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 and 04607 (Preference Shares))

2016 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, 2016. This announcement, containing the full text of the 2016 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 2016 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 2017.

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

Beijing, the PRC
30 March 2017

As at the date of this announcement, the Board of the Company consists of Mr. HOU Jianhang and Mr. CHEN Xiaozhou as executive Directors, Mr. LI Honghui, Mr. SONG Lizhong, Ms. XIAO Yuping and Ms. YUAN Hong as non-executive Directors, and Mr. CHANG Tso Tung, Stephen, Mr. XU Dingbo, Mr. ZHU Wuxiang and Mr. SUN Baowen as independent non-executive Directors.

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 nine subsidiaries as platforms for providing asset management and financial services in mainland China and Hong Kong, including Nanyang Commercial Bank, Limited, Cinda Securities Co., Ltd., China Jingu International Trust Co.,Ltd., Cinda Financial Leasing Co., Ltd., Happy Life Insurance Co., Ltd., Cinda Property and Casualty Insurance Co., Ltd., Cinda Investment Co., Ltd, China Cinda (HK) Holdings Company Limited and Zhongrun Economic Development Co., Ltd. The Group has approximately 21,000 staff.

In 2016, the Company was once again awarded the “Stars of China Awards – Best Corporate Governance Bank” by Global Finance, a US magazine and “China Top 100 Enterprises Award” by the 16th China Business Top 100 Summit Forum. The Company was also awarded “Chinese Financial Institution Gold Medal List - Best Asset Management Company of the Year” by Financial News..

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DEFINITIONS

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

"(our) Company"	China Cinda Asset Management Co., Ltd.
"(our) Group"	China Cinda Asset Management Co., Ltd. and its subsidiaries
"AMC(s)"	the four financial asset management companies approved by the State Council, including our Company, China Huarong Asset Management Co., Ltd., China Great Wall Asset Management Co., Ltd. and China Orient Asset Management Co., Ltd.
"Articles"	the current Articles of Association of China Cinda Asset Management Co., Ltd.
"Board"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors of the Company
"BOC"	Bank of China Limited, a company listed on the Hong Kong Stock Exchange (stock code: 03988) and Shanghai Stock Exchange (stock code: 601988)
"BOCHK"	Bank of China (Hong Kong) Limited, a company incorporated in Hong Kong and a subsidiary wholly owned by BOC Hong Kong (Holdings) Limited, a company listed on Hong Kong Stock Exchange (stock code: 02388)
"CBRC"	China Banking Regulatory Commission
"CCB"	China Construction Bank Corporation, a company listed on the Hong Kong Stock Exchange (stock code: 00939) and Shanghai Stock Exchange (stock code: 601939)
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this report, Hong Kong, Macao and Taiwan region
"Cinda Capital"	Cinda Capital Management Co., Ltd., a subsidiary of the Company

"Cinda Financial"	Cinda Financial Holdings Co., Limited, a subsidiary of the Company
"Cinda Futures"	Cinda Futures Co., Ltd., a subsidiary of the Company
"Cinda Hong Kong"	China Cinda (HK) Holdings Company Limited, a subsidiary of the Company
"Cinda International"	Cinda International Holdings Limited, a subsidiary of the Company and is listed on the Hong Kong Stock Exchange (stock code: 00111)
"Cinda Investment"	Cinda Investment Co., Ltd., a subsidiary of the Company
"Cinda Leasing"	Cinda Financial Leasing Co., Ltd., a subsidiary of the Company
"Cinda P&C"	Cinda Property and Casualty Insurance Co., Ltd., a subsidiary of the Company
"Cinda Real Estate"	Cinda Real Estate Co., Ltd., a subsidiary of the Company and is listed on the Shanghai Stock Exchange (stock code: 600657)
"Cinda Securities"	Cinda Securities Co., Ltd., a subsidiary of the Company
"Company Ordinance"	the Company Ordinance (Chapter 622 of the Laws of Hong Kong), as amended from time to time
"CSRC"	China Securities Regulatory Commission
"Director(s)"	director(s) of the Company
"Domestic Share(s)"	ordinary share(s) with nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as fully paid in Renminbi
"First State Cinda Fund"	First State Cinda Fund Management Co., Ltd., a subsidiary of the Company
"H Share(s)"	ordinary share(s) in the share capital of 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., a subsidiary of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

"ICBC"	Industrial and Commercial Bank of China Limited, a company listed on the Hong Kong Stock Exchange (stock code: 01398) and Shanghai Stock Exchange (stock code: 601398)
"Jingu Trust"	China Jingu International Trust Co., Ltd., a subsidiary of the Company
"Latest Practicable Date"	March 16, 2017, 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"	the Macao Special Administrative Region of the PRC
"MOF"	the Ministry of Finance of the PRC
"NCB" or "Nanyang Commercial Bank"	NCB Hong Kong and its subsidiaries
"NCB China"	Nanyang Commercial Bank (China) Limited, a company incorporated in the PRC and a wholly owned subsidiary of NCB Hong Kong
"NCB Hong Kong"	Nanyang Commercial Bank, Limited, a company incorporated in Hong Kong and a licensed bank in Hong Kong, a subsidiary of the Company since May 30, 2016
"NSSF"	National Council for Social Security Fund of the PRC
"Offshore Preference Share(s)"	160,000,000 non-cumulative perpetual offshore preference shares with a par value of RMB100 per share non-publicly issued by the Company in the offshore market on September 30, 2016 pursuant to the issuance plan considered and approved at the 2015 annual general meeting, the 2016 first class meeting for Domestic Shareholders, and the 2016 first class meeting for H Shareholders, respectively, and are listed and traded on Hong Kong Stock Exchange (stock code: 04607)

"PBOC"	the People's Bank of China
"PRC GAAP"	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by MOF, as well as other relevant regulations
"Reporting Period"	the year ended December 31, 2016
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Share(s)"	ordinary share(s) in the 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)
"SSE"	Shanghai Stock Exchange
"State Council"	the State Council of the People's Republic of China
"subsidiary(ies)"	has the meanings ascribed to it under the Listing Rules
"Supervisor(s)"	supervisor(s) of the Company
"Support Center"	Hefei Operation Support Center of the Company
"SZSE"	Shenzhen Stock Exchange
"Zhongrun Development"	Zhongrun Economic Development Co., Ltd., 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 30, 2017, the second meeting and the first regular meeting of 2017 of the Board considered and approved the 2016 Annual Report (2016 Annual Results Announcement) of the Company. There were 10 directors eligible to attend the meeting, of whom 10 attended in person.

The financial report for 2016 prepared by the Company according to the PRC GAAP and IFRS, respectively, were audited by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with the Chinese and International Standards on Auditing, respectively, and they have issued the standard and unqualified audit reports for the Company.

The Board proposed to distribute a cash dividend of RMB1.22 per 10 Shares (tax inclusive) for 2016 to Shareholders, which is subject to the approval at the annual general meeting for 2016.

Board of Directors of China Cinda Asset Management Co., Ltd.
March 30, 2017

The legal representative of the Company, Mr. HOU Jianhang, assistant to the President in charge of finance, Mr. LIANG Qiang, and the General Manager of the finance and accounting department of the Company, Mr. YANG Yingxun, 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 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 exercise caution when making investment.

