted		**47,582,843**	51,565,571
Total		**61,697,526**	57,996,590
Including:			
Equity instruments analysed as:			
Listed		**3,615,889**	6,431,019
Unlisted		**32,589,634**	33,763,806
Total		**36,205,523**	40,194,825

VI. EXPLANATORY NOTES — continued

29. Available-for-sale financial assets — continued

The Company had no available-for-sale financial assets pledged as securities for borrowings at the end of each reporting period.

Included in the balances are amounts of unlisted equity instruments, funds and other financial assets of RMB43,306.08 million and RMB40,207.97 million of the Group and RMB36,844.63 million and RMB36,022.19 million of the Company as at December 31, 2015 and 2014, respectively, that were measured at cost because their fair values cannot be reliably measured.

(1) Debt instruments issued by financial institutions refer to asset portfolios with inter-bank assets as underlying assets.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

30. Financial assets classified as receivables

Group

	As at December 31	
	2015	2014
Distressed debt assets		
— Loans acquired from financial institutions	**37,187,169**	43,586,501
— Accounts receivable acquired from non-financial institutions	**132,292,291**	123,877,825
	169,479,460	167,464,326
Less: Allowance for impairment losses		
— Individually assessed	**1,285,448**	506,533
— Collectively assessed	**5,049,140**	4,848,865
	6,334,588	5,355,398
Subtotal	**163,144,872**	162,108,928
Debt securities		
— Trust products	**3,950,485**	3,687,934
— Certificate treasury bonds	**–**	117,700
— Asset management plans	**3,985,500**	1,806,000
	7,935,985	5,611,634
Less: Allowance for impairment losses		
— Individually assessed	**81,174**	66,024
Subtotal	**7,854,811**	5,545,610
Structured debt arrangements[1]	**10,058,605**	13,258,551
Total	**181,058,288**	180,913,089

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

30. Financial assets classified as receivables

Company

	As at December 31	
	2015	2014
Distressed debt assets		
— Loans acquired from financial institutions	**36,645,821**	43,874,150
— Accounts receivable acquired from non-financial institutions	**134,543,739**	126,192,393
	171,189,560	170,066,543
Less: Allowance for impairment losses		
— Individually assessed	**1,285,448**	506,533
— Collectively assessed	**5,099,983**	4,925,462
	6,385,431	5,431,995
Subtotal	**164,804,129**	164,634,548
Structured debt arrangements[(1)]	**10,058,605**	13,258,551
Total	**174,862,734**	177,893,099

(1) Structured debt arrangements entered into the structured fund arrangements acquired by the Company with banks and other financial corporations, 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)

VI. EXPLANATORY NOTES — continued

30. Financial assets classified as receivables — continued

Movements of allowance for impairment losses during the years are:

Group

	2015		
	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	**(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**

	2014		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	199,899	2,748,380	2,948,279
Impairment losses recognized	723,066	2,100,485	2,823,551
Impairment losses reversed	(18,830)	–	(18,830)
Impairment losses written-off	(269,491)	–	(269,491)
Unwinding of discount on allowance	(62,087)	–	(62,087)
As at December 31	572,557	4,848,865	5,421,422

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

30. Financial assets classified as receivables — continued

Company

	2015 Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	**506,533**	**4,925,462**	**5,431,995**
Impairment losses recognized	**1,442,976**	**174,521**	**1,617,497**
Impairment losses reversed	**(6,780)**	**–**	**(6,780)**
Impairment losses written-off	**(617,950)**	**–**	**(617,950)**
Unwinding of discount on allowance	**(39,331)**	**–**	**(39,331)**
As at December 31	**1,285,448**	**5,099,983**	**6,385,431**

	2014 Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	194,228	2,748,380	2,942,608
Impairment losses recognized	662,713	2,177,082	2,839,795
Impairment losses reversed	(18,830)	–	(18,830)
Impairment losses written-off	(269,491)	–	(269,491)
Unwinding of discount on allowance	(62,087)	–	(62,087)
As at December 31	506,533	4,925,462	5,431,995

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

31. Loans and advances to customers

Group

	As at December 31	
	2015	2014
Loans to customers	**12,496,839**	11,377,369
Loans to margin clients	**8,938,153**	6,939,752
Entrusted loans	**42,811,098**	26,677,414
Finance lease receivables	**44,520,891**	37,020,389
Subtotal	**108,766,981**	82,014,924
Less: Allowance for impairment losses		
— Individually assessed	**1,985,674**	370,761
— Collectively assessed	**2,042,817**	1,419,437
Subtotal	**4,028,491**	1,790,198
Total	**104,738,490**	80,224,726

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

31. Loans and advances to customers — continued

Group — continued

Finance lease receivables are analyzed as follows:

	As at December 31	
	2015	2014
Minimum finance lease receivables:		
Within 1 year (inclusive)	**16,811,324**	13,612,806
1 year to 5 years (inclusive)	**30,851,878**	27,147,131
Over 5 years	**1,570,774**	1,601,500
Gross investment in finance leases	**49,233,976**	42,361,437
Less: Unearned finance income	**4,713,085**	5,341,048
Net investment in finance leases	**44,520,891**	37,020,389
Present value of minimum lease receivables:		
Within 1 year (inclusive)	**14,758,424**	11,432,236
1 year to 5 years (inclusive)	**28,315,288**	24,163,884
Over 5 years	**1,447,179**	1,424,269
Total	**44,520,891**	37,020,389
Including:		
Finance lease receivables pledged for borrowings	**3,529,950**	3,802,861

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

31. Loans and advances to customers — continued

Group — continued

By collateral type

	As at December 31	
	2015	2014
Unsecured	**7,167,411**	5,084,231
Guaranteed	**36,236,303**	24,836,781
Collateralized and other secured loans		
— Mortgaged	**35,498,863**	29,771,363
— Pledged	**29,864,404**	22,322,549
Total	**108,766,981**	82,014,924

The movements of allowance for loans and advances to customers during the years are:

		2015	
	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	**(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)

VI. EXPLANATORY NOTES — continued

31. Loans and advances to customers — continued

Group — continued

	2014		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	172,402	769,354	941,756
Impairment losses recognized	219,126	650,083	869,209
Impairment losses reversed	(12,740)	–	(12,740)
Amounts written off	(8,027)	–	(8,027)
As at December 31	370,761	1,419,437	1,790,198

The Company had no loans and advances to customers at the end of 2015 and 2014.

32. Accounts receivable

Group

	As at December 31	
	2015	2014
Accounts receivable relating to distressed assets[(1)]	**1,320,712**	5,960,966
Accounts receivable from sales of properties	**496,131**	403,672
Insurance premium and reinsurance refund receivables	**1,337,040**	203,296
Due from brokerage clients and securities companies	**190,720**	195,279
Commission and fee receivable	**72,345**	25,658
Others	**177,900**	362,979
Subtotal	**3,594,848**	7,151,850
Less: Allowance for impairment losses	**160,057**	129,767
Total	**3,434,791**	7,022,083

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

32. Accounts receivable — continued

Company

	As at December 31	
	2015	2014
Accounts receivable relating to distressed assets[(1)]	**1,320,712**	5,960,966
Others	**3,238**	172,774
Subtotal	**1,323,950**	6,133,740
Less: Allowance for impairment losses	**89,893**	80,111
Total	**1,234,057**	6,053,629

(1) The major component represented an outstanding amount of RMB963.96 million (December 31, 2014: RMB5,484.23 million) arising from disposals of several equity assets by December 31, 2015. It bears interest from Nil to 6.15% per annum (December 31, 2014: from nil to 6% per annum). The remaining balance will be fully settled no later than November 20, 2017 (December 31, 2014: no later than November 20, 2017).

Ageing analysis of:

Accounts receivable relating to distressed assets

Group and Company

	As at December 31							
	2015				*2014*			
	Gross amount	**%**	**Impairment**	**Carrying amount**	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	**122,364**	**9**	**–**	**122,364**	2,603,983	44	–	2,603,983
1 year to 2 years (inclusive)	**395,727**	**30**	**–**	**395,727**	1,576,784	26	–	1,576,784
2 years to 3 years (inclusive)	**–**	**–**	**–**	**–**	1,402,371	24	–	1,402,371
Over 3 years	**802,621**	**61**	**(89,893)**	**712,728**	377,828	6	(80,111)	297,717
Total	**1,320,712**	**100**	**(89,893)**	**1,230,819**	5,960,966	100	(80,111)	5,880,855

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

32. Accounts receivable — continued

Accounts receivable from sales of properties

Group

	As at December 31							
	2015				*2014*			
	Gross amount	**%**	**Impairment**	**Carrying amount**	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	**396,140**	**79**	**–**	**396,140**	361,616	90	–	361,616
1 year to 2 years (inclusive)	**67,094**	**14**	**(1,116)**	**65,978**	30,415	8	–	30,415
2 years to 3 years (inclusive)	**23,779**	**5**	**(3,703)**	**20,076**	4,877	1	–	4,877
Over 3 years	**9,118**	**2**	**(5,132)**	**3,986**	6,764	1	(6,245)	519
Total	**496,131**	**100**	**(9,951)**	**486,180**	403,672	100	(6,245)	397,427

No ageing analysis is disclosed on items such as accounts receivable from insurance premium and reinsurance refund receivables, amounts due from brokerage clients and securities companies, and commission and fee receivable as they are mostly current and within one year. Other items are considered insignificant. In the opinion of the directors of the Company, ageing 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 loss during the years are:

Group

	Year ended December 31	
	2015	2014
At beginning of the year	**129,767**	125,655
Impairment losses recognized	**48,688**	5,744
Impairment losses reversed	**(15,892)**	–
Amounts written off	**(2,506)**	(1,632)
At end of the year	**160,057**	129,767

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

32. Accounts receivable — continued

Company

	Year ended December 31	
	2015	2014
At beginning of the year	**80,111**	80,111
Impairment losses recognized	**9,782**	–
At end of the year	**89,893**	80,111

33. Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured and repayable on demand. The Company expected to recover a majority portion of the amounts due from subsidiaries within one year from the end of 2015.

34. Held-to-maturity investments

Group

	As at December 31	
	2015	2014
Debt securities		
— Government bonds	**117,700**	–
— Public sector and quasi-government bonds	**4,204,904**	4,244,173
— Financial institution bonds	**1,371,585**	2,011,790
— Corporate bonds	**1,009,574**	786,560
Total	**6,703,763**	7,042,523

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

34. Held-to-maturity investments — continued

Company

	As at December 31	
	2015	2014
Debt securities		
— Financial institution bonds	**–**	210,000

All held-to-maturity investments held by the Group and the Company are traded in interbank market in China which are classified as listed outside Hong Kong. The fair values are disclosed in note VI.70.1 that are derived from quoted market prices.

35. Properties held for sale

Group

	As at December 31	
	2015	2014
Completed properties	**4,358,067**	**3,091,000**
Properties under development	**26,701,244**	**26,811,481**
Others	**25,996**	**30,354**
Total	**31,085,307**	**29,932,835**
Including:		
Pledged for borrowings	**12,286,077**	**10,394,131**

As at December 31, 2015 and 2014, included in the properties held for sale were amounts of RMB15,478 million and RMB17,517 million which represented the carrying amounts of the properties not expected to be completed and sold within twelve months from the end of each reporting period.

The Company had no properties held for sale at the end of 2015 and 2014.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

36. Investment properties

Group

	Year ended December 31	
	2015	2014
Cost		
At beginning of the year	**2,280,030**	2,570,793
Acquisition of subsidiaries	**492,765**	–
Additions during the year	**6,004**	25,796
Transfer-in	**13,168**	17,602
Disposals	**(210,671)**	(334,161)
Disposal of subsidiaries	**(9,538)**	–
At end of the year	**2,571,758**	2,280,030
Accumulated depreciation		
At beginning of the year	**(672,498)**	(695,546)
Charge for the year	**(65,497)**	(88,222)
Transfer-in	**(2,459)**	(3,600)
Disposals	**70,800**	114,870
Disposals of subsidiaries	**916**	–
At end of the year	**(668,738)**	(672,498)
Allowance for impairment losses		
At beginning of the year	**(1,235)**	(17,277)
Disposals	**–**	16,042
At end of the year	**(1,235)**	(1,235)
Net book value		
At beginning of the year	**1,606,297**	1,857,970
At end of the year	**1,901,785**	1,606,297
Net book value of investment properties pledged for borrowings	**1,507,658**	445,713

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

36. Investment properties — continued

Group — continued

The net book value of investment properties is analyzed based on the remaining terms of the leases as follows:

	As at December 31	
	2015	2014
The net book value:		
— on long-term lease (over 50 years)	**3,028**	638,651
— on medium-term lease (10 to 50 years)	**1,873,817**	940,648
— on short-term lease (less than 10 years)	**24,940**	26,998
Total	**1,901,785**	1,606,297

As at December 31, 2015 and 2014, the Group's investment properties which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB4.77 million and RMB31.42 million, respectively.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

36. Investment properties — continued

Company

	Year ended December 31	
	2015	2014
Cost		
At beginning of the year	**438,758**	429,667
Addition	**–**	9,091
At end of the year	**438,758**	438,758
Accumulated depreciation		
At beginning of the year	**(71,035)**	(55,097)
Charge for the year	**(16,039)**	(15,938)
At end of the year	**(87,074)**	(71,035)
Net book value		
At beginning of the year	**367,723**	374,570
At end of the year	**351,684**	367,723

The net book value of investment properties is analyzed based on the remaining terms of the leases as follows:

	As at December 31	
	2015	2014
The net book value:		
— on medium-term lease (10 to 50 years)	**351,684**	367,723

The directors of the Company are of the opinion that the fair value of the investment properties of the Group and of the Company are not significantly different from their net book value as at the end of each reporting period.

VI. EXPLANATORY NOTES — continued

37. Interests in subsidiaries

Company

	As at December 31	
	2015	2014
At cost	**25,806,293**	25,502,767
Allowance for impairment losses	**–**	–
Net carrying amounts	**25,806,293**	25,502,767

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

37. Interests in subsidiaries — continued

Company — continued

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2015 (In '000)	Proportion of ownership held by the Group As at December 31 2015 %[1]	2014 %[1]	Proportion of voting rights held by the Group As at December 31 2015 %[1]	2014 %[1]	Principal activities
CINDA Securities Co., Ltd.*	Beijing, PRC	September 4, 2007	RMB2,568,700	**99.33**	99.33	**99.33**	99.33	Securities brokerage
China Cinda (HK) Holdings Co., Ltd.*	Hong Kong, PRC	December 16, 1998	HKD1,686,000	**100.00**	100.00	**100.00**	100.00	Investment holding
Happy Life Insurance Co., Ltd.*[2]	Beijing, PRC	November 5, 2007	RMB5,630,376	**51.00**	51.00	**51.00**	51.00	Life insurance
CINDA Investment Co., Ltd.*	Beijing, PRC	August 1, 2000	RMB2,000,000	**100.00**	100.00	**100.00**	100.00	Business investment
Zhongrun Economic Development Co., Ltd.*	Beijing, PRC	April 2, 1996	RMB30,000	**100.00**	100.00	**100.00**	100.00	Investment management
China Jingu International Trust Co., Ltd.*	Beijing, PRC	April 21, 1993	RMB2,200,000	**92.29**	92.29	**92.29**	92.29	Trust service
CINDA Property and Casualty Insurance Co., Ltd.*	Beijing, PRC	August 31, 2009	RMB3,000,000	**51.00**	51.00	**51.00**	51.00	Property and casualty insurance
CINDA Financial Leasing Co., Ltd.*	Lanzhou, PRC	December 28, 1996	RMB3,505,249	**99.91**	99.91	**99.91**	99.91	Financial leasing
First State CINDA Fund Management Co., Ltd.[3]	Shenzhen, PRC	June 5, 2006	RMB100,000	**53.64**	54.00	**54.00**	54.00	Fund management
Well Kent International Group Co., Ltd.	Hong Kong, PRC	May 27, 1993	HKD10	**100.00**	100.00	**100.00**	100.00	Investment holding
CINDA Real Estate Co., Ltd.[I]	Beijing, PRC	December 23, 2008	RMB1,524,260	**52.96**	57.12	**52.96**	57.12	Real estate development
Hainan Jianxin Investment Management Co., Ltd.	Haikou, PRC	October 10, 2010	RMB112,500	**100.00**	100.00	**100.00**	100.00	Investment holding
Sanya Horizon Industry Co., Ltd.	Sanya, PRC	December 19, 1992	RMB60,000	**51.00**	51.00	**51.00**	51.00	Real estate development
Shanghai Tongda Venture Capital Co., Ltd.[I][4]	Shanghai, PRC	July 27, 1991	RMB139,144	**41.02**	41.02	**41.02**	41.02	Real estate development
Shenzhen Jianxin Investment Development Co., Ltd.	Shenzhen, PRC	April 21, 1993	RMB100,000	**100.00**	100.00	**100.00**	100.00	Investment holding
Hebei CINDA Jinjian Investment Co., Ltd.	Langfang, PRC	November 24, 1998	RMB76,000	**100.00**	100.00	**100.00**	100.00	Real estate development
Yantai Jingdu Property Management Co., Ltd.	Yantai, PRC	April 28, 2004	RMB1,000	**70.59**	71.71	**80.00**	80.00	Property management
CINDA (China) Investment Co., Ltd.	Hong Kong, PRC	March 24, 1994	HKD10	**100.00**	100.00	**100.00**	100.00	Investment holding
China CINDA Fund Management Co., Ltd.	Hong Kong, PRC	June 23, 1999	HKD10	**100.00**	100.00	**100.00**	100.00	Fund management
China CINDA (HK) Investment Management Co., Ltd.	Hong Kong, PRC	November 22, 2006	HKD10	**100.00**	100.00	**100.00**	100.00	Investment holding
Sinoday Limited	The British Virgin Islands	July 3, 2007	USD50	**100.00**	100.00	**100.00**	100.00	Investment holding
Cinda International Holdings Limited[II]	Hong Kong, PRC	December 31, 2008	HKD64,121	**63.00**	63.00	**63.00**	63.00	Investment holding
China CINDA (HK) Asset Management Co., Ltd.	Hong Kong, PRC	April 21, 1999	HKD10	**100.00**	100.00	**100.00**	100.00	Asset management
China CINDA (Macau) Asset Management Co., Ltd.	Macao, PRC	May 28, 1999	MOP100	**100.00**	100.00	**100.00**	100.00	Asset management

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

37. Interests in subsidiaries — continued

Company — continued

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2015 (In '000)	Proportion of ownership held by the Group As at December 31 2015 %(1)	2014 %(1)	Proportion of voting rights held by the Group As at December 31 2015 %(1)	2014 %(1)	Principal activities
Beijing Yintai Property Management Co., Ltd.	Beijing, PRC	September 24, 1998	RMB10,000	**100.00**	100.00	**100.00**	100.00	Property management
CINDA Futures Co., Ltd.	Hangzhou, PRC	December 21, 2007	RMB500,000	**100.00**	99.33	**100.00**	99.33	Futures and brokerage
CINDA Jianrun Real Estate Co., Ltd.	Beijing, PRC	December 28, 2007	RMB200,000	**70.00**	70.00	**70.00**	70.00	Real estate development
Henan Jinboda Investment Co., Ltd.	Zhengzhou, PRC	November 28,2013	RMB100,000	**100.00**	100.00	**100.00**	100.00	Property leasing
CINDA Capital Management Co., Ltd.	Tianjin, PRC	December 9, 2009	RMB100,000	**100.00**	100.00	**100.00**	100.00	Investment holding
Wuhan Oriental Jianguo Hotel Co., Ltd.	Wuhan, PRC	June 9, 2009	RMB282,000	**90.25**	90.25	**90.25**	90.25	Hotel management
Dalian CINDA Zhonglian Investment Co., Ltd.	Dalian, PRC	March 3, 2010	RMB61,110	**55.00**	55.00	**55.00**	55.00	Project investment
CINDA Equity Investment (Tianjin) Co., Ltd.(5)	Tianjin, PRC	December 29, 2011	RMB790,000	**49.15**	49.15	**49.15**	49.15	Private fund
Xinfeng Investment Management Co., Ltd.	Beijing, PRC	April 9, 2012	RMB200,000	**100.00**	99.33	**100.00**	100.00	Investment management
CINDA Innovation Investment Co., Ltd.	Beijing, PRC	August 20, 2013	RMB100,000	**100.00**	99.33	**100.00**	100.00	Investment management
Cinda Financial Holdings Co., Limited(III)	Hong Kong, PRC	August 11, 2015	USD1	**100.00**	–	**100.00**	–	Investment holding
Beijing Cinda Shiyuxin Investment Management Co., Ltd.(III)	Beijing, PRC	May 11, 2015	RMB10,000	**100.00**	–	**100.00**	–	Asset management
Sino-Rock Investment Management company Limited(IV)	Hong Kong, PRC	June 4 1992	HKD200,000	**48.20**	55.20	**48.20**	55.20	Investment holding
Jianxin Jinyuan (Xiamen) Equity Investment Co., Ltd.(IV)	Xiamen, PRC	February 24, 2012	RMB50,000	**35.00**	100.00	**35.00**	100.00	Investment management
Jilin Cinda Construction Investment Co., Ltd.(IV)	Changchun, PRC	September 1, 2014	RMB50,000	**–**	100.00	**–**	100.00	Project investment
Shanghai Tonghao International Commercial Co., Ltd.(IV)	Shanghai, PRC	March 12, 2014	RMB10	**–**	100.00	**–**	100.00	International trade

VI. EXPLANATORY NOTES — continued

37. Interests in subsidiaries — continued

Company — continued

The above table lists the principal subsidiaries of the Company. To give details of other subsidiaries would, in the opinion of the management, result in particulars of excessive length.

* These subsidiaries are directly held by the Company.

(I) The shares of these subsidiaries are listed in mainland China.

(II) The shares of these subsidiaries are listed in Hong Kong.

(IIl) These subsidiaries were registered and commenced business in 2015.

(iv) These subsidiaries were disposed of in 2015.

(1) The percentage of voting rights is combined by direct holding percentage and indirect controlling percentage of the subsidiary companies. The percentage of ownership is the multiple of holding percentages of different control level.