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

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	HOU Jianhang, AI Jiuchao
Board Secretary	AI Jiuchao
Joint company secretaries	AI Jiuchao, Ngai Wai Fung
Registered address	No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing, the PRC
Postal code of place of registration	100031
Website	www.cinda.com.cn
Principal place of business in Hong Kong	12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong
Website of 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
Place of Listing of Preference Shares	The Stock Exchange of Hong Kong Limited

Stock Name	CINDA 16USDPREF
Stock Code	04607
Share Registrar	Computershare Hong Kong Investor Services Limited (Address: Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong)
Social Credit Code	91110000710924945A
Organization Code	71092494-5
Registration number of Financial License	J0004H111000001
Registration number of Tax Certificate	Jing Shui Zheng Zi 110101710924945
Legal advisors as to PRC Law and the places of business	Haiwen & Partners 20/F, Fortune Financial Tower 5 Dong San Huan Central Road Chaoyang District Beijing, China Fangda Partner 32/F, Plaza 66 Tower 1 1266 Nan Jing West Road Shanghai, China Zhong Lun Law Firm 36-37/F, SK Tower 6A Jianguomenwai Avenue Chaoyang District Beijing, China
Legal advisors as to Hong Kong law and place of business	Herbert Smith Freehills LLP 23/F, Gloucester Tower 15 Queens Road Central Hong Kong Hogan Lovells 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 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,				
	2016	2015	2014	2013	2012
	(in millions of RMB)				
Income from distressed debt assets classified as receivables	**15,539.2**	18,883.9	18,113.6	10,144.2	3,518.4
Fair value changes on distressed debt assets	**5,716.2**	4,420.1	4,077.5	4,617.6	3,878.3
Fair value changes on other financial assets	**2,656.3**	1,971.2	2,180.5	539.0	399.3
Investment income	**17,991.3**	13,552.2	9,116.5	7,043.8	6,528.8
Net insurance premiums earned	**16,635.8**	12,912.2	7,443.0	5,771.9	5,324.9
Interest income	**14,506.5**	13,516.5	8,810.5	5,059.2	2,493.3
Revenue from sales of inventories	**10,954.6**	7,637.0	4,340.5	4,321.9	3,924.1
Other income and other net gains or losses	**7,657.3**	5,851.0	5,708.0	4,915.5	6,268.1
Total income	**91,657.2**	**78,744.1**	**59,790.1**	**42,413.2**	**32,335.2**
Impairment losses on assets	**(4,813.7)**	(4,376.5)	(5,438.1)	(6,153.3)	(4,601.0)
Interest expense	**(23,223.8)**	(20,185.3)	(15,961.1)	(7,803.8)	(3,697.6)
Insurance costs	**(17,549.0)**	(13,766.9)	(6,865.3)	(5,018.8)	(4,690.1)
Purchases and changes in inventories	**(8,455.8)**	(5,587.1)	(2,824.0)	(2,720.3)	(2,391.8)
Other costs and expenses	**(14,315.4)**	(13,285.6)	(10,945.1)	(8,904.8)	(7,819.7)
Total costs and expenses	**(68,357.7)**	**(57,201.4)**	**(42,033.6)**	**(30,600.9)**	**(23,200.1)**
Change in net assets attributable to other holders of consolidated structured entities	**(2,331.7)**	(2,557.0)	(1,909.9)	(540.5)	(151.5)
Share of results of associates and joint ventures	**797.7**	312.2	460.2	500.3	612.3
Profit before tax	**21,765.5**	19,297.9	16,306.7	11,772.1	9,595.9
Income tax expense	**(5,783.5)**	(4,594.0)	(4,164.0)	(2,671.0)	(2,378.7)
Net profit for the year	**15,982.0**	**14,703.9**	**12,142.7**	**9,101.0**	**7,217.2**
Profit attributable to:					
Equity holders of the Company	**15,512.2**	14,027.5	11,896.2	9,027.3	7,306.3
Non-controlling interests	**469.8**	676.4	246.5	73.7	(89.1)
Assets					
Cash and balances with central banks	**17,368.0**	46.8	3.3	3.4	4.0
Deposits with banks and financial institutions	**75,801.3**	64,590.9	49,033.1	58,763.6	44,248.2
Financial assets at fair value through profit or loss	**149,045.5**	117,287.4	57,220.5	25,178.5	16,923.0
Available-for-sale financial assets	**212,495.9**	120,604.3	85,794.6	72,747.2	64,376.6
Financial assets classified as receivables	**198,787.2**	181,058.3	180,913.1	116,662.7	51,195.1
Loans and advances to customers	**294,936.6**	104,738.5	80,224.7	48,636.4	25,041.5
Other assets	**226,046.4**	125,648.5	91,238.1	61,793.6	52,826.0
Total assets	**1,174,480.9**	**713,974.7**	**544,427.4**	**383,785.4**	**254,614.4**

	As at and for the year ended December 31,				
	2016	2015	2014	2013	2012
	(in millions of RMB)				
Liabilities					
Borrowings from central bank	**986.1**	986.1	986.1	4,913.0	7,053.4
Due to customers	**204,629.0**	–	–	–	–
Accounts payable to brokerage clients	**16,272.1**	21,533.2	11,663.3	6,480.8	6,629.5
Borrowings	**450,514.8**	317,070.7	263,452.4	173,834.7	76,099.2
Accounts payable	**3,053.9**	4,970.8	13,891.2	22,814.1	39,539.4
Bonds issued	**152,497.6**	111,773.4	43,694.9	13,285.0	12,534.6
Other liabilities	**198,557.4**	146,746.5	108,876.3	79,695.7	51,873.5
Total liabilities	**1,026,510.9**	**603,080.7**	**442,564.1**	**301,023.3**	**193,729.6**
Equity					
Equity attributable to equity holders of the Company	**139,216.7**	101,710.2	93,368.9	75,998.3	54,773.6
Non-controlling interests	**8,753.3**	9,183.7	8,494.4	6,763.8	6,111.2
Total equity	**147,970.0**	**110,893.9**	**101,863.3**	**82,762.1**	**60,884.8**
Total equity and liabilities	**1,174,480.9**	**713,974.7**	**544,427.4**	**383,785.4**	**254,614.4**
Financial indicators					
Return on average shareholders' equity [(1)] (%)	**14.12**	14.4	14.0	13.8	15.8
Return on average assets [(2)] (%)	**1.82**[(6)]	2.34	2.62	2.85	3.4
Cost-to-income ratio [(3)] (%)	**27.0**	23.9	24.0	26.2	29.7
Earnings per share [(4)] (RMB)	**0.43**	0.39	0.33	0.30	0.25
Net assets per share [(5)] (RMB)	**3.09**	2.81	2.58	2.50	1.90

Notes:

(1) Represents the percentage of profit attributable to the equity holders for the period in the average balance of equity attributable to the equity holders of the Company as at the beginning and the end of the period.

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

(3) 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) Represents the net profit attributable to equity holders of the Company during the period divided by the weighted average number of ordinary shares.

(5) Represents the net assets attributable to equity holders of the Company excluding the other equity instruments at the end of the period divided by the number of ordinary shares as at the end of the period.

(6) NCB has been consolidated into the consolidated financial statements of the Group since May 30, 2016. This figure was the return on average assets excluding the effect of the consolidation of NCB. The return on average assets for 2016 was 1.69% if taking into account of the effect of the consolidation of NCB.

3 CHAIRMAN'S STATEMENT

In 2016, the global economy continued to undergo significant adjustment. The global economic landscape remained weak with characteristics of "low investments, low growth, low inflation and low trade". Fluctuations in international financial market was intensified along with the emergence of "reverse globalization" trend and protectionism. The domestic economy, in the meantime, was faced with major structure problems, prominent risks and dangers and mounting downward pressure. Against the sophisticated economic environment at home and abroad coupled with multiple uncertainties, the Company adhered to the new development concept to refine innovation and development while maintaining a steady growth, serve the real economy, and strengthened support for supply side economic reform. Focusing on the new strategic planning, the Company made more efforts on its innovation and upgrading of business model, promoting the structure of organization, optimising resource allocation and exploring new capital instruments to achieve enhancement of competitiveness and performance. During the year, net profit attribute to equity holders of the Company reached RMB15.51 billion, representing a year-on-year increase of 10.6%. The return on average assets amounted to 1.69% and the return on average shareholder was 14.12%.

We made solid progress on the implementation of strategies to contribute to a promising start of the second Five-Year Plan. Regarding the strategic position of "providing customer with integrated financial services concentrating on distressed asset management", the Company created more opportunities and conditions for reform through business development, strengthened points of business weakness by platforms integration and improve operation efficiency with the support of optimised resource allocation, so as to lay a solid foundation for the continuous and sound development, refine strategic layout for changes of business models, which is, to facilitate the transformation of principle business from concentrating on distressed assets management to laying equal stress on distressed assets and entities, the transformation of development model from scale expansion to structure optimisation, quality improvement and efficiency enhancement, the change of the marketing model from product-orientation to customer-orientation, and the change of the competition model from separate competition to group coordination. Combining the overall economic environment and company's outlook, the Company took initiatives to carry out a prospective capital management by the issuance of tier-2 capital bonds, Offshore Preference Shares and H shares in 2016, and therefore established a more effective capital replenishment mechanism for the optimisation of the Company's capital structure, which marked the first application of these capital instruments among the financial asset management companies in China. At the beginning of the second Five-Year Plan, our assets crossed over RMB1 trillion, operation performance was improved continuously on the basis of optimised business structure, comprehensive organization structure and integrated business platform, which is both quality-guaranteed and sustainable.

We facilitated the upgrade of the principal business of distressed asset management along with proactive prevention and elimination of financial risks. Faced with the complicated economic environment, the Company maintained its strategic strengths, upheld the principle business of distressed assets management, kept confidence in its professionalism, and made steady growth to achieve reform and upgrade in its principal business. Regarding the mainline of supply side structural reform and under the guidance of new development concept, the Company reformed and innovated its business model, optimised the allocation of assets, increased the acquisition and disposal capacity of assets, changed passive acquisition to active looking for targets from two sides of banks and enterprises. Furthermore, opportunities for business operation were explored and elimination of financial risks was facilitated and the open market share of the Company in acquisition of traditional distressed assets maintained its leading position in the market. With ongoing expansion of the coverage and diversity of distressed assets operation, the Company took restructured business as the point of penetration via "Restructuring+" model along with the synergistic advantages of multiple platforms, explored customer demands on traditional business, special situation investment and integrated financial service regarding the distressed assets and entities, and served the real economy in order to achieve higher-quality development that is more efficient, and sustainable. After decades of operation, multiple DES projects have gradually matured with high yield. In the new round of Debt-Equity Swap, the Company actively explore new opportunities while strictly in compliance with the requirements of marketization and legalization, and carried out substantive business attempt on the basis of experience and expertise acquired during the long-term operation of equity assets.

We steadily adjusted business platform and organizational structure to consolidate the foundation for coordinated business development. The Company enhanced its comprehensive management and control by means of integrating platform resources. The Company made substantive progress in the consolidation of Nanyang Commercial Bank, the introduction of strategic investors for Cinda P&C, the classification management of branches and the optimization of headquarter organizational structure. Resource allocation efficiency was further enhanced and foundation for the development of branches and subsidiaries was further consolidated. The acquisition and integration of Nanyang Commercial Bank was carried out in an orderly manner to achieve its stable operation, performance improvement and in-depth integration with the Group's business. The Company built its competitive edges of "full licenses" in financial services to effectively facilitate its capacities of business synergy and integrated financial service following the successful consolidation of Nanyang Commercial Bank, providing unprecedented convenience for customer sharing, product synergy, cooperation between domestic and overseas businesses and capital supervision. Being a new momentum for group development, a new platform for transformation and a new hub of collaboration, Nanyang Commercial Bank has gradually leveraged its strengths within the Group with the emergence of growth potential. Adhering to the market-oriented and customer-oriented concept, the Company built its core capacity of operation, continuously optimized business structure and established the strategic customer department in its headquarter to enhance the ability of providing integrated financial services to its key clients and accelerate the pace of reform towards customer-oriented business.

We constantly improved corporate governance, enhanced brand image and strangened our position as the industry benchmark. The Company was committed to improve its corporate governance. The governance structure, including the general shareholders' meeting, the board of directors, the board of supervisors and the senior management, was continuously optimized to further enhance its corporate governance with clear division of rights and responsibilities and effective checks and balances. In 2016, with the support of shareholders and supervision department, the Company successfully completed the elections of a new Board of Directors and senior management, improved the convergence between the decision-making system of state-owned enterprises on "Three Important Matters and One Big Concern" and corporate governance, and therefore promoted a systematic and standardized decision-making system. With high quality information disclosure and investor relationship management, the external supervision was refined and information transparency was improved. So shareholders and potential investors can also access to corporate information in a timely and accurate manner. In 2016, the Company was once again awarded the "Stars of China Awards – Best Corporate Governance Bank" by Global Finance, as well as the "Top 100 Listed Companies in China" by the China Business Top 100 Summit Forum and the "Best Asset Management Company Award" by Financial Times. The Company's market image and international influence have been further enhanced.

We proactively followed the development concepts of "Innovation, Coordination, Environmental Protection, Sharing" and endeavored to fulfill our social responsibility. The Company initiated the Environmental, Social and Governance (ESG) report advisory and assessment project to explore the establishment of a proactive social responsibility management system adapted to regulation rules, and further integrated the fulfillment of social responsibility into its management practices to promote a sustainable and sound development. The Company facilitated the fulfillment of social responsibility, enhanced the innovation of the business model and the expertise, leveraged its business characteristics and professional edges to support the supply side structural reform and the financial risk elimination and prevention, and gradually contribute to managing distressed entities, upgrading structures of overcapacity industries and providing integrated financial services. As a community to achieve the staff value and a corporate citizen to enhance the social well-being, the Company upheld the philosophy of coordinated and sharing development, endeavored to realize the staff value while achieving corporate sustainable development. In the pursuit of the Company's own development, it also strived to make contributions to society through actively participation in various public welfare activities and dedication to poverty alleviation and society construction. Adhering to the concept of green development, the Company actively participated in environmental protection and green public welfare activities, carried out green financial services, and supported the development of green industries.

In 2016, pursuant to the laws and regulations and the Articles of Associations of the Company, the Company completed its election of a new session of the Board of Directors, and the third session of the Board of Directors were formed. Mr. Chen Xiaozhou, Mr. Zhu Wuxiang and Mr. Sun Baowen have joined the new session of the Board of Directors. On behalf of the Board of Directors, I would like to extend my warm welcome to the new directors. Meanwhile, I would also like to express my heartfelt gratitude to the former directors Mr. Zang Jingfan, Mr. Lu Shengliang, Mr. Li Xikui and Mr. Qiu Dong for the significant contribution to the Company's development in their terms of office.

In 2017, the Company will continue to insist on the overall work tone of steady progress, advocate the concept of innovation and development, adapt to as well as to grasp and direct the new normal of economic development, seize market opportunities of supply side structural reform, motivate vitality by reform and innovation, determine direction by strategic planning as well as regulate risks with standardized system with an aim to constantly enhance its ability to cope with risks and create value and to generate fruitful business results to shareholders and contribute to the society.