(2) In 2015, the Company and third party shareholders made an additional capital injection to this subsidiary. The Company subscribed additional capital of RMB221 million in total. After the capital injection, the authorized capital of this subsidiary increased from RMB5,341 million to RMB5,630 million.

(3) As approved by the China Securities Regulatory Commission (“CSRC”) (CSRC[2015]339) and the board of First State Cinda Fund Management Co., Ltd. (“First State”), the Company transferred its 54% stake in First State to Cinda Securities Co. Ltd. (“Cinda Securities”). The authorized capital of First State remained unchanged. The shareholders and their proportion of ownership in First State are: Cinda securities holding 54%, Colonial First State Group Ltd. holding 46%.

(4) The shareholding percentage of other shareholders is widely dispersed and no other shareholders hold more than 10% shares of Shanghai Tongda. So the Group can direct Shanghai Tongda’s relevant activities, and it is therefore accounted for as a subsidiary of the Company.

(5) The Group’s shareholding in Cinda Equity Investment (Tianjin) Co., Ltd. (Cinda Equity) is less than 50%. According to the corporate charter, the key persons in the Investment Committee, which is the operating decision-making institution of Cinda Equity, are all from the Group. So the Group can direct Cinda Equity’s relevant activities, and it is therefore accounted for as subsidiary of the Company.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

38. Non-controlling interests in the subsidiaries of the Group

The only subsidiary that has significant non-controlling interests to the Group is Cinda Real Estate Co., Ltd.

General information about this subsidiary has been set out in note VI.37. Summarized financial information about the subsidiary before intra-group eliminations, is as follows:

	Year ended December 31	
	2015	2014
Current assets	**47,666,505**	35,497,983
Non-current assets	**4,517,621**	2,216,187
Current liabilities	**24,344,807**	16,395,253
Non-current liabilities	**19,094,684**	13,088,055
Total equity	**8,744,635**	8,230,862
Non-controlling interests of the subsidiary	**4,272,249**	3,780,913

	Year ended December 31	
	2015	2014
Total revenue	**8,135,593**	4,850,494
Profit before tax	**1,062,187**	1,031,489
Total comprehensive income	**844,835**	755,705
Profit attributable to non-controlling interests of the subsidiary during the year	**357,188**	322,592
Dividend distribution to non-controlling interests	**92,401**	57,642

	Year ended December 31	
	2015	2014
Net cash flow used in operating activities	**(4,345,542)**	(5,832,061)
Net cash flow used in/from investing activities	**(2,305,842)**	114,717
Net cash flow from financing activities	**10,069,392**	5,194,251
Net increase/(decrease) in cash and cash equivalents	**3,418,008**	(523,093)

VI. EXPLANATORY NOTES — continued

39. 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. To determine whether control exists, the Group uses the following judgments:

(1) For the private equity funds, trusts, asset management plans, wealth management products and mutual funds, for which the Group provides financial guarantees, the Group has obligation to fund the losses beyond its investments, if any, in accordance with the guarantee agreements. The Group then concludes that its exposure to variability of returns is of such significance that these structured entities shall be consolidated.

(2) For the private equity funds where the Group involves as both general partner and limited partner, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the funds that is of such significance that it indicates that the fund manager is a principal. The funds shall be consolidated if the Group acts in the role of principal.

(3) For the trusts, asset management plans, wealth management products and mutual funds where the Group involves as manager or trustee and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of such trusts, asset management plans, wealth management products and mutual funds that is of such significance that it indicates that the Group is a principal. The trusts, asset management plans, wealth management products and mutual funds shall be consolidated if the Group acts in the role of principal.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

39. Interests in consolidated structured entities — continued

Details of the Group's significant consolidated structured entities are as follows:

Name of structured entity	Paid-in capital/ size of trust plan as at December 31, 2015 (In RMB'000)	Proportion of interests held by the Group As at December 31 2015	2014	Principal activities
Ningbo Chunhong Investment Management Partnership II (Limited Partnership)	4,088,800	**3.36**	3.38	Investment management
Shanghai Dongsheng Investment Management Partnership (Limited Partnership)	7,201,000	**16.89**	100.00	Investment management
Ningbo Datai Investment Partnership (Limited Partnership)	10,135,000	**20.62**	18.36	Investment management
Ningbo Juxin Tongda Investment Management Partnership (Limited Partnership)	5,526,000	**2.46**	2.73	Investment management
Ningbo Guoshou Cinda Investment Partnership (Limited Partnership)	2,125,000	**64.70**	–	Investment management
Ningbo Baonengxin Investment Partnership (Limited Partnership)	2,801,000	**100.00**	–	Investment management
Ningbo Juxin Xizhao Investment Management Partnership (Limited Partnership)	3,100,000	**50.00**	–	Investment management
Ningbo Huajian Dingsheng Equity Investment Partnership (Limited Partnership)	1,101,000	**54.50**	–	Investment management
Ningbo Shoutai Hongxin Investment Partnership (Limited Partnership)	3,001,000	**53.32**	–	Investment management
Cinda Sinorock Global Portfolio Limited Partnership II	2,790,712	**53.93**	–	Investment management
Cinda Sino-Rock Investment (Cayman) Limited Partnership	6,514,002	**93.71**	–	Investment management
Cinda Security-Fangzheng Assets Management Plan [2014] No.[053]	3,000,000	**100.00**	100.00	Asset management plan
Cinda Security-Fangzheng Assets Management Plan [2015] No.[089]	2,198,568	**100.00**	–	Asset management plan
Beijing Xinghuo Single Capital Trust [2014] No.[009]	3,127,052	**100.00**	100.00	Trust
Jingu-Fangzheng II Single Capital Trust	2,900,000	**100.00**	–	Trust

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 December 31, 2015 and 2014, and results and cash flows for the years ended December 31, 2015 and 2014, though consolidated, are not significant and therefore not disclosed separately.

Interests in all consolidated structured entities directly held by the Company amounted to RMB16,297.03 million and RMB7,204.06 million, at December 31, 2015 and 2014, respectively.

Interests held by other interest holders are presented as changes in net assets attributable to other holders of consolidated structured entities in the consolidated statement of profit or loss and included in other liabilities in the consolidated statement of financial position as set out in note VI.56.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

40. Interests in associates

Group

	As at December 31	
	2015	2014
Carrying amount of investments	**13,330,589**	10,139,968
Allowance for impairment losses	**(60,413)**	(60,413)
Net carrying amounts	**13,270,176**	10,079,555

Company

	As at December 31	
	2015	2014
Carrying amount of investments	**5,407,813**	3,916,062
Allowance for impairment losses	**–**	–
Net carrying amounts	**5,407,813**	3,916,062

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

40. Interests in associates — continued

Name of entity	Place of incorporation/ establishment principal activities	Authorized/ paid-in capital as at December 31, 2015	Book Value 2015	Book Value 2014	Proportion of equity interests held by the Group As at December 31 2015	2014	Proportion of voting power held by the Group As at December 31 2015	2014	Principal activities
		(In '000)	**(In '000)**	(In '000)	**%**	%	**%**	%	
Qinghai Salt Lake Industry Co., Ltd.(1)	Ge'ermu, PRC	RMB1,857,394	**3,252,935**	3,181,993	**6.23**	7.27	**6.23**	7.27	Material products
Silver Grant International Industries Limited(2)	Hong Kong, PRC	HKD800,000	**871,713**	854,061	**19.54**	19.54	**19.54**	19.54	Asset management
Sino-Rock Investment Management Company Limited(3)	Hong Kong, PRC	HKD200,000	**277,594**	–	**48.20**	55.20	**48.20**	55.20	Investment Management
Liaoning Hongyang Energy Resource Invest Co., Ltd(4)	Shenyang, PRC	RMB976,000	**976,026**	–	**10.83**	–	**10.83**	–	Oil Camellia development
Shenzhen Jianheheng Investment Co., Ltd.	Shenzhen, PRC	RMB944,000	**239,008**	283,170	**40.00**	40.00	**40.00**	40.00	Investment holding
Ningbo Shanshan Hongfa Real Estate Co., Ltd.	Ningbo, PRC	RMB50,000	**80,492**	80,316	**45.00**	45.00	**45.00**	45.00	Real estate development
Hainan Jincui Real Estate Co., Ltd.	Haikou, PRC	RMB169,380	**122,752**	232,536	**35.00**	35.00	**35.00**	35.00	Real estate development
Huzhou Xinhua Real Estate Co., Ltd.	Huzhou, PRC	RMB100,000	**52,163**	45,889	**30.00**	30.00	**30.00**	30.00	Real estate development
Jiaxing Jingfang Real Estate Co., Ltd.	Jiaxing, PRC	RMB60,000	**66,069**	74,754	**49.00**	49.00	**49.00**	49.00	Real estate development
Shaoxing Yincheng Development and Construction Co., Ltd.	Shaoxing, PRC	RMB100,000	**24,450**	26,138	**35.00**	35.00	**35.00**	35.00	Real estate development
Shanghai Wangrong Real Estate Co., Ltd.	Shanghai, PRC	RMB300,000	**284,940**	216,832	**40.00**	40.00	**40.00**	40.00	Real estate development
Shenzhen ZhongLong Xinhe Investment Co., Ltd.	Shenzhen, PRC	RMB50,000	**–**	21,782	**49.00**	49.00	**49.00**	49.00	Real estate development
Cinda Zhongyin (Anhui) Investment Ltd.	Wuhu, PRC	RMB1,307,070	**627,740**	–	**48.03**	–	**48.03**	–	Investment holding

The above table lists the principal associates of the Group. To give details of other associates would, in the opinion of the management, result in particulars of excessive length. The directors consider the associates' results and net assets are insignificant to the Group individually and therefore do not disclose them separately.

(1) As at December 31, 2015, the Group holds 6.23% of interests in Qinghai Salt Lake Industry Co., Ltd. ("Qinghai Yanhu"), a decreased from 7.27% at the end of 2014 as a result of private stock placement in 2015. According to Qinghai Yanhu's articles of association, the board of directors is its daily financial and operating decision-making body. The Group can exercise significant influence on the financial and operating policy decision of Qinghai Yanhu by nominating a director to its board of directors. The Group accounts for this investment by equity method as an associate.

(2) The Group has nominated 2 directors out of a total of 6 directors on the board and can exercise significant influence on the financial and operating policy decision of this company. The Group accounts for this investment by equity method as an associate.

(3) On October 27, 2015, two strategic investors injected additional capital into Sino-Rock Investment Management Co., Ltd. ("Sino-Rock"), realizing a dilution of stake held by China China Cinda (HK) Holdings Co., Ltd ("Cinda (HK)") from 55.2% to 48.2%. Cinda (HK) remains significant influence on Sino-Rock which is accounted for as an associate by using equity method.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

40. Interests in associates — continued

(4) On November 17, 2015, the Company acquired 145.24 million shares of Liaoning Hongyang Energy Resource Invest Co., Ltd. ("Hongyang Energy") by exchanges of assets, and held 13.29% of interests. Since Hongyang Energy have completed non-public offering of stocks in December 2015, the share held by the Company has decreased from 13.29% to 10.83%. However, the Company is still the second largest shareholder and has the right to accredit director. Therefore, the Group has significant influence on Hongyang Energy which is accounted for as an associate by using equity method.

41. Interests in the unconsolidated structured entities

The Group is principally involved with structured entities through financial investments. These structured entities generally purchase assets through financing. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them. Whether control exists is determined by the manner described in note VI 39. The unconsolidated structured entities include private equity funds, trust products, asset management plans and mutual funds, etc. The interests held by the Group in the unconsolidated structured entities are set out as below.

As at December 31, 2015, the maximum exposure to loss and the book value of relevant investments of the Group rising from the interests held in directly invested structured entities that are sponsored by the Group or the third party financial institutions are set out as below:

	December 31, 2015		December 31, 2014	
	Carrying amount	**Maximum exposure to loss**	Carrying amount	Maximum exposure to loss
Financial assets at fair value through profit or loss	**7,643,601**	**7,643,601**	2,923,269	2,923,269
Financial assets classified as receivables	**7,334,300**	**7,334,300**	4,154,933	4,154,933
Available-for-sale financial assets	**29,622,327**	**29,622,327**	12,335,782	12,335,782
Interests in associates	**1,091,352**	**1,091,352**	680,764	680,764

In 2015, the Group obtained management fee, commission and performance fee amounting to RMB587.59 million (In 2014: RMB691.88 million) from unconsolidated structured entities sponsored by the Group, in which the Group held no interest as at the year end.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

42. Property and equipment

Group

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2015	3,600,337	237,738	616,310	331,901	555,790	5,342,076
Additions	293	26,490	102,443	15,214	373,721	518,161
Disposal of subsidiaries	–	(5)	(493)	–	–	(498)
Disposals	(12,009)	(3,251)	(52,186)	(12,259)	–	(79,705)
Transfer	555	1,232	1,247	–	(3,034)	–
Transfer in/(out)	3,534	–	–	–	(10,308)	(6,774)
As at December 31, 2015	3,592,710	262,204	667,321	334,856	916,169	5,773,260
Accumulated depreciation						
As at January 1, 2015	(851,716)	(114,544)	(447,260)	(203,387)	–	(1,616,907)
Charge for the year	(97,975)	(40,948)	(61,805)	(33,201)	–	(233,929)
Disposal of subsidiaries	–	4	255	–	–	259
Disposals	4,486	2,593	27,089	5,759	–	39,927
Transfer in	(3,511)	–	–	–	–	(3,511)
As at December 31, 2015	(948,716)	(152,895)	(481,721)	(230,829)	–	(1,814,161)
Allowance for impairment losses						
As at January 1, 2015	(19,809)	(17,277)	–	(464)	–	(37,550)
Provided for the year	(2,857)	–	–	–	(484)	(3,341)
Disposals	26	–	–	–	–	26
As at December 31, 2015	(22,640)	(17,277)	–	(464)	(484)	(40,865)
Net book value						
As at January 1, 2015	2,728,812	105,917	169,050	128,050	555,790	3,687,619
As at December 31, 2015	2,621,354	92,032	185,600	103,563	915,685	3,918,234
Including:						
Net book value of assets pledged as at December 31, 2015	335,475	–	–	–	–	335,475

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

42. Property and equipment — continued

Group — continued

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2014	3,696,987	226,669	591,205	328,413	241,047	5,084,321
Additions	12,095	22,081	52,120	18,165	341,416	445,877
Disposal of subsidiaries	(88,529)	(15,763)	(3,596)	(4,572)	–	(112,460)
Disposals	(12,288)	(1,929)	(25,104)	(10,105)	–	(49,426)
Transfer	7,736	6,680	1,685	–	(16,101)	–
Transfer-out	(15,664)	–	–	–	(10,572)	(26,236)
As at December 31, 2014	3,600,337	237,738	616,310	331,901	555,790	5,342,076
Accumulated depreciation						
As at January 1, 2014	(782,543)	(90,335)	(396,049)	(174,910)	–	(1,443,837)
Charge for the year	(101,592)	(39,535)	(76,467)	(37,994)	–	(255,588)
Disposal of subsidiaries	23,743	13,733	3,048	2,732	–	43,256
Disposals	2,645	1,593	22,208	6,785	–	33,231
Transfer-out	6,031	–	–	–	–	6,031
As at December 31, 2014	(851,716)	(114,544)	(447,260)	(203,387)	–	(1,616,907)
Allowance for impairment losses						
As at January 1, 2014	(19,809)	(16)	–	(464)	–	(20,289)
Provided for the year	–	(17,261)	–	–	–	(17,261)
As at December 31, 2014	(19,809)	(17,277)	–	(464)	–	(37,550)
Net book value						
As at January 1, 2014	2,894,635	136,318	195,156	153,039	241,047	3,620,195
As at December 31, 2014	2,728,812	105,917	169,050	128,050	555,790	3,687,619
Including:						
Net book value of assets pledged as at December 31, 2014	144,745	–	–	–	–	144,745

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

42. Property and equipment — continued

Group — continued

As at December 31, 2015 and 2014, the gross carrying amounts of the fully depreciated property and equipment that were still in use were RMB15.25 million and RMB15.52 million, respectively.

As at December 31, 2015 and 2014, the Group's property and equipment which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB663.21 million and RMB676.52 million, respectively.

The net book values of buildings located on land with the following remaining lease terms are as follows:

	As at December 31	
	2015	2014
The net book value:		
— on long-term lease (over 50 years)	**–**	4,916
— on medium-term lease (10 to 50 years)	**2,619,029**	2,718,827
— on short-term lease (less than 10 years)	**2,325**	5,069
Total	**2,621,354**	2,728,812

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

42. Property and equipment — continued

Company

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2015	202,274	439	211,324	109,199	563,543	1,086,779
Additions	–	210	21,604	3,115	367,408	392,337
Disposals	–	–	(14,130)	(3,253)	–	(17,383)
As at December 31, 2015	202,274	649	218,798	109,061	930,951	1,461,733
Accumulated depreciation						
As at January 1, 2015	(6,949)	(292)	(161,003)	(64,622)	–	(232,866)
Charge for the year	(6,842)	(181)	(21,818)	(11,296)	–	(40,137)
Disposals	–	–	13,445	1,595	–	15,040
As at December 31, 2015	(13,791)	(473)	(169,376)	(74,323)	–	(257,963)
Net book value						
As at January 1, 2015	195,325	147	50,321	44,577	563,543	853,913
As at December 31, 2015	188,483	176	49,422	34,738	930,951	1,203,770

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

42. Property and equipment — continued

Company — continued

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2014	202,274	439	201,550	109,446	250,771	764,480
Additions	–	–	17,245	5,300	312,772	335,317
Disposals	–	–	(7,471)	(5,547)	–	(13,018)
As at December 31, 2014	202,274	439	211,324	109,199	563,543	1,086,779
Accumulated depreciation						
As at January 1, 2014	(60)	(250)	(134,765)	(56,162)	–	(191,237)
Charge for the year	(6,889)	(42)	(32,178)	(11,753)	–	(50,862)
Disposals	–	–	5,940	3,293	–	9,233
As at December 31, 2014	(6,949)	(292)	(161,003)	(64,622)	–	(232,866)
Net book value						
As at January 1, 2014	202,214	189	66,785	53,284	250,771	573,243
As at December 31, 2014	195,325	147	50,321	44,577	563,543	853,913

As at December 31, 2015 and 2014, the gross carrying amounts of the fully depreciated property and equipment that were still in use were RMB12.17 million and RMB13.29 million, respectively.

The net book values of buildings located on land with the following remaining lease terms are as follows:

	As at December 31	
	2015	2014
The net book value:		
— on medium-term lease (10 to 50 years)	**188,483**	195,325

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

43. Deferred taxation

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

Group

	As at December 31	
	2015	2014
Deferred tax assets	**5,029,152**	3,442,600
Deferred tax liabilities	**(886,161)**	(664,465)
	4,142,991	2,778,135

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

	Allowance for impairment losses	Unrealized financing income	Withholding land appreciation tax	Advance from sales of real estate	Asset revaluation	Accrued but not paid staff costs	Intragroup interest capitalized on properties held for sale	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value of available-for-sale financial assets	Others	Total
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 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**
Credit to other comprehensive income	**301,971**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**157,011**	**–**	**458,982**
Others	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(37,491)**	**(37,491)**
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**
January 1, 2014	2,900,175	86,274	19,460	67,465	(175,260)	379,639	170,642	41,892	68,379	248,331	(291,054)	(29,394)	3,486,549
Credit/(charge) to profit or loss	246,685	(46,959)	(5,125)	25,876	–	201,939	112,946	46,481	(5,038)	(311,016)	–	38,666	304,455
Charge to other comprehensive income	(465,531)	–	–	–	–	–	–	–	–	–	(544,831)	–	(1,010,362)
Others	–	–	–	–	–	–	–	–	–	–	–	(2,507)	(2,507)
December 31, 2014	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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

43. Deferred taxation — continued

Group — continued

Tax losses and temporary differences that are not recognized as deferred income tax assets are as follows:

	As at December 31	
	2015	2014
Unused tax losses	**4,368,584**	4,264,272
Unused temporary differences	**686,910**	564,328
	5,055,494	4,828,600

As at December 31, 2015, the above unused tax loses would expire from 2016 to 2020 (December 31, 2014: from 2015 to 2019).

Company

	As at December 31	
	2015	2014
Deferred tax assets	**2,946,723**	2,253,176
Deferred tax liabilities	**–**	–
	2,946,723	2,253,176

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

43. Deferred taxation — continued

Company — continued

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

	Allowance for impairment losses	Unrealized financing income	Accrued but not paid staff costs	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value of available-for-sale financial assets	Total
January 1, 2015	**2,064,102**	**39,315**	**246,750**	**55,683**	**248,804**	**(401,478)**	**2,253,176**
Credit/(charge) to profit or loss	**359,608**	**(25,515)**	**(27,031)**	**42,206**	**5,907**	**–**	**355,175**
Credit to other comprehensive income	**302,964**	**–**	**–**	**–**	**–**	**35,408**	**338,372**
December 31, 2015	**2,726,674**	**13,800**	**219,719**	**97,889**	**254,711**	**(366,070)**	**2,946,723**
January 1, 2014	2,526,605	86,274	201,787	57,327	318,938	(73,667)	3,117,264
Credit/(charge) to profit or loss	3,028	(46,959)	44,963	(1,644)	(70,134)	–	(70,746)
Charge to other comprehensive income	(465,531)	–	–	–	–	(327,811)	(793,342)
December 31, 2014	2,064,102	39,315	246,750	55,683	248,804	(401,478)	2,253,176

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

44. Other assets

Group

	Notes	As at December 31 **2015**	2014
Other receivables	*(1)*	**9,471,538**	3,021,707
Prepayments		**6,678,861**	426,890
Interest receivable		**2,538,967**	1,929,069
Assets classified as held for sale	*(2)*	**2,245,582**	2,245,582
Assets in satisfaction of debts	*(3)*	**1,772,141**	1,255,882
Statutory deposits	*(4)*	**1,726,075**	1,379,409
Dividend receivable		**1,316,581**	835,946
Prepaid taxes		**420,963**	299,924
Land use rights	*(5)*	**124,870**	127,975
Others		**779,851**	1,021,678
Total		**27,075,429**	12,544,062

Company

	Notes	As at December 31 **2015**	2014
Assets classified as held for sale	*(2)*	**2,245,582**	2,245,582
Assets in satisfaction of debts	*(3)*	**1,711,355**	1,066,998
Dividend receivable		**1,130,973**	799,722
Other receivables	*(1)*	**1,067,177**	372,844
Interest receivable		**101,342**	103,899
Land use rights	*(5)*	**45,759**	47,060
Prepayments		**7,269**	223,014
Others		**89,858**	95,359
Total		**6,399,315**	4,954,478

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

44. Other assets — continued

(1) Other receivables

Group

	As at December 31	
	2015	2014
Other receivables	**10,182,752**	3,947,399
Less: Allowance for impairment losses	**711,214**	925,692
Net Book Value	**9,471,538**	3,021,707

Company

	As at December 31	
	2015	2014
Other receivables	**1,152,297**	666,266
Less: Allowance for impairment losses	**2,836**	2,513
Net Book Value	**1,149,461**	663,753

Other receivables mainly include guarantee deposits and assets disposal receivables with one year.

(2) Assets classified as held for sale

The Company signed an irrevocable sale agreement of shares with Xi'an Tang West Market Culture Industry Investment Group (Tang West Market) in September 2014 to dispose of 21% of interest in Bank of Xi'an Co., Ltd. that it held at a consideration of RMB2,245.58 million. The transaction is expected to be completed in 2016.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

44. Other assets — continued

(3) Assets in satisfaction of debts

Assets in satisfaction of debts include those obtained from the Group's debtors to settle their defaulted debts and those acquired directly from financial institutions, which came into their possession through similar arrangements.

Group

	As at December 31	
	2015	2014
Buildings	**1,667,661**	1,191,746
Land use rights	**127,937**	125,738
Others	**87,661**	42,667
Subtotal	**1,883,259**	1,360,151
Less: Allowance for impairment losses	**111,118**	104,269
Net book value	**1,772,141**	1,255,882

Company

	As at December 31	
	2015	2014
Buildings	**1,606,875**	1,011,960
Land use rights	**127,937**	125,738
Others	**87,661**	33,569
Subtotal	**1,822,473**	1,171,267
Less: Allowance for impairment losses	**111,118**	104,269
Net book value	**1,711,355**	1,066,998

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

44. Other assets — continued

(4) Statutory deposits

In accordance with the Insurance Law of the PRC and the Interim Measures for the Administration of the Capital Guarantee Funds of Insurance Companies (Baojianfa [2007] No. 66) issued by the China Insurance Regulatory Commission, the Group's subsidiaries engaging in insurance business shall deposit at least 20% of their registered capital as statutory deposits in designated banks. The statutory deposits are not allowed to be used unless the subsidiaries go into liquidation and have to pay off their debts.

(5) Land use rights

The carrying amounts of land use rights analyzed by the remaining lease terms are as follows:

Group

	As at December 31	
	2015	2014
The carrying amounts:		
— on medium-term lease (10 to 50 years)	**124,870**	127,975

Company

	As at December 31	
	2015	2014
The carrying amounts:		
— on medium-term lease (10 to 50 years)	**45,759**	47,060

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

45. Borrowings from central bank

Group and Company

	As at December 31	
	2015	2014
Borrowings from central bank	**986,058**	986,058

The borrowings from central bank were used to finance the purchase of distressed assets from commercial banks and bear interest rate at 2.25% per annum. As at December 31, 2015, the loans principal have been repaid in full, and the outstanding balance represents interest payable to central bank.

46. Accounts payable to brokerage clients

Group

	As at December 31	
	2015	2014
Personal customers	**18,696,936**	10,455,535
Corporate customers	**2,836,245**	1,207,799
Total	**21,533,181**	11,663,334

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group, and the portion relating to securities brokerage clients amounting to RMB18,551.80 million at December 31, 2015 (December 31, 2014: RMB10,075.47 million) is interest bearing at the prevailing market interest rate.

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, as the ageing analysis does not give additional value to the readers of this report in view of the nature of this business.

As at December 31, 2015 and 2014, included in the Group's accounts payable to brokerage clients were cash collateral of approximately RMB2,003.59 million and RMB700.41 million received from clients for margin financing and securities lending arrangement.

The Company had no accounts payable to brokerage clients at the end of 2015 and 2014.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

47. Financial liabilities at fair value through profit or loss

Group

The amounts mainly represent future payment obligation to an asset management plan. The Group designates it as financial liabilities at FVTPL, in order to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Company

The amounts represent future payment obligation to an asset management plan, which is designated as financial liabilities at FVTPL in order to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise, and the obligation that the Company funds the losses beyond its investment for some structured entities, which is classified as financial liabilities held for trading.

48. Financial assets sold under repurchase agreements

Group

	As at December 31	
	2015	2014
By collateral type:		
Debt securities	**6,897,945**	4,467,849
Finance lease receivables	**441,500**	599,500
Loans to margin clients	**3,610,000**	4,872,300
Total	**10,949,445**	9,939,649

The Company had no financial assets sold under repurchase agreements at the end of 2015 and 2014.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

49. Placements from banks and financial institutions

Group

	As at December 31	
	2015	2014
Placements from banks	**230,000**	10,000,000
Placements from financial institutions	**1,577,000**	1,827,000
Total	**1,807,000**	11,827,000

Company

	As at December 31	
	2015	2014
Placement from a bank	**–**	10,000,000
Total	**–**	10,000,000

50. Borrowings

Group

	As at December 31	
	2015	2014
Banks and other financial institutions borrowings		
Unsecured loans	**284,441,044**	248,021,408
Loans secured by properties	**8,064,127**	5,878,575
Other secured loans	**24,583,479**	9,289,328
Other borrowings		
Unsecured loans	**–**	263,100
Total	**317,070,650**	263,452,411

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

50. Borrowings — continued

Loans secured by properties were collateralized by property and equipment, investment properties, properties held for sale at an aggregate carrying amount of RMB14,129 million as at December 31, 2015 (December 31, 2014: RMB10,985 million).

Other secured loans were collateralized by bank balances, available-for-sale financial assets, and finance lease receivables at an aggregate carrying amount of RMB9,262 million as at December 31, 2015 (December 31, 2014: RMB6,441 million).

Group — continued

	As at December 31	
	2015	2014
Carrying amount repayable*:		
Within one year	**206,775,830**	152,118,997
More than one year, but not exceeding two years	**51,276,320**	61,966,877
More than two years, but not exceeding five years	**57,052,036**	48,091,146
More than five years	**327,624**	344,838
Subtotal	**315,431,810**	262,521,858
Carrying amount of borrowings that contain a repayment on demand clause repayable*:		
Within one year	**768,593**	894,721
More than one year, but not exceeding two years	**840,231**	2,570
More than two years, but not exceeding five years	**–**	7,950
More than five years	**30,016**	25,312
Subtotal	**1,638,840**	930,553
Total	**317,070,650**	263,452,411

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

50. Borrowings — continued

Group — continued

The exposure of the Group's fixed-rate borrowings by remaining contractual maturity period is as follows:

	As at December 31	
	2015	2014
Fixed-rate borrowings:		
Within one year	**189,226,013**	137,762,187
More than one year, but not exceeding two years	**43,604,733**	50,314,501
More than two years, but not exceeding five years	**31,205,996**	28,667,000
More than five years	**–**	370,150
	264,036,742	217,113,838

In addition, the Group has variable-rate borrowings which carry interest based at borrowing or deposit benchmark interest rate of PBOC, Shanghai Inter-bank Offered Rate ("SHIBOR"), Hong Kong Inter-bank Offered Rate ("HIBOR"), London Inter-bank Offered Rate ("LIBOR") or prime rate.

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

	As at December 31	
	2015	2014
Effective interest rate		
Fixed-rate borrowings	**1.12%–10.00%**	4.38%–11.80%
Variable-rate borrowings	**1.05%–7.80%**	2.36%–7.20%

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

50. Borrowings — continued

Company

	As at December 31	
	2015	2014
Bank borrowings		
Unsecured loans	**245,839,500**	212,495,000
Carrying amount repayable*:		
Within one year	**154,476,500**	118,600,000
More than one year, but not exceeding two years	**42,363,000**	51,332,000
More than two years, but not exceeding five years	**49,000,000**	42,563,000
	245,839,500	212,495,000

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Company's fixed-rate borrowings by remaining contractual maturity period is as follows:

	As at December 31	
	2015	2014
Fixed-rate borrowings:		
Within one year	**144,409,500**	110,600,000
More than one year, but not exceeding two years	**40,363,000**	41,265,000
More than two years, but not exceeding five years	**28,000,000**	27,563,000
	212,772,500	179,428,000

In addition, the Company has variable-rate borrowings which carry interest based at borrowing or deposit benchmark interest rate of PBOC or SHIBOR.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

50. Borrowings — continued

Company — continued

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

	As at December 31	
	2015	2014
Effective interest rate		
Fixed-rate borrowings	**2.80%–7.20%**	4.95%–7.30%
Variable-rate borrowings	**4.75%–5.81%**	4.98%–6.00%

51. Accounts payable

Group

	As at December 31	
	2015	2014
Accounts payable associated with real estate business[1]	**1,769,448**	3,483,473
Asset purchase payable	**1,281,877**	450,000
Reinsurance premium payable	**991,957**	101,803
Amount due to the MOF [2]	**–**	9,710,682
Others	**927,493**	145,219
Total	**4,970,775**	13,891,177

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

51. Accounts payable — continued

Company

	As at December 31	
	2015	2014
Asset purchase payable	**1,281,877**	450,000
Amount due to the MOF [(2)]	**–**	9,710,682
Total	**1,281,877**	10,160,682

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

(2) Amount due to the MOF represented outstanding balance of consideration arising from the purchase of assets in the policy business portfolio from the MOF. The consideration was repayable in five equal installments of RMB9.71 billion over five years, with an effective annual interest rate of 1.69% and the first repayment date no later than December 31, 2011. As of December 31, 2015, amount due to the MOF has been fully paid.

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

52. Investment contract liabilities for policyholders

Group

	Year ended December 31	
	2015	2014
At beginning of the year	**6,251,226**	3,244,367
Deposits received	**19,358,879**	4,631,374
Deposits withdrawn	**(5,549,941)**	(1,557,431)
Others	**(2,418)**	(67,084)
At end of the year	**20,057,746**	6,251,226

The Company had no investment contract liabilities for policyholders at the end of 2015 and 2014.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

53. Tax payable

Group

	As at December 31	
	2015	2014
PRC Enterprise income tax	**2,273,795**	1,590,236
PRC Land appreciation tax	**84,860**	142,904
Hong Kong profits tax	**14,439**	9,615
Total	**2,373,094**	1,742,755

Company

	As at December 31	
	2015	2014
PRC Enterprise income tax	**891,378**	722,159
Total	**891,378**	722,159

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

54. Insurance contract liabilities

Group

	January 1 2015	**Increase**	**Decrease**	**December 31 2015**
Short-term 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**

	January 1 2014	Increase	Decrease	December 31 2014
Short-term insurance contracts				
— Unearned premium reserves	1,234,341	3,578,562	(3,410,984)	1,401,919
— Outstanding claim reserves	1,050,086	2,026,914	(1,792,470)	1,284,530
Long-term life insurance contracts	18,438,025	7,939,965	(3,845,434)	22,532,556
Total	20,722,452	13,545,441	(9,048,888)	25,219,005

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

	As at December 31, 2015			As at December 31, 2014		
	Within 1 year	**Over 1 year**	**Total**	Within 1 year	Over 1 year	Total
Short-term insurance contracts						
— Unearned premium reserves	**1,114,891**	**90,795**	**1,205,686**	1,242,446	159,473	1,401,919
— Outstanding claim reserves	**1,015,765**	**2,485**	**1,018,250**	766,991	517,539	1,284,530
Long-term life insurance contracts	**38,330**	**26,012,908**	**26,051,238**	5,568	22,526,988	22,532,556
Total	**2,168,986**	**26,106,188**	**28,275,174**	2,015,005	23,204,000	25,219,005

The Company had no insurance contract liabilities at the end of 2015 and 2014.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

55. Bonds issued

Group

							As at December 31	
Bond Name	*Note*	**Face Value**	**Currency**	**Issue Date**	**Maturity Date**	**Bond Rate**	**2015**	2014
2012 Financial Bonds (3-year)	*(1)*	**5,000,000**	**RMB**	**2012/10**	**2015/10**	4.35%	**–**	5,030,718
2012 Financial Bonds (5-year)	*(1)*	**5,000,000**	**RMB**	**2012/11**	**2017/11**	4.65%	**5,029,991**	5,027,024
2014 Financial Bonds (3-year)	*(1)*	**10,000,000**	**RMB**	**2014/5**	**2017/5**	5.20%	**10,282,074**	10,268,403
2014 Financial Bonds (5-year)	*(1)*	**10,000,000**	**RMB**	**2014/5**	**2019/5**	5.35%	**10,276,441**	10,273,732
2015 Financial Bonds (3-year)	*(1)*	**10,000,000**	**RMB**	**2015/5**	**2018/5**	4.10%	**10,216,111**	–
2015 Financial Bonds (5-year)	*(1)*	**10,000,000**	**RMB**	**2015/5**	**2020/5**	4.30%	**10,224,648**	–
2015-II Financial Bonds (3-year)	*(1)*	**2,000,000**	**RMB**	**2015/9**	**2018/9**	3.50%	**2,016,541**	–
2015-II Financial Bonds (5-year)	*(1)*	**4,000,000**	**RMB**	**2015/9**	**2020/9**	3.75%	**4,035,764**	–
2015-II Financial Bonds (10-year)	*(1)*	**10,000,000**	**RMB**	**2015/9**	**2025/9**	4.60%	**10,111,113**	–
Subordinate Bonds	*(2)*	**495,000**	**RMB**	**2011/9**	**2021/9**	7.20%	**504,207**	504,207
2015 Capital Supplement Bonds	*(3)*	**3,000,000**	**RMB**	**2015/12**	**2025/12**	4.00%	**3,001,000**	–
2015-I subordinate bonds	*(4)*	**3,000,000**	**RMB**	**2015/2**	**2018/2**	5.90%	**3,156,148**	–
2015-II subordinate bonds	*(4)*	**3,000,000**	**RMB**	**2015/4**	**2018/4**	6.00%	**3,124,274**	–
Beneficiary Certificates-II	*(4)*	**1,000,000**	**RMB**	**2015/6**	**2017/6**	6.50%	**1,034,306**	–
Beneficiary Certificates-III	*(4)*	**101,710**	**RMB**	**2015/7**	**2016/12**	6.25%	**104,835**	–
2015 Corporation Bonds	*(5)*	**3,000,000**	**RMB**	**2015/12**	**2023/12**	3.80%	**2,984,457**	–
2015-I mid-term notes	*(6)*	**1,500,000**	**RMB**	**2015/6**	**2020/6**	5.80%	**1,599,783**	–
2015-II mid-term notes	*(6)*	**1,400,000**	**RMB**	**2015/8**	**2020/8**	5.50%	**1,453,779**	–
2015-III mid-term notes	*(6)*	**100,000**	**RMB**	**2015/12**	**2020/12**	5.50%	**100,510**	–
RMB Denominated Bonds	*(7)*	**2,000,000**	**RMB**	**2012/12**	**2015/12**	4.00%	**–**	1,996,936
HKD Bonds	*(8)*	**20,000**	**HKD**	**2013/9**	**2018/9**	4.00%	**16,756**	15,963
HKD Bonds	*(8)*	**4,000**	**HKD**	**2013/10**	**2018/10**	4.00%	**3,351**	3,181
HKD Bonds	*(8)*	**10,000**	**HKD**	**2013/12**	**2018/12**	4.00%	**8,378**	7,914
HKD Bonds	*(8)*	**20,000**	**HKD**	**2014/7**	**2019/7**	4.00%	**16,756**	16,066
HKD Bonds	*(8)*	**12,000**	**HKD**	**2014/9**	**2019/9**	4.00%	**10,054**	9,582
HKD Bonds	*(8)*	**10,000**	**HKD**	**2014/10**	**2019/9**	4.00%	**8,378**	7,943
USD Guaranteed Senior Notes	*(9)*	**1,000,000**	**USD**	**2014/5**	**2019/5**	4.00%	**6,470,407**	6,079,033
USD Guaranteed Senior Notes	*(9)*	**500,000**	**USD**	**2014/5**	**2024/5**	5.625%	**3,239,862**	3,051,216
USD Guaranteed Senior Notes	*(10)*	**230,000**	**USD**	**2014/12**	**2029/12**	5.20%	**1,483,171**	1,402,934
USD Guaranteed Senior Notes	*(10)*	**90,000**	**USD**	**2015/2**	**2029/12**	5.20%	**586,060**	
USD Guaranteed Senior Notes	*(10)*	**1,300,000**	**USD**	**2015/4**	**2020/4**	3.125%	**8,439,165**	–
USD Guaranteed Senior Notes	*(10)*	**1,700,000**	**USD**	**2015/4**	**2025/4**	4.25%	**11,055,792**	–
USD Guaranteed Senior Notes	*(10)*	**100,000**	**USD**	**2015/2**	**2030/2**	5.20%	**655,780**	–
USD Guaranteed Senior Notes	*(10)*	**80,000**	**USD**	**2015/3**	**2022/3**	4.45%	**523,480**	–
Total							**111,773,372**	43,694,852

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

55. Bonds issued — continued

Company

Bond Name	*Note*	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at December 31 2015	2014
2012 Financial Bonds (3-year)	(1)	**5,000,000**	**RMB**	**2012/10**	**2015/10**	4.35%	**–**	5,024,692
2012 Financial Bonds (5-year)	(1)	**5,000,000**	**RMB**	**2012/11**	**2017/11**	4.65%	**5,023,593**	5,016,865
2014 Financial Bonds (3-year)	(1)	**10,000,000**	**RMB**	**2014/5**	**2017/5**	5.20%	**10,271,056**	10,249,919
2014 Financial Bonds (5-year)	(1)	**10,000,000**	**RMB**	**2014/5**	**2019/5**	5.35%	**10,265,409**	10,253,451
2015 Financial Bonds (3-year)	(1)	**10,000,000**	**RMB**	**2015/5**	**2018/5**	4.10%	**10,194,632**	–
2015 Financial Bonds (5-year)	(1)	**10,000,000**	**RMB**	**2015/5**	**2020/5**	4.30%	**10,201,090**	–
2015-II Financial Bonds (3-year)	(1)	**2,000,000**	**RMB**	**2015/9**	**2018/9**	3.50%	**2,006,502**	–
2015-II Financial Bonds (5-year)	(1)	**4,000,000**	**RMB**	**2015/9**	**2020/9**	3.75%	**4,014,870**	–
2015-II Financial Bonds (10-year)	(1)	**10,000,000**	**RMB**	**2015/9**	**2025/9**	4.60%	**10,057,339**	–
Total							**62,034,492**	30,544,927

(1) The financial bonds issued by the Company have fixed coupon rates, payable annually.

(2) 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.

(3) The capital supplement bonds issued by Happy Life Insurance Co., Ltd., a subsidiary of the Company, have a fixed coupon rate, payable annually. The subsidiary has an option to redeem the bonds in December 2020. If the subsidiary does not exercise this option, the coupon rate of the bonds will be increased to 5% per annum from January 2021 onwards.

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

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

(6) The mid-term notes issued by Cinda Investment, a subsidiary of the Company, have fixed coupon rates, payable annually.

(7) The RMB denominated bonds issued by Cinda (HK) in Hong Kong have fixed coupon rates, payable semi-annually.

(8) The HKD bonds issued by CIHL, a subsidiary of Cinda (HK) in Hong Kong, have fixed coupon rates, payable semi-annually.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

55. Bonds issued — continued

(9) The USD Guaranteed Senior Notes (USD Notes) issued by China Cinda Finance (2014) Limited, a subsidiary of Cinda (HK), have fixed coupon rates, payable semi-annually. At any time prior to the date of maturity of the USD Notes, the issuer or Cinda (HK) 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.

(10) The USD Guaranteed Senior Notes (USD Notes) issued by China Cinda Finance (2014) Limited, a subsidiary of Cinda (HK), have fixed coupon rates, payable semi-annually. There is no early redemption option in accordance with relevant subscription agreement.