Chairman: **HOU Jianhang**
March 30, 2017

4 PRESIDENT'S STATEMENT

In 2016, faced with volatile international financial conditions and complicated economic landscape in China, the Company promptly adjusted its business approach and methodology. Refinement of the strategic platform was accelerated. Innovation of capital market tools was taken further. Meanwhile, our asset and liability structure was further optimized, and robust efforts were expended on market development while risks limits were kept in check. A stronger management base has facilitated a steady and coordinated development in the Company, which contributed to a promising start of its Second Five Year Plan.

Rises were seen in scale, quality and efficiency. Faced with complicated and changing external environment, as well as challenges of tightened regulation of capital and more intense competition in the industry, the Company maintained a stable growth in business through our strategic approach that for different business segments purposes, supportive and restrictive policies, favorable and discouraging policies, expansion and divestment policies were taken selectively. In 2016, the Group achieved net profit attributable to equity holders of the Company of RMB15.51 billion, an increase of 10.6% year-on-year; the ROE of the Group reached 14.12%, at a stable range. At the end of 2016, total assets of the Group reached RMB1,174.48 billion, an increase of 64.5% from the end of 2015; capital adequacy ratio of the Company reached 19.38%, 6.88 percentage points higher than the regulatory requirements.

Transformation of strategic platforms was accelerated. By facilitating the transformation of strategic platforms for the Group's subsidiaries, the efficiency in the operation of the Group as a whole was enhanced. The closing and integration of Nanyang Commercial Bank was successfully completed, which addressed the weakness of the Group regarding its financial services platforms by enhancing its ability to provide customers with full-cycle services. The introduction of strategic investor in Cinda P&C was successfully carried out, which promoted the future development of Cinda P&C, realized a decent investment gain and served the strategic goal of the Group.

More efforts were devoted to innovation of capital market tools. In 2016, the Company raised RMB10 billion to replenish its tier 2 capital, US$3.2 billion to replenish its additional tier 1 capital, and raised HK$6.1 billion to replenish its core tier 1 capital by issuing tier 2 capital bonds, preference shares and through private placement of new H Shares respectively. These efforts had increased the capital reserve of the Company, thus providing a strong backup for the development of various businesses and protection from external risks in future.

The principal business of distressed asset management was consolidated and joined the innovation campaign. The distressed asset management business was expanded, with financial and non-financial distressed assets acquired for the year totaling RMB206.9 billion, which ensured our leading position among our peers. Innovation to the business model of the principal operation was realized through disposal of distressed assets on the Internet platform. The composition of restructured distressed assets was further optimized. We adopted innovative measures concerning equity management and forged ahead with mergers and acquisitions for major projects. Substantial investment returns were generated as a result. Focusing on the supply side structural reform, we strenuously performed our duties, increased capital investment, served the real economy and strengthened support for highlighted sectors.

We promoted transformation to business models and further optimized asset structure. We sped up the business transformation and upgrading based on the stable development of the major business of distressed asset management. We stepped up the institutional reform for the customer oriented management system and actively sought the innovation of products and services under the New Normal. Asset structure optimized was further optimized. Development of special situation investment business and innovation in transaction structure were also highlighted. In 2016, the balance of principal investment of the Group increased by RMB63.1 billion as compared to last year, with a growth in investment gain of RMB4.9 billion. The size of capital raised in private equity fund increased by RMB98.7 billion as compared to last year. The total asset of NCB increased by RMB57.0 billion as compared to last year.

Strict standards were imposed on suppressing impaired distressed assets ratio and risk limits were closely watched. The Company steadily implemented reforms on the risk management system. In particular, it tightened up control over asset quality by issuing a number of measures such as "Scheme for Economic Capital Management" and "Punitive Measures for Operation Risk Liabilities". Further progress was made in the upgrading of risk management information system, related party transaction management system and collateral management system. A model for related party transaction alert was successfully developed. In addition, the internal evaluation system was refined and upgraded, and the scientific element and precision level in risk management were enhanced. In order to keep risk exposure in check and address risk events, various measures were taken which included requiring officers to sign responsibility statement, linking remuneration to performance appraisals, putting leaders to oversee specific projects and dedicated teams to carry out projects, coordinating efforts of all levels and giving in-time guidance. Consequently, the Company succeeded in containing impaired distressed assets ratio at a reasonable level despite the adversity of economic downturn.

In 2017, the economy and financial industry of China will be exposed to profoundly higher uncertainties and unpredictability. In particular, as the growth of the economy slows down, various potential issues and risks will “emerge”. More pressure will be exerted on business operations and risk management. With a view to accomplish the business targets set by the Board, we will forge ahead with the following efforts: first, capitalizing on our strengths as the mission; second, adjusting the business layout as our major focus; third, regarding risk management as a key operation aspect; fourth, underlining professionalism and distinctiveness as the goal and foothold of business operation; fifth, treating team building as the cornerstone of business management. We are determined to drive toward a healthy and stable growth of all businesses and create more value for our shareholders, customers, staff and the society.

President: **CHEN Xiaozhou**
March 30, 2017

5 STATEMENT OF CHAIRMAN OF THE BOARD OF SUPERVISORS

The year 2016 was the beginning of the implementation of the Thirteenth Five-Year Plan and it was also essential for the Company to focus on the reform and transformation. Faced with the complicated and challenging domestic and international economic and financial situation and the increasingly fierce competition pattern within the industry, the Company tackled challenges actively and insisted on the overall tone of steady progress, innovation and development. The Company grasped the development opportunities, forged ahead, tackled difficulties along the way and achieved a good start for the second Five-Year Plan. The Company's strategic layout was more optimized, the structural adjustment was more reasonable, the management foundation was consolidated on an ongoing basis, the operation performance continued to grow and the core competitiveness was further enhanced.

In 2016, adapting to new trends and features in financial supervision and new targets and requirements for corporate transformation, the Board of Supervisors focused on the establishment of its own systems, revised and improved supervision measures of the performance of duties, finance, risk management and internal control; carried out the performance supervision works and objectively and impartially assessed the performance of directors and senior managements; performed the function of financial supervision and independently provided supervision advices on the preparation, review and disclosure of financial reports; continuously deepened risk management and internal control to promote comprehensive capability of rik management and long-term efficiency of internal control; explored and conducted special research for new business, actively offered advice and suggestions for operation management and constantly improved the relevance and effectiveness of supervision works, and played an important role in the regulated operation and sustained and healthy development of corporate governance.

"With decorations, the world looks even better now." In 2017, faced with both opportunities and challenges, the Board of Supervisors will insist on the concept of "Compliance creates value and the internal control creates efficiency". The Board of Supervisors will closely focus on the operational development target of the Company and the theme of "The Year of Compliance", with the implementation of "Comprehensive Risk Control Management Guidelines" as the starting point, promote the improvement of systems, focus on the enhancement of duty performance, by means of the optimization of financial resource allocation to enhance the comprehensive supervision abilities. The Company will insist on the problem-based concept and bottom line principles and perform the supervising functions. We will work with the Board of Directors and the management, keep our original intentions at heart, bravely move forward and continue to improve corporate governance for the Company, in order to contribute to the second Five-Year Plan.

龔建德

Chairman of the Board of Supervisors: **GONG Jiande**
March 30, 2017

6 MANAGEMENT DISCUSSION AND ANALYSIS

6.1 Economic and Regulatory Environment

In 2016, the global economy has been undergoing in-depth adjustment, with imbalance in growth of developed economies being intensified, the US economy has entered a period of rapid growth, and the momentum of economic growth in Eurozone was increasing gradually. While the economic growth in Japan was still slow, the growth of emerging economies remained under pressure. Brexit and other events resulted in a significant increase in risk factors in the global economy. Faced with the challenging global economic conditions, the PRC Government has reacted with proper macro-control policies to maintain a stable overall economic operation. Major economic indicators are in a reasonable range. The five tasks (cutting overcapacity, reducing inventory, deleveraging, lowering costs, and bolstering areas of weakness) of supply-side structural reform have already started to yield results. The goal of cutting overcapacity for steel and goal was achieve in advance in last year. The real estate control policies have been introduced intensively to curb real estate bubble, with more emphasis on the establishment of long-term regulation mechanism at the same time. The market-oriented debt-to-equity swap has been implemented steadily to help enterprises with deleveraging; The transformation from business tax to value-added tax has reduced tax burden and financing cost including corporate interest expense has also been decreased. The efforts to bolster areas of weakness such as precise poverty alleviation have been significantly intensified.