56. Other liabilities

Group

	As at December 31	
	2015	2014
Payables to interest holders of consolidated structured entities (note VI.39)	**45,079,078**	30,875,902
Other payables	**10,512,282**	4,627,307
Receipts in advance from property sales	**7,314,973**	4,295,466
Risk deposit	**5,964,340**	5,270,981
Staff costs payable(1)	**3,595,353**	2,792,271
Liabilities related to insurance business	**1,695,456**	1,296,150
Interest payable	**1,501,691**	1,113,054
Deferred income related to leasing business	**1,237,303**	946,469
Long-term payable	**1,002,675**	11,739
Sundry taxes payable	**585,671**	590,952
Provisions(2)	**498,522**	284,987
Receipts in advance associated with disposal of distressed assets	**52,907**	356,727
Dividends payable	**35,081**	60,445
Others	**542,835**	672,768
Total	**79,618,167**	53,195,218

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

56. Other liabilities — continued

Group — continued

(1) Staff costs payable

	2015			
	As at January 1	**Accrued**	**Paid**	**As at December 31**
Wages or salaries, bonuses, allowances and subsidies	**2,472,985**	**4,223,546**	**(3,594,004)**	**3,102,527**
Social insurance	**103,761**	**482,527**	**(528,400)**	**57,888**
Annuity scheme	**–**	**233,872**	**(57,575)**	**176,297**
Housing funds	**4,993**	**194,397**	**(193,901)**	**5,489**
Labor union fees and staff education expenses	**174,451**	**147,602**	**(91,896)**	**230,157**
Others	**36,081**	**221,314**	**(234,400)**	**22,995**
Total	**2,792,271**	**5,503,258**	**(4,700,176)**	**3,595,353**

	2014			
	As at January 1	Accrued	Paid	As at December 31
Wages or salaries, bonuses, allowances and subsidies	1,755,362	3,813,669	(3,096,046)	2,472,985
Social insurance	46,721	503,737	(446,697)	103,761
Annuity scheme	5	38,595	(38,600)	–
Housing funds	4,692	180,595	(180,294)	4,993
Labor union fees and staff education expenses	134,686	125,822	(86,057)	174,451
Others	25,518	186,196	(175,633)	36,081
Total	1,966,984	4,848,614	(4,023,327)	2,792,271

(2) Movements of provisions

	Year ended December 31	
	2015	2014
At beginning of the year	**284,987**	324,229
Provided for the year	**254,166**	5,281
Settled	**(40,631)**	(44,523)
At end of the year	**498,522**	284,987

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

56. Other liabilities — continued

Company

	As at December 31	
	2015	2014
Other payables	**6,500,505**	1,576,955
Staff costs payable[(1)]	**1,178,374**	986,608
Interest payable	**1,158,504**	750,689
Provisions[(2)]	**422,439**	253,615
Sundry taxes payable	**189,936**	212,503
Receipts in advance associated with disposal of distressed assets	**52,907**	356,727
Other	**175,668**	113,226
Total	**9,678,333**	4,250,323

(1) Staff costs payable

	2015			
	As at January 1	**Accrued**	**Paid**	**As at December 31**
Wages or salaries, bonuses, allowances and subsidies	**916,878**	**977,607**	**(806,742)**	**1,087,743**
Social insurance	**14,023**	**143,529**	**(135,169)**	**22,383**
Annuity scheme	**–**	**44,981**	**(44,951)**	**30**
Housing funds	**264**	**66,897**	**(67,076)**	**85**
Labor union fees and staff education expenses	**48,174**	**42,615**	**(24,737)**	**66,052**
Others	**7,269**	**38,602**	**(43,790)**	**2,081**
Total	**986,608**	**1,314,231**	**(1,122,465)**	**1,178,374**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

56. Other liabilities — continued

Company — continued

(1) Staff costs payable — continued

	2014			
	As at January 1	Accrued	Paid	As at December 31
Wages or salaries, bonuses, allowances and subsidies	748,235	899,193	(730,550)	916,878
Social insurance	12,909	116,561	(115,447)	14,023
Annuity scheme	5	38,595	(38,600)	–
Housing funds	105	63,247	(63,088)	264
Labor union fees and staff education expenses	38,907	34,369	(25,102)	48,174
Others	6,988	61,228	(60,947)	7,269
Total	807,149	1,213,193	(1,033,734)	986,608

(2) Movements of provisions

	Year ended December 31	
	2015	2014
At beginning of the year	**253,615**	280,022
Provided for the year	**202,670**	1,080
Settled	**(33,846)**	(27,487)
At end of the year	**422,439**	253,615

VI. EXPLANATORY NOTES — continued

57. Share capital

Group and Company

	Year ended December 31	
	2015	2014
Authorized, issued and fully paid:		
At beginning of the year	**36,256,690**	35,458,864
Issue of shares	**–**	797,826
At end of the year	**36,256,690**	36,256,690

A summary of the movements of the Company's issued shares (in thousands of shares) during the year is as follows:

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

	2014			
	As at January 1	Issuance	Transfer	As at December 31
Domestic shares				
— MOF	24,669,736	–	(72,804)	24,596,932
H shares	10,789,128	797,826	72,804	11,659,758
Total	35,458,864	797,826	–	36,256,690

As at December 31, 2015, no shares were subject to lock-up restriction (As at December 31, 2014, 4,931,425,119 H shares were subject to lock-up restriction).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

58. 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 previous shares issuances in prior years.

59. Investment revaluation reserve

Group

Investment revaluation reserve attributable to equity holders of the Company is set out below:

	Year ended December 31	
	2015	2014
At beginning of the year	**3,970,903**	730,574
Fair value changes on available-for-sale financial assets		
— fair value changes arising during the year	**696,710**	4,622,971
— amounts reclassified to profit or loss upon disposal	**(3,525,858)**	(956,734)
— amounts reclassified to profit or loss upon impairment	**2,163**	554,379
Income tax effect	**452,537**	(980,785)
Share of other comprehensive income of associates	**(8,894)**	498
Subtotal	**(2,383,342)**	3,240,329
At end of the year	**1,587,561**	3,970,903

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

59. Investment revaluation reserve — continued

Company

	Year ended December 31	
	2015	2014
At beginning of the year	**2,573,161**	193,135
Fair value changes on available-for-sale financial assets		
— fair value changes arising during the year	**193,859**	3,135,704
— amounts reclassified to profit or loss upon disposal	**(1,549,091)**	(516,715)
— amounts reclassified to profit or loss upon impairment	**1,745**	554,379
Income tax effect	**338,372**	(793,342)
Share of other comprehensive income of associates	**(9,831)**	–
Subtotal	**(1,024,946)**	2,380,026
At end of the year	**1,548,215**	2,573,161

60. Surplus reserve

Under the PRC Laws, the Company and its domestic subsidiaries are required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital of the respective entity.

61. General reserve

For the years ended December 31, 2015 and 2014, as approved by the general meetings of the Company and the board of directors meetings of its subsidiaries, the Group transferred a total of RMB2,278.20 million and RMB595.17 million, respectively to general reserve pursuant to the regulatory requirements in the PRC., Among which, the Company transferred RMB1,689.91 million and RMB380.86 million, respectively to general reserve.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

62. Retained earnings

During the years ended December 31, 2015 and 2014, the retained earnings of the Company were as follows:

Company

	Year ended December 31	
	2015	2014
At beginning of the year	**21,574,412**	13,754,571
Profit for the year	**8,980,825**	9,111,891
Appropriation to surplus reserve	**(898,082)**	(911,189)
Appropriation to general reserve	**(1,689,912)**	(380,861)
Dividends recognized as distribution	**(3,571,284)**	–
At end of the year	**24,395,959**	21,574,412

63. Cash and cash equivalents

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

	As at December 31	
	2015	2014
Cash on hand	**44,464**	3,319
Unrestricted balances with original maturity of less than 3 months		
Bank balances	**33,090,543**	31,611,885
Clearing settlement funds	**729,011**	312,049
Placements with financial institutions	**300,000**	2,000,000
Financial assets held under resale agreements	**25,098,341**	426,741
Financial assets at fair value through profit or loss	**–**	6,900
Available-for-sale financial assets	**3,840,322**	116,026
Cash and cash equivalents	**63,102,681**	34,476,920

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

64. Major non-cash transaction

	Year ended December 31	
	2015	2014
Debt-to-equity swap (Note)		
— Financial assets at fair value through profit or loss transferred into available-for-sale financial assets	**26,277**	42,738
Equity swap (Note)	**1,176,026**	61,280

Note: As part of its distressed asset management business, the Group entered into transactions of debt-to-equity swap and equity swap with counterparties in the ordinary course of business during the year.

65. Contingent liabilities and commitments

(1) Legal proceedings

Group and Company

The Company and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at December 31, 2015 and 2014, total claim amounts of pending litigations were RMB1,845.03 million and RMB1,527.92 million for the Group and RMB1,514.27 million and RMB1,514.53 million for the Company respectively, and provisions of RMB93.90 million and RMB122.38 million for the Group and RMB93.90 million and RMB122.38 million for the Company respectively were made based on court judgments or the advice of legal counsels. Directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group and the Company.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

65. Contingent liabilities and commitments — continued

(2) Commitments other than operating lease commitments

Group

	As at December 31	
	2015	2014
Contracted but not provided for		
— commitments for the acquisition of property and equipment	**814**	18,195
— commitments for the acquisition of investments	**57,581,040**	1,200,000
Total	**57,581,854**	1,218,195

Company

	As at December 31	
	2015	2014
Contracted but not provided for		
— commitments for the acquisition of property and equipment	**814**	17,075
— commitments for the acquisition of investments	**–**	–
Total	**814**	17,075

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

65. Contingent liabilities and commitments — continued

(3) Operating lease commitments

At the end of 2015 and 2014, the Group and the Company, as a lessee, had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

Group

	As at December 31	
	2015	2014
Within 1 year	**232,868**	289,317
1 to 2 years	**120,270**	182,971
2 to 3 years	**72,054**	83,302
3 to 5 years	**30,329**	71,367
Over 5 years	**17,700**	28,324
Total	**473,221**	655,281

Company

	As at December 31	
	2015	2014
Within 1 year	**149,272**	54,585
1 to 2 years	**33,083**	45,814
2 to 3 years	**16,290**	26,662
3 to 5 years	**5,541**	18,146
Total	**204,186**	145,207

VI. EXPLANATORY NOTES — continued

65. Contingent liabilities and commitments — continued

(4) Other commitments provided by the Group

(i) Ningbo Qiushi Investment Management Limited Partnership ("Ningbo Qiushi") was set up by the Group and Kunlun Trust Co., Ltd. ("Kunlun Trust") in 2012. Cinda Investment Co., Ltd., a subsidiary of the Company, provided an unconditional purchase commitment to Kunlun Trust at an aggregate amount of its investment plus any shortfall against the basic returns that might arise. As at December 31, 2015, the capital subscribed and paid in by Kunlun Trust amounted to RMB15,490 million and RMB1,120 million (December 31, 2014: RMB15,490 million and RMB7,039 million), respectively.

(ii) Ningbo Chunhong Investment Management Partnership (Limited Partnership) ("Chunhong") was set up by the Company together with three subsidiaries of the Company in 2013. Cinda Securities Co., Ltd. ("Cinda Securities"), a subsidiary of the Company, and one of the limited partners of Chunhong, then set up Bank No.2 Directional Asset Management Plan (the "Plan") with funds raised for Chunhong. The Company provided an unconditional purchase commitment to the unit holders of the Plan at an aggregate amount of their contribution plus any shortfall against the guaranteed returns that might arise. As at December 31, 2015, the capital subscribed and paid in by the Plan amounted to RMB4,500 million and RMB900 million (December 31, 2014: RMB4,500 million and RMB4,027 million), respectively.

(iii) Shanghai Dongsheng Investment Management Partnership (Limited Partnership) ("Dongsheng") was set up by the Group together with the Trust Plan which was set up by Shanghai International Trust Co., Ltd. in 2013 (the "Plan"). The Company provided an unconditional purchase commitment to the unit holders of the Plan at an aggregate amount of their contribution plus any shortfall against the guaranteed returns that might arise. As at December 31, 2015, the capital subscribed and paid in by the Plan amounted to RMB10,001 million and RMB6,835 million (December 31, 2014: RMB9,500 million and RMB1,900 million), respectively.

VI. EXPLANATORY NOTES — continued

65. Contingent liabilities and commitments — continued

(4) Other commitments provided by the Group — continued

(iv) Cinda-Taikang Alternative Asset Investment Partnership (Limited Partnership) was set up by the Group together with the Asset-Backed Plan which was set up by Taikang Asset Management Co., Ltd. in 2013. The Company provided an unconditional purchase commitment to the Asset-Backed Plan at an aggregate amount of its investment plus any shortfall against the guaranteed returns that might arise. As at December 31, 2015, the capital subscribed and paid in by the Asset-Backed Plan amounted to RMB12,000 million and RMB9,888 million (December 31, 2014: RMB12,000 million and RMB10,362 million), respectively.

(v) Ningbo Juxin Tongda Investment Management Partnership (Limited Partnership) was set up by the Company together with Cinda Capital Management Co., Ltd., a subsidiary of the Company, and a consolidated trust fund plan (the "Plan") which was set up by China Jingu International Trust Co., Ltd. ("Jingu Trust"), a subsidiary of the Company, in 2014. The Company provided unconditional purchase commitment to the unit holders of the Plan at an aggregate amount of their investment plus any shortfall against the guaranteed returns that might arise. As at December 31, 2015, the capital subscribed and paid in by the Plan amounted to RMB12,000 million and RMB5,390 million (December 31, 2014: RMB12,000 million and RMB463 million), respectively.

(vi) Ningbo Chunhong Investment Management Partnership II (Limited Partnership) was set up by the Company together with two subsidiaries of the Company, and the Directional Asset Management Plan (the "Asset Management Plan") which was set up by Cinda Securities, another subsidiary of the Company, in 2014. The Company provided an unconditional purchase commitment to the unit holders of the Asset Management Plan at an aggregate amount of their contribution plus any shortfall against the guaranteed returns that might arise. As at December 31, 2015, the capital subscribed and paid in by the Asset Management Plan amounted to RMB14,500 million and RMB3,952 million (December 31, 2014: RMB14,500 million and RMB1,943 million), respectively.

VI. EXPLANATORY NOTES — continued

65. Contingent liabilities and commitments — continued

(4) Other commitments provided by the Group — continued

(vii) Ningbo Guoshou Cinda Investment Partnership (Limited Partnership) was set up by the Group and China Life Insurance Co., Ltd. ("China Life") in 2015. The Company provided unconditional purchase commitments to China Life, at an aggregate amount of its investment plus any shortfall against the guaranteed returns that might arise. As at December 31, 2015, the capital subscribed and paid in by China Life amounted to RMB2,000 million and RMB750 million.

(viii) Since 2014, the Company has provided credit enhancements for Cinda Xingrong No. 4 Asset Management Plan set up by Cinda Securities, a subsidiary of the Company. As at December 31, 2015, the exposure to the credit enhancements amounted to RMB1,145 million for the Company (December 31, 2014: RMB333 million).

(ix) In the first half year of 2015, Ningbo Shoutai Hongli Investment Partnership (Limited Partnership) ("Shoutai Hongli") was set up by Shenzhen Jianxin Investment Development Co., Ltd. ("Shenzhen Jianxin"), a subsidiary of the Company, and Hainan Jianxin Investment Management Co., Ltd. ("Hainan Jianxin"), another subsidiary of the Company, which brought in bank priority funds through the business channel of Caitong Fund to set up Caitong Fund No. 195 Asset Management Plan and Caitong Fund No. 196 Asset Management Plan ("Asset Management Plan"). The actual investors (B shares of the Asset Management Plan) of Shoutai Hongli, Shenzhen JianXin and Hainan JianXin, provided shortfall coverage and return guarantee commitments with respect to the bank priority funds (A shares of the Asset Management Plan), which ensures that when the net amount of each share is less than or equal to RMB0.85, the B shares must replenish funds in adequate amount within 3 trading days so that the net amount of each share rises to more than RMB0.85 and ensures the A shares enjoy a 7% base yield.

(x) As a result of the purchase commitments and guarantees provided by the Group, the structured entities managed by the Group as set out in notes (i) to (ix) above 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.

(xi) Since 2011, Cinda Investment Co., Ltd., a subsidiary of the Company, has provided credit enhancements for the trust plan set up by Jingu Trust, another subsidiary of the Company. As at December 31, 2015, the exposure to the credit enhancements amounted to RMB500 million (December 31, 2014: RMB1,500 million). As a result of the guarantee agreement provided by the Group doesn't cause the Group exposed to significant variable returns on the trust plan, the trust plan is not consolidated.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

66. Transfers of financial assets

Repurchase agreements

The Group entered into sales agreements with certain counterparties on its financial assets, in which the Group was subject to simultaneous agreements with commitments to repurchase these financial assets at specified future dates and prices. As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these financial assets to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these financial assets during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore these financial assets have not been derecognized from the financial statements but regarded as "collateral" for the secured lending from the counterparties. Normally, the counterparties could only claim from the collateral when there is an event of default on the secured lending.

	Carrying amount of pledged assets December 31		**Related liabilities December 31**	
	2015	2014	**2015**	2014
Held-for-trading debt securities	**3,218,605**	915,863	**3,140,591**	469,582
Available-for-sale debt securities	**2,474,415**	2,449,745	**2,091,354**	2,147,308
Held-to-maturity debt securities	**1,706,436**	1,933,507	**1,666,000**	1,850,959
Finance lease receivables	**616,430**	645,543	**441,500**	599,500
Loans to margin clients	**4,045,604**	5,469,422	**3,610,000**	4,872,300
Total	**12,061,490**	11,414,080	**10,949,445**	9,939,649

VI. EXPLANATORY NOTES — continued

67. Segment information

Information relating to business lines are 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.

VI. EXPLANATORY NOTES — continued

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

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

Revenue and assets of the Group are generated primarily from operating units located in mainland China. 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)

VI. EXPLANATORY NOTES — continued

67. Segment information — continued

	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Year ended December 31, 2015					
Income from distressed debt assets classified as receivables	19,146,799	–	–	(262,898)	18,883,901
Fair value changes on distressed debt assets	4,502,518	–	–	(82,410)	4,420,108
Fair value changes on other financial instruments	–	249,080	1,722,105	–	1,971,185
Investment income	6,555,598	3,233,561	4,625,737	(862,667)	13,552,229
Net insurance premiums earned	–	–	12,916,940	(4,748)	12,912,192
Interest income	2,325,926	6,047,307	5,344,034	(200,803)	13,516,464
Revenue from sales of inventories	–	7,637,046	–	–	7,637,046
Commission and fee income	188,663	329,617	4,285,688	(474,459)	4,329,509
Net gain on disposal of subsidiaries and associates	86,289	176,449	148	–	262,886
Other income and other net gains or losses	70,140	1,300,776	77,037	(189,334)	1,258,619
Total	32,875,933	18,973,836	28,971,689	(2,077,319)	78,744,139
Interest expense	(15,254,830)	(2,549,312)	(2,706,452)	325,278	(20,185,316)
Insurance costs	–	–	(13,766,891)	–	(13,766,891)
Employee benefits	(1,314,230)	(766,418)	(3,111,651)	–	(5,192,299)
Purchases and changes in inventories	–	(5,608,570)	–	21,515	(5,587,055)
Commission and fee expense	(2,399)	(54,408)	(1,417,194)	2,153	(1,471,848)
Business tax and surcharges	(1,008,133)	(965,984)	(832,649)	–	(2,806,766)
Depreciation and amortization expenses	(65,376)	(159,859)	(150,749)	(32,303)	(408,287)
Other expenses	(1,064,431)	(1,085,399)	(1,763,668)	507,091	(3,406,407)
Impairment losses on assets	(2,042,154)	(1,898,901)	(435,489)	–	(4,376,544)
Total	(20,751,553)	(13,088,851)	(24,184,743)	823,734	(57,201,413)
Change in net assets attributable to other holders of consolidated structured entities	–	(2,147,508)	(543,123)	133,630	(2,557,001)
Profit before share of results of associates and tax	12,124,380	3,737,477	4,243,823	(1,119,955)	18,985,725
Share of results of associates	52,552	238,346	21,277	–	312,175
Profit before tax	12,176,932	3,975,823	4,265,100	(1,119,955)	19,297,900
Income tax expense					(4,594,014)
Profit for the year					14,703,886
Capital expenditure	404,104	517,656	155,376	–	1,077,136
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	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)

VI. EXPLANATORY NOTES — continued

67. Segment information — continued

	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Year ended December 31, 2014					
Income from distressed debt assets classified as receivables	18,242,771	–	–	(129,205)	18,113,566
Fair value changes on distressed debt assets	4,157,172	–	–	(79,674)	4,077,498
Fair value changes on other financial instruments	–	203,253	1,977,280	–	2,180,533
Investment income	6,583,216	1,256,472	1,588,072	(311,291)	9,116,469
Net insurance premiums earned	–	–	7,446,494	(3,509)	7,442,985
Interest income	1,492,573	3,850,238	3,683,002	(215,274)	8,810,539
Revenue from sales of inventories	–	4,340,500	–	–	4,340,500
Commission and fee income	261,047	244,905	2,844,548	(342,319)	3,008,181
Net gain on disposal of subsidiaries and associates	–	639,610	3,338	–	642,948
Other income and other net gains or losses	758,318	1,631,952	(8,696)	(324,731)	2,056,843
Total	31,495,097	12,166,930	17,534,038	(1,406,003)	59,790,062
Interest expense	(13,185,126)	(1,265,234)	(1,946,484)	435,723	(15,961,121)
Insurance costs	–	–	(6,865,310)	–	(6,865,310)
Employee benefits	(1,213,194)	(608,938)	(2,780,762)	2,337	(4,600,557)
Purchases and changes in inventories	–	(2,824,007)	–	–	(2,824,007)
Commission and fee expense	(1,395)	(12,212)	(1,020,711)	–	(1,034,318)
Business tax and surcharges	(817,742)	(638,064)	(525,456)	–	(1,981,262)
Depreciation and amortization expenses	(73,254)	(226,111)	(156,995)	–	(456,360)
Other expenses	(797,038)	(1,175,073)	(1,306,974)	406,503	(2,872,582)
Impairment losses on assets	(3,977,330)	(727,409)	(733,328)	–	(5,438,067)
Total	(20,065,079)	(7,477,048)	(15,336,020)	844,563	(42,033,584)
Change in net assets attributable to other holders of consolidated structured entities	–	(1,552,887)	(357,058)	–	(1,909,945)
Profit before share of results of associates and tax	11,430,018	3,136,995	1,840,960	(561,440)	15,846,533
Share of results of associates	66,353	378,213	15,600	–	460,166
Profit before tax	11,496,371	3,515,208	1,856,560	(561,440)	16,306,699
Income tax expense					(4,163,950)
Profit for the year					12,142,749
Capital expenditure	349,106	55,178	156,210	(11,369)	549,125
As at December 31, 2014					
Segment assets	320,973,463	110,860,241	123,560,441	(10,966,728)	544,427,417
Including: Interests in associates	3,181,993	6,617,764	279,798	–	10,079,555
Total assets	320,973,463	110,860,241	123,560,441	(10,966,728)	544,427,417
Segment liabilities	269,353,729	79,548,210	101,475,839	(7,813,623)	442,564,155
Total liabilities	269,353,729	79,548,210	101,475,839	(7,813,623)	442,564,155

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

68. Related party transactions

(1) The MOF

Group

As at December 31, 2015, the MOF directly owned 67.84% (December 31, 2014: 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 has entered into the following transactions with the MOF in its ordinary course of business:

The Group had the following balances with the MOF:

	As at December 31	
	2015	2014
Financial assets at fair value through profit or loss	**–**	38,691
Available-for-sale financial assets	**80,627**	76,889
Held-to-maturity investments	**117,700**	–
Financial assets classified as receivables	**–**	117,700
Accounts receivable	**1,597**	164,769
Interest receivable	**32,791**	26,436
Accounts payable	**–**	9,710,682

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

	As at December 31	
	2015	2014
Interest income	**30,203**	12,920
Interest expense	**163,368**	375,831

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

68. Related party transactions — continued

(1) The MOF — continued

Company

The Company had the following balances with the MOF:

	As at December 31	
	2015	2014
Accounts receivable	**1,597**	164,769
Accounts payable	**–**	9,710,682

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

	Year ended December 31	
	2015	2014
Interest expense	**163,368**	375,831

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at December 31	
	2015	2014
Placements	**–**	350,000
Financial assets at fair value through profit or loss	**1,346,362**	1,259,081
Financial assets held under resale agreements	**–**	300,000
Financial assets classified as receivables	**2,267,189**	2,314,567
Property and equipment	**18,000**	18,000
Amounts due from subsidiaries	**282,735**	876,392
Bonds issued	**158,192**	54,949
Other payables	**99,066**	60,079
Payments received in advance	**71,217**	–
Accounts payable	**5,800**	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

68. Related party transactions — continued

(2) Subsidiaries — continued

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

	As at December 31	
	2015	2014
Interest income	**6,999**	78,067
Rental income	**29,384**	30,672
Investment income	**39,371**	40,091
Gains/(losses) on disposal of distressed debt assets	**303,182**	174,005
Gains on disposal of debt assets	**–**	195,054
Fair value changes on other financial assets	**42,127**	62,237
Dividend income	**297,878**	189,054
Commission and fee income	**2,245**	38,057
Business and management fees	**243,761**	210,299

(3) Associates

The Group had the following balances and has entered into the following transactions with its associates. These transactions were carried out in the ordinary course of business.

Group

The Group had the following balances with its associates:

	As at December 31	
	2015	2014
Available-for-sale financial assets	**–**	23,131
Loans and advances to customers	**1,825,924**	368,329
Interest receivable	**23,923**	3,423
Accounts Receivable	**49,500**	–
Prepayment	**171,592**	4,344
Dividend receivable	**3,185**	6,800
Other receivables	**408,862**	369,564
Other payables	**141,765**	4,908

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

68. Related party transactions — continued

(3) Associates — continued

Group — continued

The Group has entered into the following transactions with its associates:

	As at December 31	
	2015	2014
Interest income	**204,986**	30,484
Commission and fee income	**–**	1,038
Dividend income	**213,406**	95,302
Net insurance premiums earned	**11,460**	10,029
Rental income	**60**	100
Interest expense	**67,955**	9,340

Company

The Group has entered into the following transactions with its associates:

	As at December 31	
	2015	2014
Dividend income	**9,950**	70,752

(4) Government related entities

Other than those disclosed above, the Group also entered into transactions with other government related entities. These transactions are entered into under normal commercial terms and conditions. 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

68. Related party transactions — continued

(5) Defined Contribution Plan

Group

The Group has the following transactions with the Defined Contribution Plan set up by the Company:

	Year ended December 31	
	2015	2014
Contribution to Defined Contribution Plan	**233,872**	38,595

Company

The Company has the following transactions with the Defined Contribution Plan:

	Year ended December 31	
	2015	2014
Contribution to Defined Contribution Plan	**44,981**	38,595

(6) During the Reporting Period, the Company did not conduct any connected transactions or continuing connected transactions required to be reported, announced or approved by independent shareholders under Chapter 14A "Connected Transactions" of the Listing Rules.

69. Financial risk management

Overview

The Group's primary objectives of risk management are to ensure (1) the prudent operation and sound business development of the Group; (2) the execution of significant decisions to achieve business targets and ensure operational efficiency; and (3) that risks are managed within a range consistent with our strategies and business targets. Based on this, the Group has designed a series of risk management policies and set up controls to identify, analyze, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews and revises its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The most significant types of risks to the Group are credit risk, market risk and liquidity risk. Market risk includes interest rate risk, currency risk and other price risk.

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

Risk Management Framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk strategy and risk management policies and evaluating the Group's overall risk exposures regularly.

Within this framework, the Group's senior management has overall responsibility for managing all aspects of risks, including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures relating to risk management. The Risk Management Department and other relevant functional units are responsible for monitoring financial risks.

69.1 Credit Risk

(i) Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate advance, commitment or investment of funds. The Group's major credit risks arise from financial assets classified as receivables, loans and advance to customers and other guarantees. There is no significant difference of the credit risk of distressed debt assets classified as receivables and other debt assets. Risk management of distressed assets is detailed in note VI.69.4.

The Group implements the following measures to mitigate credit risk:

- Referencing to external credit rating information to manage the credit quality of counterparty, and selecting counterparty with acceptable credit quality and repayment ability to balance credit risk and return;

- Obtaining effective collateral from counterparty to mitigate risks.

In particular, credit risk relating to investment assets such as debt securities and trust products is managed by selecting counterparty with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and by applying appropriate limits.

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

(ii) Impairment assessment

Credit assets are measured at amortized cost using effective interest rate. The Group reviews the carrying amount of these assets at the end of each reporting period and recognizes impairment losses when there is objective evidence that the assets are impaired. The objective evidences of impairment could include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - — adverse changes in the payment status of borrowers in the portfolio; and
  - — national or local economic conditions that correlate with defaults on the assets in the portfolio.

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

(ii) Impairment assessment — continued

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Financial asset that is individually assessed for impairment and for which an impairment loss is or continues to be recognized is not included in a collective assessment of impairment.

(iii) 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:

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

(iii) Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements — continued

Group

	As at December 31	
	2015	2014
Bank balances	**58,025,506**	43,887,930
Clearing settlement funds	**6,567,709**	5,145,163
Deposits with exchanges and financial institutions	**1,364,230**	918,240
Placements with banks and financial institutions	**300,000**	3,000,000
Financial assets at fair value through profit or loss	**20,808,493**	10,348,285
Financial assets held under resale agreements	**30,982,266**	11,454,214
Available-for-sale financial assets	**35,499,574**	31,647,432
Financial assets classified as receivables	**181,058,288**	180,913,089
Loans and advance to customers	**104,738,490**	80,224,726
Accounts receivables	**3,434,791**	7,022,083
Held-to-maturity investments	**6,703,763**	7,042,523
Other assets	**4,322,047**	3,359,288
Total	**453,805,157**	384,962,973

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

(iii) Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements — continued

Company

	As at December 31	
	2015	2014
Bank balances	**9,638,316**	11,520,985
Placements with banks and financial institutions	**300,000**	2,000,000
Financial assets held under resale agreements	**21,909,260**	8,795,500
Available-for-sale financial assets	**12,281,523**	14,354,107
Financial assets classified as receivables	**174,862,734**	177,893,099
Accounts receivable	**1,234,057**	6,053,629
Amounts due from subsidiaries	**282,735**	876,392
Held-to-maturity investments	**–**	210,000
Other assets	**157,342**	153,899
Total	**220,665,967**	221,857,611

Distressed debt assets designated as at fair value through profit or loss contain certain elements of credit risk. The risks such assets exposed to are detailed in note VI.69.4. The carrying amounts of distressed debt assets designated as at fair value through profit or loss were RMB84,620.66 million and RMB42,302.04 million for the Group and RMB83,264.25 million and RMB42,169.39 million for the Company as at December 31, 2015 and 2014, respectively.

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

(iii) Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements — continued

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is by obtaining guarantee deposits, collateral and/or guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of counterparties. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters. The main types of collateral obtained are land and properties or other assets of the borrowers. The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

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

Group

	As at December 31	
	2015	2014
Distressed debt assets classified as receivables	**169,479,460**	167,464,326
Loans and advances to customers	**108,766,981**	82,014,924
Subtotal	**278,246,441**	249,479,250
Allowance for impairment losses		
Distressed debt assets classified as receivables	**(6,334,588)**	(5,355,398)
Loans and advances to customers	**(4,028,491)**	(1,790,198)
Subtotal	**(10,363,079)**	(7,145,596)
Net carrying amounts		
Distressed debt assets classified as receivables	**163,144,872**	162,108,928
Loans and advances to customers	**104,738,490**	80,224,726
Total	**267,883,362**	242,333,654

Company

	As at December 31	
	2015	2014
Distressed debt assets classified as receivables	**171,189,560**	170,066,543
Allowance for impairment losses	**(6,385,431)**	(5,431,995)
Net carrying amounts	**164,804,129**	164,634,548

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

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

By geographical area

Group

	As at December 31			
	2015		2014	
Area	**Gross amount**	**%**	Gross amount	%
Western Region	**63,532,874**	**22.8**	56,130,984	22.5
Bohai Rim	**58,712,726**	**21.1**	60,154,329	24.1
Central Region	**57,780,355**	**20.8**	44,517,209	17.8
Pearl River Delta	**55,487,812**	**19.9**	43,559,069	17.5
Yangtze River Delta	**25,109,766**	**9.0**	24,454,015	9.8
Northeastern Region	**14,802,399**	**5.3**	17,928,307	7.2
Overseas	**2,820,509**	**1.1**	2,735,337	1.1
Total	**278,246,441**	**100.0**	249,479,250	100.0

Company

	As at December 31			
	2015		2014	
Area	**Gross amount**	**%**	Gross amount	%
Bohai Rim	**39,448,602**	**23.0**	40,631,111	23.9
Central Region	**38,229,894**	**22.3**	28,276,072	16.6
Pearl River Delta	**36,753,676**	**21.5**	35,618,024	20.9
Western Region	**35,429,408**	**20.7**	38,492,062	22.6
Yangtze River Delta	**13,676,294**	**8.0**	16,759,534	9.9
Northeastern Region	**7,651,686**	**4.5**	10,289,740	6.1
Total	**171,189,560**	**100.0**	170,066,543	100.0

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

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

By geographical area — continued

Notes:

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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

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

By industry

Group

	As at December 31			
	2015		2014	
Industry	**Gross amount**	**%**	Gross amount	%
Real estate	**132,140,929**	**47.5**	127,229,829	51.0
Manufacturing	**37,917,169**	**13.6**	31,041,663	12.4
Water, environment and public utilities management	**13,831,812**	**5.0**	12,835,564	5.1
Transportation, logistics and postal services	**11,314,553**	**4.1**	10,128,874	4.1
Mining	**11,009,764**	**4.0**	9,972,818	4.0
Construction	**10,180,001**	**3.7**	10,226,657	4.1
Leasing and commercial services	**7,004,753**	**2.5**	10,921,858	4.4
Others	**54,847,460**	**19.6**	37,121,987	14.9
Total	**278,246,441**	**100.0**	249,479,250	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

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

By industry — continued

Company

	As at December 31			
	2015		2014	
Industry	**Gross amount**	**%**	Gross amount	%
Real estate	**92,820,616**	**54.2**	99,090,956	58.3
Manufacturing	**17,142,248**	**10.0**	14,048,905	8.3
Transportation, logistics and postal services	**6,827,502**	**4.0**	6,560,568	3.9
Construction	**6,204,886**	**3.6**	8,756,934	5.1
Leasing and commercial services	**5,280,277**	**3.1**	9,318,969	5.5
Mining	**4,770,972**	**2.8**	2,714,784	1.6
Water, environment and public utilities management	**3,153,095**	**1.8**	4,019,338	2.4
Others	**34,989,964**	**20.5**	25,556,089	14.9
Total	**171,189,560**	**100.0**	170,066,543	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

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

By contractual maturity and security type

Group

	Gross amount as at December 31, 2015				Gross amount as at December 31, 2014			
	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	**880,684**	**6,500,041**	**922,021**	**8,302,746**	1,856,760	3,229,247	–	5,086,007
Guaranteed	**9,052,253**	**67,077,027**	**3,764,823**	**79,894,103**	3,322,465	65,492,431	2,011,276	70,826,172
Mortgaged	**18,111,397**	**114,283,382**	**3,138,300**	**135,533,079**	14,252,678	106,919,306	2,958,551	124,130,535
Pledged	**17,269,193**	**33,375,767**	**3,871,553**	**54,516,513**	10,765,650	36,172,203	2,498,683	49,436,536
Total	**45,313,527**	**221,236,217**	**11,696,697**	**278,246,441**	30,197,553	211,813,187	7,468,510	249,479,250

Company

	Gross amount as at December 31, 2015				Gross amount as at December 31, 2014			
	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	**–**	**1,135,335**	**–**	**1,135,335**	–	1,775	–	1,775
Guaranteed	**1,689,784**	**44,219,465**	**–**	**45,909,249**	1,380,303	46,923,655	–	48,303,958
Mortgaged	**1,456,401**	**98,128,058**	**–**	**99,584,459**	5,201,095	89,445,728	–	94,646,823
Pledged	**920,275**	**23,640,242**	**–**	**24,560,517**	997,529	26,116,458	–	27,113,987
Total	**4,066,460**	**167,123,100**	**–**	**171,189,560**	7,578,927	162,487,616	–	170,066,543

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

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

Group

	Gross amount as at December 31, 2015					Gross amount as at December 31, 2014				
	Up to 90 days (Including 90 days)	**91 to 360 days (Including 360 days)**	**361 days to 3 years (Including 3 years)**	**Over 3 years**	**Total**	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivables	**1,317,810**	**2,301,345**	**1,190,668**	**284,520**	**5,094,343**	1,356,213	2,107,743	910,500	–	4,374,456
Loans and advances to customers	**1,013,698**	**2,788,190**	**1,642,647**	**124,923**	**5,569,458**	235,224	1,677,266	322,174	–	2,234,664
Total	**2,331,508**	**5,089,535**	**2,833,315**	**409,443**	**10,663,801**	1,591,437	3,785,009	1,232,674	–	6,609,120

Company

	Gross amount as at December 31, 2015					Gross amount as at December 31, 2014				
	Up to 90 days (Including 90 days)	**91 to 360 days (Including 360 days)**	**361 days to 3 years (Including 3 years)**	**Over 3 years**	**Total**	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivables	**1,317,810**	**1,744,256**	**1,206,408**	**284,520**	**4,552,994**	1,356,213	2,107,743	910,500	–	4,374,456

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

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

Group

	As at December 31	
	2015	2014
Neither past due nor impaired	**267,582,640**	242,870,130
Past due but not impaired[(1)]	**3,473,386**	2,841,659
Impaired[(2)]	**7,190,415**	3,767,461
Subtotal	**278,246,441**	249,479,250
Allowance for impairment losses	**(10,363,079)**	(7,145,596)
Net carrying amount	**267,883,362**	242,333,654

Company

	As at December 31	
	2015	2014
Neither past due nor impaired	**166,636,566**	165,692,087
Past due but not impaired[(1)]	**1,512,623**	2,337,347
Impaired[(2)]	**3,040,371**	2,037,109
Subtotal	**171,189,560**	170,066,543
Allowance for impairment losses	**(6,385,431)**	(5,431,995)
Net carrying amount	**164,804,129**	164,634,548

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

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

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

Group

	Gross amount as at December 31, 2015					Gross amount as at December 31, 2014				
	Up to 90 days (Including 90 days)	**91 to 360 days (Including 360 days)**	**361 days to 3 years (Including 3 years)**	**Over 3 years**	**Total**	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivables	**970,840**	**1,096,633**	**2,238**	**–**	**2,069,711**	1,263,415	768,940	304,992	–	2,337,347
Loans and advances to customers	**1,013,698**	**389,099**	**878**	**–**	**1,403,675**	234,721	119,895	149,696	–	504,312
Total	**1,984,538**	**1,485,732**	**3,116**	**–**	**3,473,386**	1,498,136	888,835	454,688	–	2,841,659

Company

	Gross amount as at December 31, 2015					Gross amount as at December 31, 2014				
	Up to 90 days (Including 90 days)	**91 to 360 days (Including 360 days)**	**361 days to 3 years (Including 3 years)**	**Over 3 years**	**Total**	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets classified as receivables	**970,840**	**539,545**	**2,238**	**–**	**1,512,623**	1,263,415	768,940	304,992	–	2,337,347

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

(vi) 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

Group

	As at December 31, 2015			As at December 31, 2014		
	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	**3,024,632**	**(1,285,448)**	**1,739,184**	2,037,109	(506,533)	1,530,576
Loans and advances to customers — Individually assessed	**4,165,783**	**(1,985,674)**	**2,180,109**	1,730,352	(370,761)	1,359,591
Total	**7,190,415**	**(3,271,122)**	**3,919,293**	3,767,461	(877,294)	2,890,167

Company

	As at December 31, 2015			As at December 31, 2014		
	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	**3,040,371**	**(1,285,448)**	**1,754,923**	2,037,109	(506,533)	1,530,576

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

(vi) 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

Group

	As at December 31	
	2015	2014
Distressed debt assets classified as receivables		
Individually assessed and impaired	**3,024,632**	2,037,109
Individually assessed and impaired as a % of total distressed debt assets classified as receivables	**1.8**	1.2
Fair value of collateral	**10,268,008**	1,949,716

	2015	2014
Loans and advances to customers		
Individually assessed and impaired	**4,165,783**	1,730,352
Individually assessed and impaired as a % of total loans and advances to customers	**3.8**	2.1
Fair value of collateral	**2,180,252**	1,131,788

Company

	2015	2014
Distressed debt assets classified as receivables		
Individually assessed and impaired	**3,040,371**	2,037,109
Individually assessed and impaired as a % of total distressed debt assets classified as receivables	**1.8**	1.2
Fair value of collateral	**10,268,008**	1,949,716

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

(vi) 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 by geographical area are analyzed as follows:

Distressed debt assets classified as receivables

Group

	As at December 31			
	2015		2014	
Area	**Gross amount**	**%**	Gross amount	%
Western Region	**1,017,193**	**33.6**	1,147,818	56.3
Yangtze River Delta	**722,529**	**23.9**	126,711	6.2
Central Region	**432,861**	**14.3**	222,877	11.0
Pearl River Delta	**425,849**	**14.1**	–	–
Bohai Rim	**347,759**	**11.5**	393,980	19.3
Northeastern Region	**78,441**	**2.6**	145,723	7.2
Total	**3,024,632**	**100.0**	2,037,109	100.0

Company

	As at December 31			
	2015		2014	
Area	**Gross amount**	**%**	Gross amount	%
Western Region	**1,017,193**	**33.5**	1,147,818	56.3
Yangtze River Delta	**738,268**	**24.3**	126,711	6.2
Central Region	**432,861**	**14.2**	222,877	11.0
Pearl River Delta	**425,849**	**14.0**	–	–
Bohai Rim	**347,759**	**11.4**	393,980	19.3
Northeastern Region	**78,441**	**2.6**	145,723	7.2
Total	**3,040,371**	**100.0**	2,037,109	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

(vi) 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

Loans and advances to customers

Group

	As at December 31			
	2015		2014	
Area	**Gross amount**	**%**	Gross amount	%
Western Region	**2,046,533**	**49.1**	246,533	14.2
Central Region	**966,291**	**23.2**	1,100,200	63.6
Northeastern Region	**509,103**	**12.2**	173	–
Bohai Rim	**280,364**	**6.7**	143,641	8.4
Yangtze River Delta	**191,695**	**4.6**	239,311	13.8
Pearl River Delta	**171,797**	**4.2**	494	–
Total	**4,165,783**	**100.0**	1,730,352	100.0

(3) Debt restructuring

As at December 31, 2015, the Group's balances of negotiated distressed debt assets classified as receivables are RMB3,654 million (December 31, 2014: nil).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

(vii) Credit quality of investment products

The tables below set forth the credit quality of investment products, including debt securities, wealth management products and trust products.

Group

	As at December 31	
	2015	2014
Neither past due nor impaired[(1)]	**78,389,002**	**67,402,909**
Past due but not impaired[(2)]	**–**	**–**
Impaired[(3)]	**3,373,303**	**1,182,216**
Subtotal	**81,762,305**	**68,585,125**
Allowance for impairment losses	**(837,059)**	**(676,700)**
Net carrying amounts	**80,925,246**	**67,908,425**

Company

	As at December 31	
	2015	2014
Neither past due nor impaired[(1)]	**22,340,128**	27,822,658
Allowance for impairment losses	**–**	–
Net carrying amounts	**22,340,128**	27,822,658

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

(vii) Credit quality of investment products — continued

(1) Investment products neither past due nor impaired

Group

	As at December 31, 2015					As at December 31, 2014				
	Financial assets at fair value through profit or loss	**Available-for-sale financial assets**	**Held-to-maturity investments**	**Financial assets classified as receivables**	**Total**	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Government bonds	**149,604**	**80,627**	**117,700**	**–**	**347,931**	38,691	76,889	–	117,700	233,280
Public sector and quasi-government bonds	**2,019,729**	**4,617,214**	**4,204,904**	**–**	**10,841,847**	932,062	3,956,771	4,244,173	–	9,133,006
Financial institution bonds	**–**	**1,566,626**	**1,371,585**	**–**	**2,938,211**	698,301	1,639,576	2,011,790	–	4,349,667
Corporate bonds	**12,504,036**	**3,824,121**	**1,009,574**	**–**	**17,337,731**	6,140,307	5,111,992	786,560	–	12,038,859
Trust products and rights to trust assets	**–**	**8,423,297**	**–**	**3,640,485**	**12,063,782**	–	2,609,166	–	3,443,958	6,053,124
Wealth management products	**5,882,728**	**1,702,930**	**–**	**–**	**7,585,658**	2,521,569	1,238,116	–	–	3,759,685
Debt instruments issued by financial institutions	**–**	**3,840,322**	**–**	**–**	**3,840,322**	–	13,002,708	–	–	13,002,708
Asset management plans	**–**	**8,507,045**	**–**	**3,985,500**	**12,492,545**	–	2,608,289	–	1,806,000	4,414,289
Asset backed securities	**–**	**629,974**	**–**	**–**	**629,974**	–	605,156	–	–	605,156
Structured debt arrangements	**–**	**–**	**–**	**10,058,605**	**10,058,605**	–	–	–	13,258,551	13,258,551
Others	**252,396**	**–**	**–**	**–**	**252,396**	17,355	537,229	–	–	554,584
Total	**20,808,493**	**33,192,156**	**6,703,763**	**17,684,590**	**78,389,002**	10,348,285	31,385,892	7,042,523	18,626,209	67,402,909

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

(vii) Credit quality of investment products — continued

(1) Investment products neither past due nor impaired — continued

Company

	As at December 31, 2015					As at December 31, 2014				
	Financial assets at fair value through profit or loss	**Available-for-sale financial assets**	**Held-to-maturity investments**	**Financial assets classified as receivables**	**Total**	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Trust plans and rights to trust assets	–	4,752,445	–	–	4,752,445	–	–	–	–	–
Public sector and quasi-government bonds	–	1,381,299	–	–	1,381,299	–	–	–	–	–
Financial institution bonds	–	100,809	–	–	100,809	–	–	210,000	–	210,000
Debt instruments issued by financial institutions	–	3,840,322	–	–	3,840,322	–	13,002,708	–	–	13,002,708
Asset management plans	–	1,600,674	–	–	1,600,674	–	740,697	–	–	740,697
Structured debt arrangements	–	–	–	10,058,605	10,058,605	–	–	–	13,258,551	13,258,551
Asset backed securities	–	605,974	–	–	605,974	–	571,156	–	–	571,156
Others	–	–	–	–	–	–	39,546	–	–	39,546
Total	–	12,281,523	–	10,058,605	22,340,128	–	14,354,107	210,000	13,258,551	27,822,658

(2) Financial assets classified as receivables past due but not impaired

Investment products past due but not impaired of the Group is amounted to nil at December 31, 2015 and December 31, 2014.