Under the in-depth adjustment of global economy and the New Normal phase of L-shaped growth in domestic economy, the economic operation faces many challenges and difficulties. The endogenous growth momentum of economy is still insufficient while the potential risk factors of financial stability are increasing. Imbalances between financial and the real economy are still prominent, with phenomenon of capital flowing from real to virtual economy emerged. Risk points such as increased volatility in stock and exchange market, real estate bubble, non-performing loans, bond defaults, local government debt problems and illegal fund-raising are increasing. Financial risks are more intricate, covert and contagious.

At the end of 2016, Central Economic Work Conference put the prevention and control of financial risks into a more important position, focused on prevention and control of asset bubbles, and increased the disposal of distressed assets. Government authorities at each level make a great effort to introduce a series of relevant policies, in order to set the layout to prevent and control risks and tackle a number of risk points, creating a sound policy atmosphere for distressed assets operation. Firstly, promoting banks to further accelerate the disposal of distressed assets through multi-pronged measures including lowering the disposal threshold and innovating disposal methods, and strengthening the monitoring of bank risk indicators and tightening the classification of assets to truly reflect the scale of non-performing loans. The securitization of distressed assets, usufruct transfer and other innovative disposal methods would be actively promoted at the policy level. Secondly, enhancing the management of market participants. To further lower the market entry thresholds, allowing local government at provincial level to set up an additional asset management company, and lowering the limit on external transfer; to promote the standardized development of financial and non-financial distressed assets acquisition businesses of financial asset management companies. Thirdly, improving the supporting legal environment, the enterprise bankruptcy system, shall be improved, with the promotion of the construction of the system of creditors' committee and the launch of the China CDS (Credit Default Swaps), etc. Under the general principle of risk prevention and control, the financial asset management companies, as professional institutions to resolve financial risk, will continue to be in the period of strategic opportunities for their development through playing their professional role.

6.2 Analysis of Financial Statements

6.2.1 Operating Results of the Group

In 2016, the Group has been actively and effectively responding to the complex and volatile market environment. Under the sound financial policy to improve the capital adequacy and maintain the appropriate leverage level, the Group has achieved good operating results of reasonable growth of assets, stable income increase, continuous optimization of structure, controllable costs and expenditure and steady net profit growth.

In 2016, the net profit attributable to equity holders of the Company amounted to RMB15,512.2 million, representing an increase of RMB1,484.7 million, or 10.6%, as compared to the previous year. ROE and ROA were 14.12% and 1.69%, respectively. ROA excluding the consolidation of NCB was 1.82%.

	For the year ended December 31,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Income from distressed debt assets classified as receivables	**15,539.2**	18,883.9	(3,344.7)	(17.7)
Fair value changes on distressed debt assets	**5,716.2**	4,420.1	1,296.1	29.3
Fair value changes on other financial assets	**2,656.3**	1,971.2	685.1	34.8
Investment income	**17,991.3**	13,552.2	4,439.1	32.8
Net insurance premiums earned	**16,635.8**	12,912.2	3,723.6	28.8
Interest income	**14,506.5**	13,516.5	990.0	7.3
Revenue from sales of inventories	**10,954.6**	7,637.0	3,317.6	43.4
Commission and fee income	**3,848.1**	4,329.5	(481.4)	(11.1)
Net gains on disposal of subsidiaries, associates and joint ventures	**997.0**	262.9	734.1	279.2
Other income and net gains or losses	**2,812.2**	1,258.6	1,553.6	123.4
Total income	**91,657.2**	78,744.1	12,913.1	16.4
Insurance costs	**(17,549.0)**	(13,766.9)	(3,782.1)	27.5
Commission and fee expense	**(2,122.4)**	(1,471.8)	(650.6)	44.2
Purchases and changes in inventories	**(8,455.8)**	(5,587.1)	(2,868.7)	51.3
Employee benefits	**(6,109.7)**	(5,192.3)	(917.4)	17.7
Impairment losses on assets	**(4,813.7)**	(4,376.5)	(437.2)	10.0
Interest expense	**(23,223.8)**	(20,185.3)	(3,038.5)	15.1
Other expenses	**(6,083.3)**	(6,621.5)	538.2	(8.1)
Total costs and expenses	**(68,357.7)**	(57,201.4)	(11,156.3)	19.5
Change in net assets attributable to other holders of consolidated structured entities	**(2,331.7)**	(2,557.0)	225.3	(8.8)
Share of results of associates and joint ventures	**797.7**	312.2	485.5	155.5
Profit before tax	**21,765.5**	19,297.9	2,467.6	12.8
Income tax expense	**(5,783.5)**	(4,594.0)	(1,189.5)	25.9
Net profit for the year	**15,982.0**	14,703.9	1,278.1	8.7
Profit attributable to:				
Equity holders of the Company	**15,512.2**	14,027.5	1,484.7	10.6
Non-controlling interests	**469.8**	676.4	(206.5)	(30.5)

6.2.1.1 Total Income

In 2016, the total income of the Group steadily increased from RMB78,744.1 million in 2015 to RMB91,657.2 million in 2016, representing an increase of 16.4%. The income structure is more diversified and the income stability continues to increase.

Income from Distressed Assets

Distressed asset operation business is the core business of the Group. The income from distressed assets is classified into (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 joint ventures; (4) net gains on disposal of assets in satisfaction of debt; and (5) commission and fee income from custody, liquidation and restructuring services for distressed entities.

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

	For the year ended December 31,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Income from distressed debt assets classified as receivables	**15,539.2**	18,883.9	(3,344.7)	(17.7)
Fair value changes on distressed debt assets	**5,716.2**	4,420.1	1,296.1	29.3
Available-for-sale financial assets investment income [(1)]	**6,151.9**	4,467.5	1,684.4	37.7
Net gains on disposal of assets in satisfaction of debts [(2)]	**63.3**	3.9	59.4	1,523.1
Total	**27,470.7**	27,775.4	(304.7)	(1.1)

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 the consolidated statement of profit or loss.

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

In 2016, the income from distressed assets of the Group remained basically stable, decreasing from RMB27,775.4 million in 2015 to RMB27,470.7 million in 2016, representing a decrease of 1.1%, and accounting for 35.3% and 30.0% of the total income for 2015 and 2016, respectively.

Income from Distressed Debt Assets Classified as Receivables

The income from distressed debt assets classified as receivables decreased from RMB18,883.9 million in 2015 to RMB15,539.2 million in 2016, representing a decrease of 17.7%, and accounting for 24.0% and 17.0% of the total income for 2015 and 2016. The decrease in income was primarily due to: (1) the factors including the macroeconomic cycle as well as the impacts of the active adjustment of business structure and risk preference of distressed debt assets by the Company, the annualized return on monthly average balance decreased from 11.7% in 2015 to 9.9% in 2016; (2) the investment of such assets for the year was relatively concentrated in the second half of the year, so the balance of interest-generating assets per month throughout the year was relatively lower than that of the previous year.