(3) Impaired investment products

The impaired investment products for the Group were corporate bonds and trust products with gross amounts of RMB3,373.30 million and RMB1,182.22 million as at December 31, 2015 and December 31, 2014. The Group made allowances for impairment loss of RMB837.06 million and RMB676.70 million as at December 31, 2015 and December 31, 2014, respectively.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

(viii) Investment products analyzed by credit rating from reputable rating agencies

Group

	As at December 31, 2015						As at December 31, 2014					
	AAA	**AA**	**A**	**Below A**	**Unrated**	**Total**	AAA	AA	A	Below A	Unrated	Total
Government bonds	**117,700**	**29,313**	**–**	**–**	**200,918**	**347,931**	–	–	–	–	233,280	233,280
Public sector and quasi-government bonds	**8,591,099**	**910,541**	**–**	**–**	**1,340,208**	**10,841,848**	1,102,571	–	–	–	8,030,435	9,133,006
Financial institution bonds	**2,837,401**	**–**	**–**	**–**	**100,810**	**2,938,211**	3,231,190	1,118,477	–	–	–	4,349,667
Corporate bonds	**5,195,299**	**9,046,323**	**80,465**	**1,194,902**	**1,838,574**	**17,355,563**	3,766,936	7,519,339	–	384,787	367,797	12,038,859
Trust products and rights to trust assets	**1,400,000**	**5,856,700**	**–**	**–**	**7,325,493**	**14,582,193**	–	800,000	–	–	5,758,640	6,558,640
Wealth management products	**–**	**–**	**–**	**–**	**7,585,658**	**7,585,658**	–	–	–	–	3,759,685	3,759,685
Debt instruments issued by financial institutions	**–**	**–**	**–**	**–**	**3,840,322**	**3,840,322**	–	–	–	–	13,002,708	13,002,708
Asset management plans	**–**	**6,903,336**	**–**	**–**	**5,589,209**	**12,492,545**	–	–	–	–	4,414,289	4,414,289
Asset backed securities	**–**	**–**	**–**	**–**	**629,974**	**629,974**	171,156	10,000	–	–	424,000	605,156
Structured debt arrangements	**–**	**–**	**–**	**–**	**10,058,605**	**10,058,605**	–	–	–	–	13,258,551	13,258,551
Others	**–**	**–**	**–**	**–**	**252,396**	**252,396**	–	–	–	–	554,584	554,584
Total	**18,141,499**	**22,746,213**	**80,465**	**1,194,902**	**38,762,167**	**80,925,246**	8,271,853	9,447,816	–	384,787	49,803,969	67,908,425

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.1 Credit Risk — continued

(viii) Investment products analyzed by credit rating from reputable rating agencies — continued

Company

	As at December 31, 2015						As at December 31, 2014					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Public sector and quasi-government bonds	41,091	–	–	–	1,340,208	1,381,299	–	–	–	–	–	–
Trust products and rights to trust assets	–	–	–	–	4,752,445	4,752,445	–	–	–	–	–	–
Financial institution bonds	–	–	–	–	100,809	100,809	–	210,000	–	–	–	210,000
Debt instruments issued by financial institutions	–	–	–	–	3,840,322	3,840,322	–	–	–	–	13,002,708	13,002,708
Structured debt arrangements	–	–	–	–	10,058,605	10,058,605	–	–	–	–	13,258,551	13,258,551
Asset management plans	–	–	–	–	1,600,674	1,600,674	–	–	–	–	740,697	740,697
Asset Backed Securities	–	–	–	–	605,974	605,974	171,156	–	–	–	400,000	571,156
Others	–	–	–	–	–	–	–	–	–	–	39,546	39,546
Total	41,091	–	–	–	22,299,037	22,340,128	171,156	210,000	–	–	27,441,502	27,822,658

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.2 Market risk

Market risk is the risk of loss, in respect of the Group's on- and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities.

The risk of fair value and cash flow changes due to interest rate changes is mainly related to the Group's fixed rate and floating rate financial instruments.

The Group manages its interest rate risk by:

- minimizing the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities;

- strictly controlling the length of the debt restructuring term and strengthening the matching of the Group's liabilities with the terms and interest rate structure of the restructured distressed assets; and

- regularly performing quantitative analysis, including periodic sensitivity analysis.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.2 Market risk — continued

Interest rate risk — continued

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

<u>Group</u>

	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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.2 Market risk — continued

Interest rate risk — continued

Group — continued

	As at December 31, 2014						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	37,379,119	1,331,663	2,395,148	2,782,000	–	3,319	43,891,249
Clearing settlement funds	5,145,163	–	–	–	–	–	5,145,163
Deposits with exchanges and financial institutions	337,263	–	–	–	–	580,977	918,240
Placements with banks and financial institutions	3,000,000	–	–	–	–	–	3,000,000
Financial assets at fair value through profit or loss	994,002	437,868	1,108,713	2,378,467	4,814,142	47,487,329	57,220,521
Financial assets held under resale agreements	10,590,587	284,260	422,404	156,963	–	–	11,454,214
Available-for-sale financial assets	229,150	13,703,581	2,052,248	9,886,770	4,713,178	55,209,627	85,794,554
Financial assets classified as receivables	10,450,487	11,972,651	65,349,832	92,390,119	750,000	–	180,913,089
Loans and advances to customers	37,218,381	1,496,755	12,613,827	28,895,763	–	–	80,224,726
Accounts receivable	1,024,892	–	2,543,133	1,407,443	–	2,046,615	7,022,083
Held-to-maturity investments	30,001	–	236,371	1,790,671	4,985,480	–	7,042,523
Other financial assets	269,467	33,139	56,904	1,279,409	–	1,979,879	3,618,798
Total financial assets	106,668,512	29,259,917	86,778,580	140,967,605	15,262,800	107,307,746	486,245,160
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Accounts payable to brokerage clients	(10,075,472)	–	–	–	–	(1,587,862)	(11,663,334)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(37,005)	(37,005)
Financial assets sold under repurchase agreements	(4,252,349)	(965,000)	(3,012,300)	(1,710,000)	–	–	(9,939,649)
Placements from banks and financial institutions	–	(11,077,000)	(750,000)	–	–	–	(11,827,000)
Borrowings	(2,537,447)	(44,703,468)	(130,839,804)	(85,001,542)	(370,150)	–	(263,452,411)
Accounts payable	–	–	(9,710,682)	–	–	(4,180,495)	(13,891,177)
Investment contract liabilities for policyholders	(6,251,226)	–	–	–	–	–	(6,251,226)
Bonds issued	–	–	(11,967,394)	(26,530,678)	(4,426,724)	(770,056)	(43,694,852)
Other financial liabilities	–	–	–	–	–	(33,346,340)	(33,346,340)
Total financial liabilities	(23,116,494)	(56,745,468)	(156,280,180)	(113,242,220)	(4,796,874)	(40,907,816)	(395,089,052)
Interest rate gap	83,552,018	(27,485,551)	(69,501,600)	27,725,385	10,465,926	66,399,930	91,156,108

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.2 Market risk — continued

Interest rate risk — continued

Company

	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	7,236,300	2,122,016	280,000	–	–	544	9,638,860
Placements with banks and financial institutions	300,000	–	–	–	–	–	300,000
Financial assets at fair value through profit or loss	–	–	–	–	–	84,015,602	84,015,602
Financial assets held under resale agreements	21,909,260	–	–	–	–	–	21,909,260
Available-for-sale financial assets	3,840,322	–	–	2,479,867	774,088	54,603,249	61,697,526
Financial assets classified as receivables	10,190,795	18,749,480	57,419,194	88,450,400	52,865	–	174,862,734
Accounts receivable	239,211	–	653,735	214,440	–	126,671	1,234,057
Amounts due from subsidiaries	13,667	–	20,000	62,285	–	186,783	282,735
Other financial assets	–	–	–	–	–	157,342	157,342
Total financial assets	43,729,555	20,871,496	58,372,929	91,206,992	826,953	139,090,191	354,098,116
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(3,607,386)	(3,607,386)
Borrowings	(7,000,000)	(18,567,000)	(128,909,500)	(91,363,000)	–	–	(245,839,500)
Accounts payable	–	–	–	–	–	(1,281,877)	(1,281,877)
Bonds issued	–	–	–	(50,746,340)	(9,934,170)	(1,353,982)	(62,034,492)
Other financial liabilities	–	–	–	–	–	(1,220,705)	(1,220,705)
Total financial liabilities	(7,000,000)	(18,567,000)	(128,909,500)	(142,109,340)	(9,934,170)	(8,450,008)	(314,970,018)
Interest rate gap	36,729,555	2,304,496	(70,536,571)	(50,902,348)	(9,107,217)	130,640,183	39,128,098

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.2 Market risk — continued

Interest rate risk — continued

Company — continued

	As at December 31, 2014						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	10,704,423	216,562	600,000	–	–	745	11,521,730
Placements with banks and financial institutions	1,800,000	200,000	–	–	–	–	2,000,000
Financial assets at fair value through profit or loss	–	–	–	–	–	42,837,267	42,837,267
Financial assets held under resale agreements	8,795,500	–	–	–	–	–	8,795,500
Available-for-sale financial assets	39,546	13,002,708	–	671,156	–	44,283,180	57,996,590
Financial assets classified as receivables	10,206,511	11,799,405	65,685,248	90,201,935	–	–	177,893,099
Accounts receivable	774,040	–	2,543,133	1,407,443	–	1,329,013	6,053,629
Amounts due from subsidiaries	386,961	–	102,739	–	–	386,692	876,392
Held-to-maturity investments	–	–	–	–	210,000	–	210,000
Other financial assets	–	–	–	–	–	153,899	153,899
Total financial assets	32,706,981	25,218,675	68,931,120	92,280,534	210,000	88,990,796	308,338,106
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(431,742)	(431,742)
Placement from a bank	–	(10,000,000)	–	–	–	–	(10,000,000)
Borrowings	–	(39,767,000)	(103,900,000)	(68,828,000)	–	–	(212,495,000)
Accounts payable	–	–	(9,710,682)	–	–	(450,000)	(10,160,682)
Bonds issued	–	–	(9,968,817)	(19,879,042)	–	(697,068)	(30,544,927)
Other financial liabilities	–	–	–	–	–	(811,923)	(811,923)
Total financial liabilities	–	(49,767,000)	(123,579,499)	(88,707,042)	–	(3,376,791)	(265,430,332)
Interest rate gap	32,706,981	(24,548,325)	(54,648,379)	3,573,492	210,000	85,614,005	42,907,774

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in the yield rates of all financial instruments on the Group's profit before tax and other comprehensive income, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of each reporting period.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.2 Market risk — continued

Interest rate risk — continued

Interest rate sensitivity analysis

Group

	As at December 31			
	2015		2014	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
+ 100 basis points	**507,606**	**(434,880)**	310,903	(564,045)
- 100 basis points	**(507,606)**	**465,749**	(310,903)	611,240

Company

	As at December 31			
	2015		2014	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
+ 100 basis points	**111,015**	**(79,425)**	(96,059)	–
- 100 basis points	**(111,015)**	**85,247**	96,059	–

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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.2 Market risk — continued

Foreign exchange risk — continued

At the end of each reporting period, a breakdown of the assets and liabilities analyzed by currency is as follows:

Group

	As at December 31, 2015				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and bank balances	48,125,683	7,940,034	2,003,908	345	58,069,970
Clearing settlement funds	6,498,592	43,564	25,553	–	6,567,709
Deposits with exchanges and financial institutions	1,351,247	1,753	11,230	–	1,364,230
Placements with banks and financial institutions	300,000	–	–	–	300,000
Financial assets at fair value through profit or loss	116,142,414	–	1,145,022	–	117,287,436
Financial assets held under resale agreements	30,982,266	–	–	–	30,982,266
Available-for-sale financial assets	109,432,667	8,063,843	3,107,796	–	120,604,306
Financial assets classified as receivables	181,058,288	–	–	–	181,058,288
Loans and advances to customers	102,558,662	919,127	1,166,094	94,607	104,738,490
Accounts receivable	3,179,558	3,487	251,602	144	3,434,791
Held-to-maturity investments	6,703,763	–	–	–	6,703,763
Other financial assets	4,369,298	286,460	157,538	4,618	4,817,914
Total financial assets	610,702,438	17,258,268	7,868,743	99,714	635,929,163
Borrowings from central bank	(986,058)	–	–	–	(986,058)
Accounts payable to brokerage clients	(21,533,145)	(36)	–	–	(21,533,181)
Financial liabilities at fair value through profit or loss	(2,779,923)	–	–	–	(2,779,923)
Financial assets sold under repurchase agreements	(10,949,445)	–	–	–	(10,949,445)
Placements from banks and financial institutions	(1,807,000)	–	–	–	(1,807,000)
Borrowings	(312,868,660)	(2,501,777)	(1,605,605)	(94,608)	(317,070,650)
Accounts payable	(4,853,064)	–	(117,711)	–	(4,970,775)
Investment contract liabilities for policyholders	(20,057,746)	–	–	–	(20,057,746)
Bonds issued	(79,255,982)	(32,517,390)	–	–	(111,773,372)
Other financial liabilities	(55,391,628)	(268,755)	(3,928)	(487)	(55,664,798)
Total financial liabilities	(510,482,651)	(35,287,958)	(1,727,244)	(95,095)	(547,592,948)
Net exposure	100,219,787	(18,029,690)	6,141,499	4,619	88,336,215

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.2 Market risk — continued

Foreign exchange risk — continued

Group — continued

	As at December 31, 2014				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and bank balances	37,653,046	5,504,755	733,105	343	43,891,249
Clearing settlement funds	5,077,084	33,253	34,826	–	5,145,163
Deposits with exchanges and financial institutions	911,682	1,183	5,375	–	918,240
Placements with banks and financial institutions	3,000,000	–	–	–	3,000,000
Financial assets at fair value through profit or loss	56,167,313	265,037	788,171	–	57,220,521
Financial assets held under resale agreements	11,454,214	–	–	–	11,454,214
Available-for-sale financial assets	83,448,372	1,114,883	1,231,299	–	85,794,554
Financial assets classified as receivables	180,913,089	–	–	–	180,913,089
Loans and advances to customers	75,998,235	1,755,267	2,471,224	–	80,224,726
Accounts receivable	6,818,562	8,106	195,388	27	7,022,083
Held-to-maturity investments	7,042,523	–	–	–	7,042,523
Other financial assets	3,506,291	43,923	68,584	–	3,618,798
Total financial assets	471,990,411	8,726,407	5,527,972	370	486,245,160
Borrowings from central bank	(986,058)	–	–	–	(986,058)
Accounts payable to brokerage clients	(11,553,059)	(71,662)	(38,613)	–	(11,663,334)
Financial liabilities at fair value through profit or loss	(37,005)	–	–	–	(37,005)
Financial assets sold under repurchase agreements	(9,939,649)	–	–	–	(9,939,649)
Placements from banks and financial institutions	(11,827,000)	–	–	–	(11,827,000)
Borrowings	(260,749,787)	(2,044,390)	(658,234)	–	(263,452,411)
Accounts payable	(13,584,831)	–	(306,346)	–	(13,891,177)
Investment contract liabilities for policyholders	(6,251,226)	–	–	–	(6,251,226)
Bonds issued	(33,101,020)	(10,533,183)	(60,649)	–	(43,694,852)
Other financial liabilities	(33,325,790)	(10,592)	(9,804)	(154)	(33,346,340)
Total financial liabilities	(381,355,425)	(12,659,827)	(1,073,646)	(154)	(395,089,052)
Net exposure	90,634,986	(3,933,420)	4,454,326	216	91,156,108

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.2 Market risk — continued

Foreign exchange risk — continued

Group — continued

Foreign exchange rate sensitivity analysis

The tables below indicate the potential effect on profit before tax of a 5% appreciation or depreciation of RMB spot and forward exchange rate against all other currencies.

Group

	As at December 31	
	2015	2014
5% appreciation	**594,179**	(26,056)
5% depreciation	**(594,179)**	26,056

As the Company's operations are mainly denominated in RMB, directors of the Company are of the view that the Company's foreign exchange risk is insignificant and therefore do not present such analysis.

Price risk

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.

The price risk of these financial assets may arise due to change in market price. This change may be caused by the factors relating to the financial instrument itself or the issuer, and it also may be caused by market factors.

The following tables illustrate the potential impact of an increase or decrease of 1 percent in price of financial assets at fair value through profit or loss and available-for-sale financial assets measured at fair value on the Group's and the Company's profit before tax and equity.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.2 Market risk — continued

Price risk — continued

Group

	As at December 31			
	2015		2014	
	Profit before tax	**Equity**	Profit before tax	Equity
+1 percent	**1,172,874**	**1,945,857**	572,205	1,000,465
-1 percent	**(1,172,874)**	**(1,945,857)**	(572,205)	(1,000,465)

Company

	As at December 31			
	2015		2014	
	Profit before tax	**Equity**	Profit before tax	Equity
+1 percent	**840,156**	**1,161,544**	428,373	633,817
-1 percent	**(840,156)**	**(1,161,544)**	(428,373)	(633,817)

69.3 Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk by:

- optimizing assets and liabilities structure;
- implementing a centralized liquidity management system by pooling Group-wide funds and maintaining an efficient internal fund transfer mechanism within the Group; and
- regularly performing quantitative analysis.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.3 Liquidity risk — continued

The tables below present the cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturity at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

Group

	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	2,839,395	5,448,278	2,101,294	1,995,625	–	58,298,551
Clearing settlement funds	–	6,578,041	–	–	–	–	–	6,578,041
Deposits with exchanges and financial institutions	1,364,230	–	–	–	–	–	–	1,364,230
Placements with banks and financial institutions	–	–	300,070	–	–	–	–	300,070
Financial assets at fair value through profit or loss	94,225,214	7,634,647	943,135	1,010,644	2,328,158	7,957,505	7,228,970	121,328,273
Financial assets held under resale agreements	–	–	25,650,701	192,251	897,176	5,698,174	–	32,438,302
Available-for-sale financial assets	98,181,896	2,091,596	5,752,876	156,329	1,324,535	13,909,105	5,425,194	126,841,531
Financial assets classified as receivables	6,287,418	–	8,355,576	23,239,503	87,097,058	97,392,045	3,222,011	225,593,611
Loans and advances to customers	3,023,939	–	1,778,956	6,072,331	36,157,203	76,030,450	2,276,617	125,339,496
Accounts receivable	2,164,183	492,908	–	47,000	730,628	227,628	–	3,662,347
Held-to-maturity investments	–	–	–	270,802	449,298	2,749,219	6,334,376	9,803,695
Other financial assets	–	161,026	211,527	32,375	747,201	1,234,173	–	2,386,302
Total financial assets	205,246,880	62,872,177	45,832,236	36,469,513	131,832,551	207,193,924	24,487,168	713,934,449

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.3 Liquidity risk — continued

Group — continued

	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
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	–	–	(6,917,892)	(320,215)	(4,113,530)	–	–	(11,351,637)
Placements from banks and financial institutions	–	–	(230,122)	(1,613,357)	–	–	–	(1,843,479)
Borrowings	–	–	(14,351,333)	(35,114,637)	(172,426,121)	(119,833,586)	(363,136)	(342,088,813)
Accounts payable	(1,198,227)	(2,761,405)	–	(89,649)	(327,806)	(593,688)	–	(4,970,775)
Investment contract liabilities for policy holders	–	–	(1,019,285)	(1,301,232)	(2,940,543)	(13,069,719)	(2,134,132)	(20,464,911)
Bonds issued	–	–	–	–	(3,205,424)	(86,853,961)	(47,066,800)	(137,126,185)
Other financial liabilities	(2,691,749)	(7,628,188)	(34,222)	(3,636)	(1,855,381)	(4,853,646)	(37,174,751)	(54,241,573)
Total financial liabilities	(4,876,034)	(31,922,774)	(22,552,854)	(38,442,726)	(184,868,805)	(227,984,523)	(86,738,819)	(597,386,535)
Net position	200,370,846	30,949,403	23,279,382	(1,973,213)	(53,036,254)	(20,790,599)	(62,251,651)	116,547,914

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.3 Liquidity risk — continued