Fair Value Changes on Distressed Debt Assets

Fair value changes on distressed debt assets increased from RMB4,420.1 million in 2015 to RMB5,716.2 million in 2016, representing an increase of 29.3%, and accounting for 5.6% and 6.2% of the total income for 2015 and 2016, respectively. As at December 31, 2015 and 2016, the balance of distressed debt assets designated at fair value through profit or loss were RMB84,620.7 million and RMB94,458.6 million, respectively.

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

	For the year ended December 31,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Realized fair value changes	**5,876.9**	4,031.2	1,845.7	45.8
Unrealized fair value changes	**(160.7)**	388.9	(549.6)	(141.3)
Total	**5,716.2**	4,420.1	1,296.1	29.3

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

	As at and for the year ended December 31, *(in millions of RMB)*
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
Acquisition during the year	73,705.7
Disposal during the year	(63,707.2)
Unrealized fair value changes	(160.7)
December 31, 2016	**94,458.6**

Fair value changes on distressed debt assets of the Group increased by 29.3% in 2016 as compared to 2015, in which there is an increase of 45.8% in the realized fair value changes on distressed debt assets from RMB4,031.2 million in 2015 to RMB5,876.9 million in 2016. It is mainly because the Company seized market opportunities and constantly introduced innovative means to promote its assets and accelerate the progress of disposal, while steadily pushed forward the material project disposal and achieved a breakthrough. The disposal amount of the Group increased by 42.9% from RMB44,568.0 million in 2015 to RMB63,707.2 million in 2016.

Investment Income

The investment income of the Group increased from RMB13,552.2 million in 2015 to RMB17,991.3 million in 2016, representing an increase of 32.8%, and accounting for 17.2% and 19.6% of the total income in 2015 and 2016, respectively.

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

	For the year ended December 31,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Net realized gains from disposal of				
Available-for-sale financial assets	**7,980.8**	7,855.0	125.8	1.6
Interest income from investment securities				
Available-for-sale financial assets	**1,919.2**	1,063.6	855.6	80.4
Debt instruments classified as receivables	**1,209.0**	1,604.0	(395.0)	(24.6)
Held-to-maturity investments	**428.0**	307.8	120.2	39.1
Dividend income				
Available-for-sale financial assets	**6,454.3**	2,721.8	3,732.5	137.1
Total	**17,991.3**	13,552.2	4,439.1	32.8

The total investment income of the Group increased by 32.8% in 2016 as compared to 2015, primarily due to (1) an increase in interest income from available-for-sale financial assets by 80.4%, from RMB1,063.6 million in 2015 to RMB1,919.2 million in 2016, mainly due to the rapid growth of such income caused by the consolidation of NCB; and (2) an increase in dividend income from available-for-sale financial assets by 137.1%, from RMB2,721.8 million in 2015 to RMB6,454.3 million in 2016, mainly due to the increase in divend income of private equity funds of the Company and mutual funds of Happy Life.

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

	For the year ended December 31,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Net realized gains on disposal of available-for-sale financial assets	**7,980.8**	7,855.0	125.8	1.6
DES Assets of the Company[1]	**4,580.8**	3,893.6	687.2	17.6
Others	**3,400.0**	3,961.4	(561.4)	(14.2)
Interest income from available-for-sale financial assets	**1,919.2**	1,063.6	855.6	80.4
Dividend income from available-for-sale financial assets	**6,454.3**	2,721.8	3,732.5	137.1
DES Assets of the Company	**1,571.1**	573.9	997.2	173.8
Principal equity investment of the Company and others	**4,883.2**	2,147.9	2,735.3	127.3
Total	**16,354.3**	11,640.4	4,713.9	40.5

Note:

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

Investment income from available-for-sale financial assets increased by 40.5%, from RMB11,640.4 million in 2015 to RMB16,354.3 million in 2016. Investment income from available-for-sale financial assets, which is the main component of the investment income, accounted for 85.9% and 90.9% of the total investment income in 2015 and 2016, respectively. Investment income from available-for-sale financial assets includes (1) net realized gains on disposal of available-for-sale financial assets; (2) interest income from available-for-sale financial assets; and (3) dividend income from available-for-sale financial assets.

Net Insurance Premiums Earned

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

	For the year ended December 31,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Gross written premiums	**16,891.4**	13,854.2	3,037.2	21.9
Less: Premiums ceded to reinsurers	**139.4**	1,099.1	(959.7)	(87.3)
Withdrawal/(reversal) of unearned premium reserves	**116.2**	(157.1)	273.3	(173.9)
Net insurance premiums earned	**16,635.8**	12,912.2	3,723.6	28.8

The gross written premiums increased by 21.9% from RMB13,854.2 million in 2015 to RMB16,891.4 million in 2016, primarily attributable to an increase in gross written premiums from Happy Life by 26.8% from RMB10,748.4 million in 2015 to RMB13,632.7 million in 2016. Happy Life recorded a stable business expansion as compared to the last year with the business foundation established in 2015.

The premiums ceded to reinsurers decreased by 87.3% from RMB1,099.1 million in 2015 to RMB139.4 million in 2016, primarily because of the improved repayment capability of Happy Life. As a result, the premiums ceded to reinsurers decreased by 99.2% from RMB980.8 million in 2015 to RMB8.2 million in 2016.

The withdrawal of unearned premium reserves increased by 173.9% as compared with a reversal of RMB157.1 million in 2015 and recorded a withdrawal of RMB116.2 million in 2016, mainly due to the unearned premium reserves of Cinda P&C increasing by 173.3% from a reversal of RMB161.6 million in 2015 to a withdrawal of RMB118.5 million in 2016.

Commission and Fee Income

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

	For the year ended December 31,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Securities and futures brokerage	**1,537.1**	3,001.3	(1,464.2)	(48.8)
Fund and asset management business	**436.2**	372.3	63.9	17.2
Consultancy and financial advisory	**657.1**	335.8	321.3	95.7
Trustee services	**320.3**	286.9	33.4	11.6
Securities underwriting	**82.9**	205.9	(123.0)	(59.7)
Banking business	**570.8**	–	570.8	100.0
Agency business	**95.7**	81.2	14.5	17.9
Others	**148.0**	46.1	101.9	220.6
Total	**3,848.1**	4,329.5	(481.4)	(11.1)

The commission and fee income of the Group decreased by 11.1% from RMB4,329.5 million in 2015 to RMB3,848.1 million in 2016, primarily because:

Commission and fee income from securities and futures brokerage decreased by 48.8% from RMB3,001.3 million in 2015 to RMB1,537.1 million in 2016, primarily due to the decrease in fee income from the brokerage business of Cinda Securities as a result of the continuous downturn in capital market in 2016.

Fee income from trustee services consists primarily of fees from trust business of Jingu Trust and such fee income increased by 11.6% from RMB286.9 million in 2015 to RMB320.3 million in 2016, mainly due to the expansion in the scale of trustee services as compared with the previous year.

Fee income in consultancy and financial advisory increased by 95.7% from RMB335.8 million in 2015 to RMB657.1 million in 2016, mainly from the revenue growth of the investment advisory business of Cinda Hong Kong and its subsidiaries.