Group — continued

	As at December 31, 2014							
	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	–	28,217,570	9,201,889	1,413,727	2,538,559	3,143,410	–	44,515,155
Clearing settlement funds	–	5,147,586	–	–	–	–	–	5,147,586
Deposits with exchanges and financial institutions	918,407	–	–	–	–	–	–	918,407
Placements with banks and financial institutions	–	–	3,011,336	–	–	–	–	3,011,336
Financial assets at fair value through profit or loss	47,577,654	900,000	897,135	87,371	570,356	3,886,433	5,761,415	59,680,364
Financial assets held under resale agreements	–	–	10,894,385	317,905	457,452	180,042	–	11,849,784
Available-for-sale financial assets	54,051,617	3,649,031	136,120	14,004,924	1,115,409	13,634,650	6,861,184	93,452,935
Financial assets classified as receivables	4,684,456	–	6,672,433	12,369,963	73,706,690	119,617,002	899,990	217,950,534
Loans and advances to customers	1,523,380	160,172	1,290,436	4,166,755	25,227,686	58,362,346	1,601,500	92,332,275
Accounts receivable	1,282,272	1,618,283	250,852	346	2,650,163	1,575,755	–	7,377,671
Held-to-maturity investments	–	–	38,442	72,124	480,635	2,973,407	6,952,112	10,516,720
Other financial assets	–	153,406	126,599	33,564	108,785	1,450,991	–	1,873,345
Total financial assets	110,037,786	39,846,048	32,519,627	32,466,679	106,855,735	204,824,036	22,076,201	548,626,112

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.3 Liquidity risk — continued

Group — continued

	As at December 31, 2014							
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(11,664,610)	–	–	–	–	–	(11,664,610)
Financial liabilities at fair value through profit or loss	–	–	(271)	–	(33,123)	(3,611)	–	(37,005)
Financial assets sold under repurchase agreements	–	–	(4,259,874)	(906,272)	(3,220,072)	(1,977,997)	–	(10,364,215)
Placements from banks and financial institutions	–	–	(1,329)	(10,088,590)	(1,827,000)	–	–	(11,916,919)
Borrowings	–	–	(3,814,625)	(18,036,728)	(145,428,091)	(118,713,876)	(404,261)	(286,397,581)
Accounts payable	(461,629)	(3,407,070)	(310,570)	–	(215,476)	(9,713,673)	–	(14,108,418)
Investment contract liabilities for policy holders	(372)	(118,950)	(23,024)	(46,308)	(210,357)	(1,208,536)	(8,125,953)	(9,733,500)
Bonds issued	–	–	–	–	(8,554,665)	(35,685,765)	(4,684,428)	(48,924,858)
Other financial liabilities	(243,773)	(1,104,651)	–	(8,329)	(632)	–	(30,875,901)	(32,233,286)
Total financial liabilities	(1,691,832)	(16,295,281)	(8,409,693)	(29,086,227)	(159,489,416)	(167,303,458)	(44,090,543)	(426,366,450)
Net position	108,345,954	23,550,767	24,109,934	3,380,452	(52,633,681)	37,520,578	(22,014,342)	122,259,662

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.3 Liquidity risk — continued

Company

	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	–	7,236,844	–	2,141,331	284,654	–	–	9,662,829
Placements with banks and financial institutions	–	–	300,070	–	–	–	–	300,070
Financial assets at fair value through profit or loss	84,015,602	–	–	–	–	–	–	84,015,602
Financial assets held under resale agreements	–	–	22,428,347	–	–	–	–	22,428,347
Available-for-sale financial assets	55,848,801	–	3,850,000	–	200,000	3,227,585	1,034,491	64,160,877
Financial assets classified as receivables	4,437,621	–	8,135,899	23,549,563	85,262,953	95,632,062	62,011	217,080,109
Accounts receivable	96,163	268,632	–	47,000	730,628	227,628	–	1,370,051
Amounts due from subsidiaries	–	200,450	–	–	20,000	62,285	–	282,735
Other financial assets	–	–	–	5,000	51,000	–	–	56,000
Total financial assets	144,398,187	7,705,926	34,714,316	25,742,894	86,549,235	99,149,560	1,096,502	399,356,620
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(3,607,386)	–	(3,607,386)
Borrowings	–	–	(8,108,710)	(20,545,882)	(135,646,940)	(99,687,194)	–	(263,988,726)
Accounts payable	(867,228)	–	–	(89,649)	(325,000)	–	–	(1,281,877)
Bonds issued	–	–	–	–	(2,807,500)	(58,477,500)	(12,300,000)	(73,585,000)
Other financial liabilities	–	(62,201)	–	–	–	–	–	(62,201)
Total financial liabilities	(1,853,286)	(62,201)	(8,108,710)	(20,635,531)	(138,779,440)	(161,772,080)	(12,300,000)	(343,511,248)
Net position	142,544,901	7,643,725	26,605,606	5,107,363	(52,230,205)	(62,622,520)	(11,203,498)	55,845,372

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.3 Liquidity risk — continued

Company — continued

	As at December 31, 2014							
	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	–	8,705,168	2,007,808	218,124	619,800	–	–	11,550,900
Placements with banks and financial institutions	–	–	1,811,194	202,300	–	–	–	2,013,494
Financial assets at fair value through profit or loss	42,837,267	–	–	–	–	–	–	42,837,267
Financial assets held under resale agreements	–	–	8,822,921	–	–	–	–	8,822,921
Available-for-sale financial assets	45,804,767	–	40,000	13,775,161	146,000	598,853	–	60,364,781
Financial assets classified as receivables	4,374,456	–	6,672,433	12,283,332	73,620,734	114,151,193	–	211,102,148
Accounts receivable	1,154,209	1,028,956	–	346	2,649,952	1,575,755	–	6,409,218
Amounts due from subsidiaries	–	423,653	350,000	–	102,739	–	–	876,392
Held-to-maturity investments	–	–	–	–	11,760	47,040	221,760	280,560
Other financial assets	–	–	–	–	50,000	–	–	50,000
Total financial assets	94,170,699	10,157,777	19,704,356	26,479,263	77,200,985	116,372,841	221,760	344,307,681
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(431,742)	–	(431,742)
Placement from a bank	–	–	–	(10,087,500)	–	–	–	(10,087,500)
Borrowings	–	–	(1,110,723)	(10,778,834)	(117,262,686)	(101,788,127)	–	(230,940,370)
Accounts payable	(450,000)	–	–	–	(214,375)	(9,713,546)	–	(10,377,921)
Bonds issued	–	–	–	–	(6,505,000)	(28,645,000)	–	(35,150,000)
Other financial liabilities	–	(61,234)	–	–	–	–	–	(61,234)
Total financial liabilities	(1,436,058)	(61,234)	(1,110,723)	(20,866,334)	(123,982,061)	(140,578,415)	–	(288,034,825)
Net position	92,734,641	10,096,543	18,593,633	5,612,929	(46,781,076)	(24,205,574)	221,760	56,272,856

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.3 Liquidity risk — continued

Analysis of the remaining maturity of the financial assets and financial liabilities

Group

	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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.3 Liquidity risk — continued

Group — continued

	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
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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.3 Liquidity risk — continued

Group — continued

	As at December 31, 2014							
	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	–	28,216,737	9,174,802	1,322,562	2,395,148	2,782,000	–	43,891,249
Clearing settlement funds	–	5,145,163	–	–	–	–	–	5,145,163
Deposits with exchanges and financial institutions	918,240	–	–	–	–	–	–	918,240
Placements with banks and financial institutions	–	–	3,000,000	–	–	–	–	3,000,000
Financial assets at fair value through profit or loss	47,577,654	900,000	883,478	–	209,349	2,440,162	5,209,878	57,220,521
Financial assets held under resale agreements	–	–	10,590,587	284,260	422,404	156,963	–	11,454,214
Available-for-sale financial assets	51,275,828	2,740,103	87,996	13,816,022	534,082	11,827,581	5,512,942	85,794,554
Financial assets classified as receivables	4,002,341	–	6,448,146	11,852,651	65,349,832	92,510,119	750,000	180,913,089
Loans and advances to customers	1,292,527	160,172	1,091,013	3,425,405	20,845,373	52,007,932	1,402,304	80,224,726
Accounts receivable	1,202,160	1,618,283	250,852	–	2,543,345	1,407,443	–	7,022,083
Held-to-maturity investments	–	–	30,001	–	236,371	1,790,671	4,985,480	7,042,523
Other financial assets	68,190	344,066	556,345	520,573	672,476	1,457,148	–	3,618,798
Total financial assets	106,336,940	39,124,524	32,113,220	31,221,473	93,208,380	166,380,019	17,860,604	486,245,160

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.3 Liquidity risk — continued

Group — continued

	As at December 31, 2014							
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(11,663,334)	–	–	–	–	–	(11,663,334)
Financial liabilities at fair value through profit or loss	–	–	(271)	–	(33,123)	(3,611)	–	(37,005)
Financial assets sold under repurchase agreements	–	–	(4,252,349)	(880,000)	(3,055,800)	(1,751,500)	–	(9,939,649)
Placements from banks and financial institutions	–	–	–	(10,000,000)	(1,827,000)	–	–	(11,827,000)
Borrowings	–	–	(2,546,096)	(14,727,594)	(136,577,684)	(109,230,887)	(370,150)	(263,452,411)
Accounts payable	(461,629)	(3,407,070)	(310,570)	–	(159,066)	(9,552,842)	–	(13,891,177)
Investment contract liabilities for policyholders	(372)	(118,950)	–	–	–	–	(6,131,904)	(6,251,226)
Bonds issued	–	–	–	(588)	(7,757,580)	(31,509,961)	(4,426,723)	(43,694,852)
Other financial liabilities	(243,773)	(1,287,511)	(9,575)	(518,576)	(181,237)	(229,767)	(30,875,901)	(33,346,340)
Total financial liabilities	(1,691,832)	(16,476,865)	(7,118,861)	(26,126,758)	(149,591,490)	(152,278,568)	(41,804,678)	(395,089,052)
Net position	104,645,108	22,647,659	24,994,359	5,094,715	(56,383,110)	14,101,451	(23,944,074)	91,156,108

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.3 Liquidity risk — continued

<u>Company</u>

	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	–	7,236,844	–	2,122,016	280,000	–	–	9,638,860
Placements with banks and financial institutions	–	–	300,000	–	–	–	–	300,000
Financial assets at fair value through profit or loss	84,015,602	–	–	–	–	–	–	84,015,602
Financial assets held under resale agreements	–	–	21,909,260	–	–	–	–	21,909,260
Available-for-sale financial assets	54,168,449	–	3,840,322	–	200,000	2,714,667	774,088	61,697,526
Financial assets classified as receivables	3,828,904	–	6,361,892	18,749,480	57,419,194	88,450,399	52,865	174,862,734
Accounts receivable	50,249	255,132	–	47,000	667,235	214,441	–	1,234,057
Amounts due from subsidiaries		200,450	–	–	20,000	62,285	–	282,735
Other financial assets	9,326	–	24,342	18,742	52,862	52,070	–	157,342
Total financial assets	142,072,530	7,692,426	32,435,816	20,937,238	58,639,291	91,493,862	826,953	354,098,116
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(3,607,386)	–	(3,607,386)
Borrowings	–	–	(7,000,000)	(18,567,000)	(128,909,500)	(91,363,000)	–	(245,839,500)
Accounts payable	(867,228)	–	–	(89,649)	(325,000)	–	–	(1,281,877)
Bonds issued	–	–	–	–	–	(51,977,153)	(10,057,339)	(62,034,492)
Other financial liabilities	–	(62,201)	–	–	(1,052,269)	(106,235)	–	(1,220,705)
Total financial liabilities	(1,853,286)	(62,201)	(7,000,000)	(18,656,649)	(130,286,769)	(147,053,774)	(10,057,339)	(314,970,018)
Net position	140,219,244	7,630,225	25,435,816	2,280,589	(71,647,478)	(55,559,912)	(9,230,386)	39,128,098

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.3 Liquidity risk — continued

Company — continued

	As at December 31, 2014							
	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	–	8,705,16 8	2,000,000	216,562	600,000	–	–	11,521,730
Placements with banks and financial institutions	–	–	1,800,000	200,000	–	–	–	2,000,000
Financial assets at fair value through profit or loss	42,837,267	–	–	–	–	–	–	42,837,267
Financial assets sold under repurchase agreements	–	–	8,795,500	–	–	–	–	8,795,500
Available-for-sale financial assets	43,642,483	–	39,546	13,597,405	146,000	571,156	–	57,996,590
Financial assets classified as receivables	3,758,365	–	6,448,146	11,799,405	65,685,247	90,201,936	–	177,893,099
Accounts receivable	1,074,097	1,028,956	–	–	2,543,133	1,407,443	–	6,053,629
Amounts due from subsidiaries	–	423,653	350,000	–	102,739	–	–	876,392
Held-to-maturity investments	–	–	–	–	–	–	210,000	210,000
Other financial assets	–	–	36,226	8,151	109,468	54	–	153,899
Total financial assets	91,312,212	10,157,777	19,469,418	25,821,523	69,186,587	92,180,589	210,000	308,338,106
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(431,742)	–	(431,742)
Placement from a bank	–	–	–	(10,000,000)	–	–	–	(10,000,000)
Borrowings	–	–	–	(8,700,000)	(109,900,000)	(93,895,000)	–	(212,495,000)
Accounts payable	(450,000)	–	–	–	(157,966)	(9,552,716)	–	(10,160,682)
Bonds issued	–	–	–	–	(5,686,602)	(24,858,325)	–	(30,544,927)
Other financial liabilities	–	(61,234)	–	(377,100)	(148,696)	(224,893)	–	(811,923)
Total financial liabilities	(1,436,058)	(61,234)	–	(19,077,100)	(115,893,264)	(128,962,676)	–	(265,430,332)
Net position	89,876,154	10,096,543	19,469,418	6,744,423	(46,706,677)	(36,782,087)	210,000	42,907,774

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.4 Risk management of distressed assets

1. *Overview*

Risk of distressed assets represents the potential loss that may arise from counterparty's failure to meet its obligation or changes in market conditions that lead to decline in asset value. Risk of distressed assets can also arise from operational failures due to unauthorized or inappropriate purchase, disposal or management activities, which result in the recoverable amount of the distressed assets lower than their carrying amounts.

The Group's risk of distressed assets arise from distressed debts which the Group initially classifies as financial assets at fair value through profit or loss, financial assets classified as receivables or equity instruments which the Group classifies as available-for-sale financial assets.

2. *Risk management of distressed debt assets*

The Group exercises standardized management procedures, including project initiation, due diligence investigation, design and approval of recovery plan and continuous monitoring and management. The Group enhances its risk management by strengthening investigation, review and approval procedures before the recovery of distressed assets, and monitoring measures after the recovery of distressed assets; enhancing risk mitigation effect through collateral; and continuously upgrading the management system of distressed assets.

Specifically, the risks to which distressed debts initially designated as financial assets at fair value through profit or loss mainly comprise valuation risk, legal title risk and to certain extent credit risk; while the risks to which distressed debts initially classified as receivables mainly comprise credit risk.

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.4 Risk management of distressed assets — continued

2. *Risk management of distressed debt assets — continued*

2.1 Valuation risk

Valuation risk is the risk of negative impact arising from the difference between actual results and value estimations that the Group would use in its management of distressed debt assets designated as at fair value through profit or loss, due to variance in factors such as future cash flows, collection period, discount rate, and disposal cost. Measures the Group takes to minimize the valuation risk include:

- Perform investigation strictly on the parties involved in the transaction (including the debtors and the guarantors), collateral provided, repayment sources, etc.;

- Adopt conservative estimation on incurrence rate, discount rate, and disposal cost when performing valuation and review the difference between actual results and estimation after the completion of the disposal of distressed assets to improve the accuracy of future estimations.

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.4 Risk management of distressed assets — continued

2. Risk management of distressed debt assets — continued

2.2 Legal title risk

Legal title risk is the risk of loss, arising from the decrease of recoverable amount when the legal rights to claim was partially or entirely lost due to inappropriate daily management of distressed assets such as expiry of claim period without taking proper legal actions on time. Measures the Group takes to minimize the legal title risk include:

- Set up alert management system to ensure the expiry of legal claim periods related to distressed assets is managed effectively;

- Set up periodic revisiting mechanism to interview debtors and monitor the conditions of collateral. Maintain regular investigation report properly to ensure the Group has access to the most updated information;

- Set up reporting mechanism of significant events to ensure immediate recovery action be taken when certain risk elements emerge.

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.4 Risk management of distressed assets — continued

2. Risk management of distressed debt assets — continued

2.3 Credit risk

In addition to distressed debt assets classified as receivable, certain distressed debt assets designated as at fair value through profit or loss may be subject to credit risk. Depending on the status of the obligor of distressed debt assets that are designated as at fair value through profit or loss, the Group may decide to pursue repayment from the obligor instead of disposing it to third party, credit risk arises in such situation. Credit risk represents the potential loss that may arise from the failure of a customer or counterparty's failure to meet its obligation. Characters of the credit risk management system of the Group include:

- Appling centralized policy and procedures throughout the Group;

- Enforce strict management system on the credentials of authorized supervisors;

- Apply more stringent risk management rules and procedures, which include customer investigation, project evaluation, investigation and approval, project execution and post-event management for distressed assets classified as receivables.

Measures the Group takes to minimize the credit risk of distressed assets include:

- Manage the creditworthiness of counterparties using independent credit rating on the counterparties as reference;

- Select counterparties with appropriate creditworthiness and repayment capability;

- Require counterparties to provide collateral which fully covers the credit exposure.

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.4 Risk management of distressed assets — continued

3. *Risk management of assets obtained through debt-to-equity swap*

Certain equity classified as available-for-sale investments were obtained through debt-to-equity swap. Risk related to these equity instruments is the risk of loss arising from movements in the value of equity shares due to price changes or decline in value of the investees.

The measures the Group takes to minimize the risk related to these equity instruments include:

- Strengthen continuous monitoring, analysis and management of equity values;
- Gain better understanding of macro-economic policies reinforced by the government and assess their impact on the equity investments;
- Track the value changes dynamically and identify the appropriate timing for disposal to realize the maximum value of equity shares.

4. *Determination of fair value*

The Group determines the fair value of distressed debt assets classified as financial assets at fair value through profit or loss by using valuation techniques as these assets usually do not have an active market. Valuation techniques mainly include discounted cash flow method with future cash flow estimated based on recent prices of similar transactions entered between willing and knowledgeable counterparties or realizable value of the underlying assets.

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.4 Risk management of distressed assets — continued

5. *Impairment assessment*

The Group performs impairment assessment on distressed debt assets designated as receivables and equity investments classified as available-for-sale financial assets. Assessment procedures for distressed debt assets classified as receivables are similar to those set out in note VI.69.1.

For equity investments classified as available-for-sale financial assets that are measured at fair value, objective evidence of impairment includes significant or prolong decline in value of the investments.

For equity investments classified as available-for-sale financial assets that are measured at cost, objective evidence of impairment includes significant financial difficulty of the investee or counterparty or macroeconomic conditions that have a negative impact on the business operation of the investee.

69.5 Insurance risk

Insurance risk refers to the uncertainty of claim amount and timing arising from the unpredictable occurrence of the insured events. The major insurance risk to which the Group exposes to 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.

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.5 Insurance risk — continued

1. *Types of insurance risks*

Insurance risks could arise in various situations, including the difference between the actual and estimated frequency of insurance event incurred (frequency risk), the difference between the actual and estimated cost of risk event (severity risk) and the change of the amount of obligations to policyholder at maturity of the insurance contract (developing risk).

The business scope of the Group's insurance operation includes long-term life and savings insurance and property and casualty insurance. For insurance contracts covering death benefits, factors like infectious disease, enormous changes of life style, and natural disaster could increase the overall claim ratio. Actual insurance payments and timing of the payments may be much higher or earlier than expected. For insurance contracts covering survival benefits, most important factors that may have impact on insurance risk are the continuous improvement of medical treatment level and social welfare which lead to longer lifetime. For property and casualty insurance contract, claims are usually affected by natural disaster and catastrophe.

Specifically, insurance risks comprise pricing risk, insurance reserve risk and reinsurance risk.

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.5 Insurance risk — continued

1. Types of insurance risks — continued

1.1 Pricing risk

Pricing risk is the negative impact arising from the difference between the actual results and estimations used in the assumptions relating to mortality ratio, morbidity ratio, lapse rate, investment yield and cost ratio. Measures the Group undertakes to minimize the risks include:

- Use conservative incurrence rate and margin for product pricing; closely monitor the performance of the products after launched; adjust the product price based on the difference between actual results and pricing assumptions;
- Set up plan for strategic asset allocation and set pricing margin based on long-term investment yield associated with the strategic asset allocation;
- Set up plan for business planning and expense budgeting and reinforce rigorous expense management system.

1.2 Insurance reserve risk

Insurance reserve risk is the risk that insurance reserve provided is not sufficient to fulfill the obligation for claims due to the use of inappropriate standard or method. Measures the Group takes to minimize the risk include:

- Calculate insurance reserve based on reasonable estimation of obligations to claims and perform adequacy testing at the end of each reporting period, that covers long term life insurance contract liabilities and short term insurance contract liabilities which include unearned premium reserves and claim reserves;
- Assess solvency adequacy of the Group based on the solvency policy reserves and carry out supervisory measures on solvency.

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.5 Insurance risk — continued

1. Types of insurance risks — continued

1.3 Reinsurance risk

Reinsurance risk is the risk of loss arising from unexpected severe insurance payment due to inappropriate reinsurance arrangement on the allocation of the risk ceded and retained. At the same time, the Group still has direct obligation to policyholders although there is reinsurance arrangement in place. Therefore, the Group is exposed to credit risks arising from the reinsurers' default on reinsurance contacts. Measures the Group takes to minimize the risk include:

- Allocate insurance risks ceded and retained appropriately and make adjustment dynamically according to the business development of the Group;

- Arrange reinsurance properly and select reinsurers with good creditworthiness to share risks. Selection criteria adopted by the Group include financial capability, service quality, reinsurance terms, claim handling efficiency and price, etc.

2. Concentration of insurance risk

All insurance operations of the Group are located in the PRC. There are no significant differences among the regions where the Group underwrites insurance contracts.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.5 Insurance risk — continued

2. *Concentration of insurance risk — continued*

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

	Year ended December 31			
	2015		2014	
	Amount	**%**	Amount	%
Life insurance	**10,743,164**	**77.5**	7,579,569	68.3
Motor vehicle insurance contract	**2,657,991**	**19.2**	2,960,119	26.7
General property insurance	**164,727**	**1.2**	197,495	1.8
Others	**288,288**	**2.1**	358,854	3.2
Total	**13,854,170**	**100.0**	11,096,037	100.0

2.2 The table below summarizes the Group's major type of insurance contract liability:

	Year ended December 31			
	2015		2014	
	Amount	**%**	Amount	%
Life insurance	**26,023,314**	**92.0**	22,511,568	89.3
Motor vehicle commercial insurance	**1,968,813**	**7.0**	2,073,410	8.2
Health insurance contract	**136,471**	**0.5**	104,581	0.4
Others	**146,576**	**0.5**	529,446	2.1
Total	**28,275,174**	**100.0**	25,219,005	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.5 Insurance risk — continued

3. Key assumptions and sensitivity analysis

3.1 Property and casualty insurance contract and short-term life insurance contract

The primary assumption that has impact on the property and casualty insurance contract and short-term life insurance contract of the Group is the historical claim ratio. Other assumption is mainly about delay in payment. The table below illustrates the potential impact of a reasonable change of insurance claim ratio on the Group's profit before tax and equity, when other assumptions remain unchanged.

	As at December 31			
	2015		2014	
	Profit before tax	**Equity**	Profit before tax	Equity
+1%	**(38,679)**	**(38,679)**	(17,882)	(17,882)
-1%	**38,679**	**38,679**	17,882	17,882

3.2 Long-term life and health insurance contract

For long-term life and health insurance contract, key assumptions include mortality ratio, morbidity ratio, lapse rate, discount rate and cost rate, etc. The Group bases its mortality assumptions on China Life Insurance Mortality Table (2000-2003), adjusted where appropriate to reflect the Group's recent historical mortality experience. The Group bases its morbidity assumptions for critical illness products on analysis of information provided by reinsurance companies and historical experience. Cost rate assumptions of the Group reflect the current and expected future operating results. All these assumptions mentioned above are consistent with market practice or other publicly available information.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.5 Insurance risk — continued

3. Key assumptions and sensitivity analysis — continued

3.2 Long-term life and health insurance contract — continued

For insurance contract that the future insurance benefits are not linked to the investment returns of the associated asset portfolios, the Group bases its discount rate assumptions on interest rate appropriate for the cash flow period and risk characteristics of the associated liabilities. For those that are linked to the investment returns, the Group bases its discount rate assumptions on expected future investment yield of the associated asset portfolios.

The table below illustrates the potential impact of a 10 basis points change of discount rates on the Group's profit before tax and equity, when other assumptions remain unchanged.

	As at December 31			
	2015		2014	
	Profit before tax	**Equity**	Profit before tax	Equity
+10bps	**13,389**	**13,389**	14,805	14,805
-10bps	**(13,731)**	**(13,731)**	(15,138)	(15,138)

The table below illustrates the potential impact of a 10% change of expense rates on the Group's profit before tax and equity, when other assumptions remain unchanged.

	As at December 31			
	2015		2014	
	Profit before tax	**Equity**	Profit before tax	Equity
+10%	**(45,861)**	**(45,861)**	(39,979)	(39,979)
-10%	**45,861**	**45,861**	39,979	39,979

VI. EXPLANATORY NOTES — continued

69. Financial risk management — continued

69.6 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 of the percentage of shareholding and making deduction as required by relevant rules and regulations. The Group is required to meet this minimum capital requirement stipulated by the CBRC.

In accordance with the requirements of Off-site Supervision Reporting Index System on Financial Asset Management Companies (Provisional) (Yinjianfa [2014] No. 41), issued by the CBRC in 2014, the Company is required to maintain a minimum Capital Adequacy Ratio ("CAR") at 12.5%. CAR is calculated by dividing the qualified capital of the Company by its risk-weighted assets. As at December 31, 2015 and 2014, the Company complied with the regulatory requirements on the minimum CAR.

VI. EXPLANATORY NOTES — continued

70. 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; 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.

Assets and liabilities measured at fair value are classified into the following three levels based on the degree of fair value observability:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3: Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

70. Fair values of financial instruments — continued

70.1. Fair values of financial assets and financial liabilities that are not measured on a recurring basis

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

Group

	As at December 31			
	2015		2014	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Financial assets classified as receivables	**181,058,288**	**190,645,167**	180,913,089	181,654,374
Loans and advances to customers	**104,738,490**	**104,738,490**	80,224,726	80,322,027
Accounts receivable	**3,434,791**	**3,447,781**	7,022,083	7,038,675
Held-to-maturity investments	**6,703,763**	**7,175,562**	7,042,523	7,054,912
Total	**295,935,332**	**306,007,000**	275,202,421	276,069,988
Financial liabilities				
Borrowings	**(317,070,650)**	**(310,669,924)**	(263,452,411)	(264,220,147)
Bonds issued	**(111,773,372)**	**(112,274,038)**	(43,694,852)	(43,337,333)
Total	**(428,844,022)**	**(422,943,962)**	(307,147,263)	(307,557,480)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

70. Fair values of financial instruments — continued

70.1. Fair values of financial assets and financial liabilities that are not measured on a recurring basis — continued

	As at December 31, 2015			
Group	**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)**

	As at December 31, 2014			
Group	Level 1	Level 2	Level 3	Total
Financial assets classified as receivables	–	4,390,632	177,263,742	181,654,374
Loans and advances to customers	–	–	80,322,027	80,322,027
Accounts receivable	–	–	7,038,675	7,038,675
Held-to-maturity investments	–	7,054,912	–	7,054,912
Total	–	11,445,544	264,624,444	276,069,988
Borrowings	–	(2,000,000)	(262,220,147)	(264,220,147)
Bonds issued	–	(42,782,379)	(554,954)	(43,337,333)
Total	–	(44,782,379)	(262,775,101)	(307,557,480)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

70. Fair values of financial instruments — continued

70.2. Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined including their fair value hierarchy, valuation technique(s) and key inputs used.

Group

Financial assets/ financial liabilities	Fair value as at December 31 2015	2014	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	**21,308,087**	10,997,069				
Debt securities	**14,605,346**	7,064,738				
— Government bonds traded in stock exchange	**99,114**	7,249	Level 1	• Quoted bid prices in an active market.	N/A	N/A
— Government bonds traded in inter-bank market	**50,490**	31,442	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
— Public sector and quasi-government bonds traded in inter-bank market	**2,019,729**	932,062	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
— Corporate bonds traded in stock exchange	**6,305,747**	4,428,408	Level 1	• Quoted bid prices in an active market.	N/A	N/A
— Corporate bonds traded in inter-bank market	**6,130,266**	1,665,577	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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

70. Fair values of financial instruments — continued

70.2. Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis — continued

Group — continued

Financial assets/ financial liabilities	Fair value as at December 31 2015	2014	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity instruments listed or traded on exchanges	**4,508,447**	2,409,893	Level 1	• Quoted bid prices in an active market.	N/A	N/A
— Manufacturing	**1,776,525**	861,282				
— Finance	**241,144**	349,965				
— Mining	**116,820**	21,769				
— Production and supply of power, heat, gas and water	**256,557**	382,722				
— Real estate	**1,043,845**	432,863				
— Information transmission, software and information technology services	**91,489**	175,113				
— others	**982,067**	186,179				
Mutual funds	**1,941,898**	1,505,083	Level 1	• Quoted bid prices in an active market.	N/A	N/A
— Listed	**325,706**	739,556				
— Unlisted	**1,616,192**	765,527				
Derivatives	**252,396**	17,355	Level 3	• Note (1)	• Note (1)	• Note (1)
2) Financial assets designated as at fair value through profit or loss	**95,979,349**	46,223,452				
Distressed debt assets	**84,620,657**	42,302,037	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

70. Fair values of financial instruments — continued

70.2. Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis — continued

Group — continued

Financial assets/ financial liabilities	Fair value as at December 31 2015	2014	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Debt securities	**68,023**	744,623				
— Financial institution convertible bonds traded in stock exchange	**–**	698,301	Level 1	• Quoted bid prices in an active market.	N/A	N/A
— Corporate convertible bonds traded in stock exchange	**18,037**	2,934	Level 1	• Quoted bid prices in an active market.	N/A	N/A
— Corporate convertible bonds not traded in active market	**49,986**	43,388	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	**5,359,492**	2,521,569	Level 2	• Calculated based on the quoted prices of bonds and equity instruments in which the wealth management products invested.	N/A	N/A
	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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

70. Fair values of financial instruments — continued

70.2. Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis — continued

Group — continued

Financial assets/ financial liabilities	Fair value as at December 31 2015	2014	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity investments	**5,407,941**	655,223				
— Equity investments in unlisted companies	**5,407,941**	655,223	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.
3) Available-for-sale financial asset	**77,298,228**	45,586,589				
Debt securities	**10,106,420**	10,785,228				
— Government bonds traded in stock exchange	**80,627**	76,889	Level 1	• Quoted bid prices in an active market.	N/A	N/A
— Public sector and quasi-government bonds traded in inter-bank market	**4,617,214**	3,956,771	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
— Financial institution bonds traded in inter-bank market	**1,566,626**	1,639,576	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
— Corporate bonds traded in stock exchange	**3,195,861**	2,926,490	Level 1	• Quoted bid prices in an active market.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

70. Fair values of financial instruments — continued

70.2. Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis — continued

Group — continued

Financial assets/ financial liabilities	Fair value as at December 31 2015	2014	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
— Corporate bonds traded in inter-bank market	**646,092**	2,185,502	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
Listed equity instruments	**17,001,114**	8,583,295	Level 1	• Quoted bid prices in an active market.	N/A	N/A
— Mining	**2,048,045**	4,307,748				
— Manufacturing	**1,922,919**	2,339,704				
— Other industries	**13,030,150**	1,935,843				
Unlisted equity instruments	**400,000**	700,000	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
— Other industries	**400,000**	700,000				
Debt instruments issued by financial institutions	**3,840,322**	13,002,708				
— Interbank negotiates of deposit (NCD)	**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
— Others	**–**	13,002,708	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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

70. Fair values of financial instruments — continued

70.2. Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis — continued

Group — continued

Financial assets/ financial liabilities	Fair value as at December 31 2015	2014	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Funds	**22,294,508**	5,587,784				
— Listed	**9,809,427**	1,909,919	Level 1	• Quoted bid prices in an active market.	N/A	N/A
— Quoted	**8,207,162**	645,677	Level 1	• Quoted bid prices in an active market.	N/A	N/A
— Investing in listed securities	**–**	104,098	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
— Investing in entrusted loans	**4,277,919**	2,928,090	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.
Trust products and rights to trust assets	**10,712,883**	2,870,706				
— Trust products investing in listed shares	**231,530**	218,830	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	**10,481,353**	2,651,876	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 rates, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

70. Fair values of financial instruments — continued

70.2. Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis — continued

Group — continued

Financial assets/ financial liabilities	Fair value as at December 31 2015	2014	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Assets management plans	**8,507,045**	1,667,550				
— Assets management plans	**1,920,972**	1,307,550	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	**6,586,073**	360,000	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.
Wealth management products	**1,702,930**	1,238,116				
— Issued by banks or other financial institutions with quoted prices	**800,000**	488,116	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	**902,930**	750,000	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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

70. Fair values of financial instruments — continued

70.2. Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis — continued

Group — continued

Financial assets/ financial liabilities	Fair value as at December 31 2015	2014	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Asset Backed Securities	**629,974**	605,156	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.
Others	**2,103,032**	546,046				
— Investments in debt asset portfolios	**497,683**	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.	• 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.
— Others	**1,605,349**	48,363	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)

VI. EXPLANATORY NOTES — continued

70. Fair values of financial instruments — continued

70.2. Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis — continued

Group — continued

Financial assets/ financial liabilities	Fair value as at December 31 **2015**	2014	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	**(2,779,923)**	(37,005)				
Forward payment plan	**(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.	• The higher the future cash flow, the higher the fair value.
					• Expected payment date.	• The earlier the payment 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.
Income guarantee and repurchase commitment	**(4,923)**	(37,005)	Level 3	• Note (1)	• Note (1)	• Note (1)

Note:

(1) These derivatives and financial liabilities at fair value through profit or loss are insignificant to the Group. Their fair values 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)

VI. EXPLANATORY NOTES — continued

70. Fair values of financial instruments — continued

70.2. Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis — continued

The following tables provide a summary of financial instruments that are measured at fair value subsequent to initial recognition, grouped into three levels:

Group

	As at December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**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)**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

70. Fair values of financial instruments — continued

70.2. Fair values of financial assets and financial liabilities that are measured at fair value on a recurring basis — continued

Group — continued

	As at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	9,051,868	5,150,650	43,018,003	57,220,521
Available-for-sale financial assets	14,142,270	10,648,806	20,795,513	45,586,589
Total assets	23,194,138	15,799,456	63,813,516	102,807,110
Financial liabilities at fair value through profit or loss	–	–	(37,005)	(37,005)
Total liabilities	–	–	(37,005)	(37,005)

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

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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

70. Fair values of financial instruments — continued

70.3. Reconciliation of Level 3 fair value measurements

Group

	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/(loss) 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)

VI. EXPLANATORY NOTES — continued

70. Fair values of financial instruments — continued

70.3. Reconciliation of Level 3 fair value measurements — continued

Group — continued

	Financial assets at FVTPL	Available-for-sale financial assets	Financial liabilities at FVTPL
As at January 1, 2014	17,013,700	13,505,106	(48,465)
Recognized in profit or loss	408,796	(343,341)	(8,983)
Recognized in other comprehensive income	–	2,664	–
Purchases	31,573,376	7,931,002	–
Settlements/disposals at cost	(5,977,869)	(299,918)	20,443
As at December 31, 2014	43,018,003	20,795,513	(37,005)
Total gain/(loss) for the year for assets/liabilities held as at December 31, 2014 — included in profit or loss	408,796	121,365	(8,983)

The total gains of the Group for the year included an unrealized gain of RMB366 million relating to financial assets/financial liabilities that were measured at fair value for the year ended December 31, 2015 (Year ended December 31, 2014: RMB400 million). Such unrealized gains are included in fair value changes on distressed debt assets or fair value changes on other financial assets.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

71. Disposal of subsidiaries

During the year, the Group disposed of a number of subsidiaries. These subsidiaries of the Group mainly operate in the real estate and property management industries.

None of these disposals were individually significant. Their aggregated information is set out below:

Consideration received:

	Year ended December 31	
	2015	2014
Cash received	**35,173**	1,292,181

Analysis of assets and liabilities of the subsidiaries disposed of:

	Year ended December 31	
	2015	2014
Current assets	**860,105**	2,736,448
Non-current assets	**560,804**	75,225
Current liabilities	**813,155**	1,436,145
Non-current liabilities	**63,622**	500,000

On October 27, 2015, two strategic investors injected additional capital into Sino-Rock Investment Management Co., Ltd. ("Sino-Rock"), realizing a dilution of stake held by China China Cinda (HK) Holdings Co., Ltd. ("Cinda (HK)") from 55.2% to 48.2%. Cinda (HK) remains significant influence on Sino-Rock which is accounted for as an associate by using the equity method. The fair value of remaining 48.2% interest in Sino-Rock is RMB211.46 million, and the disposal lose is RMB1.34 million.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES — continued

71. Disposal of subsidiaries — continued

Net cash flows arising on disposal:

	Year ended December 31	
	2015	2014
Cash consideration received	**35,173**	1,292,181
Less: cash and cash equivalent balances disposed of	**2,458**	92,864
Net cash flows	**32,715**	1,199,317

VII. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the meeting of the Board of Directors on March 29, 2016, the proposal of the profit appropriations of the Company for the year ended December 31, 2015 is set out as follows:

(i) An appropriation of RMB898.08 million to the statutory surplus reserve;

(ii) An appropriation of RMB899.95 million to the general reserve; and

(iii) A dividend of RMB4,209.40 million in total in respect of the year.

As at December 31, 2015, the statutory surplus reserve had been recognized as appropriation. The general reserve and the dividend will be recognized on the Company's and the Group's financial statements after approval by shareholders in the forthcoming general meeting.

On January 29, 2016, the Company published a major transaction circular in the Stock Exchange of Hong Kong Limited. Cinda Financial Holdings Co., Limited ("Cinda Financial"), an indirectly wholly-owned subsidiary of the Company, entered into a legally binding agreement with Bank of China (Hong Kong) Limited ("BOCHK") and China Cinda (HK) Holdings Company Limited on December 18, 2015, which indicated Cinda Financial would acquire all issued shares of Nanyang Commercial Bank Limited. The total amount of consideration payable by Cinda Financial is HK$68 billion and Cinda Financial is required to pay BOCHK the total amount of consideration on the Completion Date. The above acquisition was approved by Board of Directors of the Company on December 18, 2015 and the first extraordinary general meeting on February 24, 2016. Up to the date of the report, the above acquisition transaction has not been completed.

VIII. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorised by the Board of Directors on March 29, 2016.

17 Branches and Subsidiaries

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Fax No.: (028) 65009818

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Postal code: 550002
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Fax No.: (0851) 85251483

▲ China Cinda Asset Management Co., Ltd. Yunnan Branch
Address: 19/F, Yinjia Building, 59 Xiangyun Street, Kunming, Yunnan
Postal code: 650021
Tel. No.: (0871) 63638666
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▲ China Cinda Asset Management Co., Ltd. Shaanxi Branch
Address: No. 10 Building, South Street, Beilin District, Xi'an, Shaanxi
Postal code: 710002
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▲ China Cinda Asset Management Co., Ltd. Ningxia Hui Autonomous Region Branch
Address: 15/F, Block C, Ruiyin Caifu Center, 51 Beijing Middle Road, Jinfeng District, Yinchuan, Ningxia Hui Autonomous Region
Postal code: 750002
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▲ China Cinda Asset Management Co., Ltd. Gansu Branch
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Tel. No.: (0931) 8869100
Fax No.: (0931) 8869100

▲ China Cinda Asset Management Co., Ltd. Qinghai Branch
Address: 4–6/F, No. 1 Building, 8 East Street, Chengzhong District, Xining, Qinghai
Postal code: 810000
Tel. No.: (0971) 8229375
Fax No.: (0971) 8229375

▲ China Cinda Asset Management Co., Ltd. Xinjiang Uygur Autonomous Region Branch
Address: 127 Xiheba Front Street, Tianshan District, Urumqi, Xinjiang
Postal code: 830004
Tel. No.: (0991) 2311766
Fax No.: (0991) 2325171

▲ China Cinda Asset Management Co., Ltd. Hefei Operation Support Center
Address: No.188 Wuhan Road, Binhu New District, Hefei, Anhui
Postal code: 230601
Tel. No.: (0551) 62836025
Fax No.: (0551) 62835625

3. Platform for financial service and asset management businesses

▲ Cinda Securities Co., Ltd.
Address: No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing
Postal code: 100031
National customer service hotline: 95321, 400-800-8899
Fax No.: (010) 63080918
Website: www.cindasc.com

● Cinda Futures Co., Ltd.
Address: 12 and 16/F, Zhejiang Logistics Publishing House Building, 108 Wenhui Road, Hangzhou, Zhejiang
Postal code: 310004
National customer service hotline: 4006-728-728
Tel. No.: (0571) 28132544
Fax No.: (0571) 28132689
Website: www.cindaqh.com

● First State Cinda Fund Management Co., Ltd.
Address: 24/F, China Merchants Bank Building, 7088 Shen Nan Road, Futian District, Shenzhen, Guangdong
Postal code: 518040
National customer service hotline: 400-8888-118, (0755) 83160160
Tel. No.: (0755) 83172666
Fax No.: (0755) 83196151
Website: www.fscinda.com

▲ China Jingu International Trust Co., Ltd.
Address: 10/F, Block C, Tong Tai Mansion, 33 Jinrong Avenue, Xicheng District, Beijing
Postal code: 100140
Tel. No.: (010) 88086816
Fax No.: (010) 88086546
Website: www.jingutrust.com

▲ Cinda Financial Leasing Co., Ltd.
Address: 2/F, Tower B, East Gate Plaza, 29 Dongzhong Street, Dongcheng District, Beijing
Postal code: 100027
Tel. No.: (010) 64198100
Fax No.: (010) 64159400
Website: www.cindaflc.com

▲ Happy Life Insurance Co., Ltd.
Address: 8/F, Tower B, East Gate Plaza, 29 Dongzhong Street, Dongcheng District, Beijing
Postal code: 100027
National customer service hotline: 95560, 4006-688-688
Tel. No.: (010) 66271800
Fax No.: (010) 66271700
Website: www.happyinsurance.com.cn

▲ Cinda Property and Casualty Insurance Co., Ltd.
Address: 3/F, Tower B, East Gate Plaza, 29 Dongzhong Street, Dongcheng District, Beijing
Postal code: 100027
National customer service hotline: 4008-667788
Tel. No.: (010) 64185000
Fax No.: (010) 64185300
Website: www.cindapcic.com

▲ China Cinda (HK) Holdings Company Limited
Address: 12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong
Tel. No.: (00852) 25276686
Fax No.: (00852) 28042135

● Cinda International Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 00111)
Address: 45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong
Tel. No.: (00852) 22357888
Fax No.: (00852) 22357878
Website: www.cinda.com.hk

▲ Cinda Investment Co., Ltd.
Address: 17–19/F, Block C, Beijing International Building, A18 Zhongguancun South Street, Haidian District, Beijing
Postal code: 100081
Tel. No.: (010) 62157285
Fax No.: (010) 62157301

● Cinda Real Estate Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600657)
Address: 16/F, Block C, Beijing International Building, A18 Zhongguancun South Street, Haidian District, Beijing
Postal code: 100081
Tel. No.: (010) 82190995
Fax No.: (010) 82190933
Website: www.cindare.com

● Cinda Capital Management Co., Ltd.
Address: 5/F, Tower B, East Gate Plaza, 29 Dongzhong Street, Dongcheng District, Beijing
Postal code: 100027
Tel. No.: (010) 56314200
Fax No.: (010) 56314222

▲ Zhongrun Economic Development Co., Ltd.
Address: 9/F, China Commerce Tower, 5 Sanlihe East Road, Xicheng District, Beijing
Postal code: 100045
Tel. No.: (010) 68535376
Fax No.: (010) 68535110

Note: " ▲ " represents a branch or a tier-one subsidiary and " ● " represents a subsidiary of a tier-one subsidiary.