Revenue from sales of inventories and purchases and changes in inventories

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

	For the year ended December 31,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Revenue from sales of inventories	**10,954.6**	7,637.0	3,317.6	43.4
Purchases and changes in inventories	**(8,455.8)**	(5,587.1)	(2,868.7)	51.3
including:				
Revenue from sales of properties held for sale	**10,918.1**	7,557.8	3,360.4	44.5
Purchases and changes in properties held for sale	**(8,428.3)**	(5,523.1)	(2,905.3)	52.6
Gross profit from sales of properties held for sale	**2,489.8**	2,034.7	455.1	22.4
Gross profit margin from sales of properties (%)	**22.8**	26.9	(4.1)	(15.3)

The revenue from sales of inventories increased by 43.4% from RMB7,637.0 million in 2015 to RMB10,954.6 million in 2016 and the purchases and changes in inventories increased by 51.3% from RMB5,587.1 million in 2015 to RMB8,455.8 million in 2016. In spite of the increase in projects due delivery and rapid increase in the revenue from sales of properties held for sale of Cinda Real Estate, the purchases and changes in properties held for sale increased at a faster pace than that of the revenue. Thus, the gross profit margin from sales of properties decreased from 26.9% in 2015 to 22.8% in 2016.

Interest Income

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

	For the year ended December 31,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Corporate and personal loans and advances	**8,584.4**	6,944.9	1,639.5	23.6
Finance lease receivables	**2,431.8**	2,722.5	(290.7)	(10.7)
Loans to margin clients	**555.6**	944.9	(389.3)	(41.2)
Balance with financial institutions	**1,456.5**	1,839.1	(382.6)	(20.8)
Financial assets held under resale agreements	**994.3**	651.5	342.7	52.6
Placements with financial institutions	**179.4**	59.1	120.3	203.6
Balance with central banks	**92.9**	–	92.9	100.0
Accounts receivable	**81.4**	234.2	(152.8)	(65.2)
Other[(1)]	**130.3**	120.3	10.0	8.3
Total	**14,506.5**	13,516.5	990.0	7.3

Note:

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

The interest income of the Group increased by 7.3% from RMB13,516.5 million in 2015 to RMB14,506.5 million in 2016, primarily due to an increase in interest income from corporate and personal loans and advances.

The interest income from corporate and personal loans and advances of the Group increased by 23.6% from RMB6,944.9 million to RMB8,584.4 million in 2016, mainly due to: (1) an increase in interest income from loans because of the acquisition of NCB; and (2) an increase in interest income from entrust loans of consolidated structured entities.

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,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Net gains on disposal of investment properties	**20.5**	79.3	(58.8)	(74.1)
Net gains on disposal of other assets	**63.3**	3.9	59.4	1,523.1
Net gains/(losses) on exchange differences	**1,140.5**	(103.6)	1,244.1	(1,200.9)
Rental income	**407.0**	294.4	112.6	38.3
Revenue from hotel operation	**483.7**	494.8	(11.1)	(2.2)
Revenue from property management business	**231.4**	215.3	16.1	7.5
Government grant and compensation	**41.6**	27.3	14.3	52.4
Others	**424.2**	247.3	177.0	71.6
Total	**2,812.2**	1,258.6	1,553.6	123.4

The other income and other net gains and losses of the Group increased by 123.4% from RMB1,258.6 million in 2015 to RMB2,812.2 million in 2016, mainly due to an increase in net gains on exchange differences of the Company's assets denominated in foreign currencies arising from the changes in exchange rate.

6.2.1.2 Total Costs and Expenses

The Group's costs and expenses are generally controllable, excluding the consolidation of NCB, maintaining a reasonable growth as compared to 2015, to support the steady growth in revenue of the Group.

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,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Insurance costs	**(17,549.0)**	(13,766.9)	(3,782.1)	27.5
Commission and fee expense	**(2,122.4)**	(1,471.8)	(650.6)	44.2
Purchases and changes in inventories	**(8,455.8)**	(5,587.1)	(2,868.7)	51.3
Employee benefits	**(6,109.7)**	(5,192.3)	(917.4)	17.7
Taxes and surcharges	**(1,302.6)**	(2,806.8)	1,504.2	(53.6)
Depreciation and amortization	**(740.4)**	(408.3)	(332.1)	81.3
Impairment losses on assets	**(4,813.7)**	(4,376.5)	(437.2)	10.0
Interest expense	**(23,223.8)**	(20,185.3)	(3,038.5)	15.1
Other expenses	**(4,040.3)**	(3,406.4)	(633.9)	18.6
Total	**(68,357.7)**	(57,201.4)	(11,156.3)	19.5

The total costs and expenses of the Group increased by 19.5% from RMB57,201.4 million in 2015 to RMB68,357.7 million in 2016, mainly due to (1) the increases in insurance costs and purchases and changes in inventories due to increase in business volume; and (2) the increases in employee benefits and interest expense for the consolidation of NCB.

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,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Reserves for insurance contracts	**(5,025.8)**	(3,582.0)	(1,443.8)	40.3
Interests credited and policyholder dividends	**(2,063.9)**	(1,476.5)	(587.4)	39.8
Refund of reinsurance premiums	**(24.1)**	1,375.8	(1,399.9)	(101.8)
Other insurance expenses [(1)]	**(10,435.3)**	(10,084.2)	(351.1)	3.5
Total	**(17,549.0)**	(13,766.9)	(3,782.1)	27.5

Note:

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

The insurance costs of the Group increased by 27.5% from RMB13,766.9 million in 2015 to RMB17,549.0 million in 2016, primarily due to: (1) the refund of reinsurance premiums decreased by 101.8% from RMB1,375.8 million in 2015 to a reversal of RMB24.1 million in 2016; (2) the reserves for insurance contracts of the Group increased by 40.3% from RMB3,582.0 million in 2015 to RMB5,025.8 million in 2016, primarily due to the increase in written premium as a result of the increase in business volume of Happy Life.

Employee Benefits

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

	For the year ended December 31,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Wages or salaries, bonuses, allowances and subsidies	**(4,816.8)**	(4,038.8)	(778.0)	19.3
Social insurance	**(208.0)**	(198.4)	(9.6)	4.8
Defined contribution plans	**(381.1)**	(484.7)	103.6	(21.4)
Defined benefit plans	**(4.5)**	–	(4.5)	100.0
Housing funds	**(275.0)**	(180.8)	(94.2)	52.1
Labor union fees and staff education expenses	**(143.3)**	(145.5)	2.2	(1.5)
Others	**(281.0)**	(144.1)	(136.9)	95.0
Total	**(6,109.7)**	(5,192.3)	(917.4)	17.7

The employee benefits increased by 17.7% from RMB5,192.3 million in 2015 to RMB6,109.7 million in 2016, primarily due to the consolidation of NCB.

Impairment Losses on Assets

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

	For the year ended December 31,			
				Change in
	2016	2015	Change	percentage
	(in millions of RMB)			*(%)*
Distressed debt assets classified as receivables	**(1,209.6)**	(1,627.4)	417.8	(25.7)
Available-for-sale financial assets	**(2,554.7)**	(380.9)	(2,173.8)	570.7
Loans and advances to customers	**(440.3)**	(2,316.1)	1,875.8	(81.0)
Properties held for sale	**(150.1)**	–	(150.1)	100.0
Other financial assets classified as receivables	**(270.9)**	(15.2)	(255.7)	1,682.2
Property and equipment	**–**	(3.3)	3.3	–
Accounts receivable	**(1.8)**	(32.8)	31.0	(94.5)
Dividends receivable	**(87.7)**	(83.0)	(4.7)	5.7
Other assets	**(98.6)**	82.2	(180.8)	(220.0)
Total	**(4,813.7)**	(4,376.5)	(437.2)	10.0

The impairment losses on assets increased by 10.0% from RMB4,376.5 million in 2015 to RMB4,813.7 million in 2016, primarily due to the increase in provision for impairment losses on available-for-sale financial assets, which was partially offset by the decrease in the impairment loss on distressed debt assets classified as receivables and loans and advances to customers.

The impairment losses on distressed debt assets classified as receivables decreased by 25.7% from RMB1,627.4 million in 2015 to RMB1,209.6 million in 2016, primarily due to the Company stepped up in its efforts to mitigate risk assets resulting in slowing the growth of and decreasing the incurment of risk assets.

The impairment losses on available-for-sale financial assets increased by 570.7% from RMB380.9 million in 2015 to RMB2,554.7 million in 2016, primarily due to the fact that certain listed shares held by the Group were impaired caused by the poor performance of capital market in 2016.

The impairment loss on loans and advances to customers decreased by 81.0% from RMB2,316.1 million in 2015 to RMB440.3 million in 2016, primarily due to the decrease of incremental risk assets.

Interest Expense

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

	For the year ended December 31,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Accounts payable to brokerage clients	**(66.1)**	(81.6)	15.5	(19.0)
Financial assets sold under repurchase agreements	**(363.4)**	(510.1)	146.7	(28.8)
Borrowings	**(15,508.2)**	(15,413.0)	(95.2)	0.6
Amount due to the MOF	**–**	(163.4)	163.4	–
Bonds issued	**(5,512.1)**	(3,738.5)	(1,773.6)	47.4
Due to customers	**(1,327.2)**	–	(1,327.2)	100.0
Placements from banks and financial institutions	**(176.9)**	(250.3)	73.4	(29.3)
Others	**(269.9)**	(28.4)	(241.5)	847.0
Total	**(23,223.8)**	(20,185.3)	(3,038.5)	15.1

The interest expense of the Group increased by 15.1% from RMB20,185.3 million in 2015 to RMB23,223.8 million in 2016, primarily due to (1) the significant increase in interest expense on due to customers as a result of the acquisition of NCB; and (2) the increases in interest expense on borrowings and bonds issued supporting the development of core businesses.

The interest expense on due to customers of the Group came from due to customers of NCB, and the interest expense on due to customers amounted to RMB1,327.2 million in 2016.

The interest expense on bonds issued increased by 47.4% from RMB3,738.5 million in 2015 to RMB5,512.1 million in 2016, primarily due to the fact that the Company and relevant subsidiaries of the Group refined their liabilities structure and increased the bonds issuance resulting in the increase in interest expense on bonds issued.

6.2.1.3 Income Tax Expense

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

	For the year ended December 31,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Profit before tax	**21,765.5**	19,297.9	2,467.6	12.8
Income tax expense	**(5,783.5)**	(4,594.0)	(1,189.5)	25.9
Effective tax rate (%)	**26.6**	23.8	2.8	11.6

The income tax expense of the Group increased by 25.9% from RMB4,594.0 million in 2015 to RMB5,783.5 million in 2016, primarily due to an increase in the taxable income. In 2015 and 2016, the effective tax rates were 23.8% and 26.6%, respectively, primarily due to the increase of land appreciation tax and effect of tax losses and deductible temporary differences not recognized.

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 and 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; (3) financial services business such as banking, securities, futures, fund management, trusts, financial leasing and insurance.

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

	Distressed asset management[(1)] 2016	Distressed asset management[(1)] 2015	Financial investment and asset management 2016	Financial investment and asset management 2015	Financial services 2016	Financial services 2015	Elimination 2016	Elimination 2015	Consolidation 2016	Consolidation 2015
	For the year ended December 31, (in millions of RMB)									
Total income	**32,069.3**	32,552.2	**27,302.9**	19,274.2	**34,165.1**	28,971.7	**(1,880.1)**	(2,053.9)	**91,657.2**	78,744.1
Percentage of total (%)	**35.0**	41.3	**29.8**	24.5	**37.3**	36.8				
Total costs and expenses	**(17,831.3)**	(20,505.9)	**(19,575.6)**	(13,448.4)	**(31,756.3)**	(24,184.7)	**805.6**	937.7	**(68,357.7)**	(57,201.4)
Profit before tax	**14,424.8**	12,125.7	**6,308.9**	3,889.7	**2,106.3**	4,265.1	**(1,074.5)**	(982.7)	**21,765.5**	19,297.9
Percentage of total (%)	**66.3**	62.8	**29.0**	20.2	**9.7**	22.1				
Profit margin (%)	**45.0**	37.3	**23.1**	20.2	**6.2**	14.7			**23.7**	24.5
Return on net assets before tax[(2)](%)	**21.7**	22.4	**15.5**	12.5	**7.8**	17.7			**17.0**	18.3

	Distressed asset management 2016	Distressed asset management 2015	Financial investment and asset management 2016	Financial investment and asset management 2015	Financial services 2016	Financial services 2015	Elimination and unallocated part[(3)] 2016	Elimination and unallocated part[(3)] 2015	Consolidation 2016	Consolidation 2015
	As at December 31, (in millions of RMB)									
Total assets	**457,606.7**	393,186.3	**269,186.6**	154,734.6	**493,780.1**	176,834.3	**(46,092.4)**	(10,780.5)	**1,174,480.9**	713,974.7
Percentage of total (%)	**39.0**	55.1	**22.9**	21.7	**42.0**	24.8				
Net assets	**76,387.2**	56,833.7	**50,679.8**	30,928.0	**27,846.0**	26,061.7	**(6,943.0)**	(2,929.5)	**147,970.0**	110,893.9
Percentage of total (%)	**51.6**	51.3	**34.3**	27.9	**18.8**	23.5				

Note:

(1) In order to facilitate investors to understand the Group's operating results more accurately, since 2016, the distressed asset management business carried out in cooperative way were adjusted from the financial investment and asset management segment to the distressed asset management segment. This report has restated the 2015 data according to the above mentioned method, which has no significant impact on the business segment of the Group.

(2) Refers to profit before tax divided by the average of net assets at the beginning and end of the year.

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

Distressed asset management is our core business and one of our principal income contributors. In 2015 and 2016, the income generated from distressed asset management accounted for 41.3% and 35.0% of our total income, respectively, and the profit before tax generated from distressed asset management accounted for 62.8% and 66.3% of our total profit before tax, respectively. As at December 31, 2015 and 2016, the net assets of our distressed asset management accounted for 51.3% and 51.6% of our total net assets, respectively.

The profit contribution from the financial investment and asset management services increased as a result of rapid expansion of that business, in 2015 and 2016, accounting for 20.2% and 29.0% of the total profit before tax of the Group, respectively. In 2015 and 2016, the profit margin before tax of this segment were 20.2% and 23.1%, respectively, and average return on net assets before tax were 12.5% and 15.5%, 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 Group achieved the rapid growth of asset size of financial services segment and significant synergies arising from the acquisition of NCB. The total income of financial services segment increased by 17.9% as compared to 2015. Meanwhile, affected by the market volatility, the profit margin before tax and the average return on net assets before tax of the financial services segment in 2016 decreased as compared to 2015.

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

6.2.2 Summary of Financial Position of the Group

As at December 31, 2015 and 2016, the total assets of the Group amounted to RMB713,974.7 million and RMB1,174,480.9 million respectively, representing an increase of 64.5%. Total liabilities amounted to RMB603,080.7 million and RMB1,026,510.9 million respectively, representing an increase of 70.2%. Total equity amounted to RMB110,893.9 million and RMB147,970.0 million respectively, representing an increase of 33.4%. Significant increase in the Group's total assets and liabilities was due to the acquisition of NCB. The increase in the Group's total equity is mainly due to the Company's efforts to enhance the innovation of capital instruments and to replenish capital through a variety of channels. For details of the capital management and capital replenishment of the Company, please refer to "Capital Management".

Excluding the incorporation of NCB, as at December 31, 2015 and 2016, the total assets of the Group amounted to RMB713,974.7 million and RMB928,484.8 million respectively, representing an increase of 30.0%. Total liabilities amounted to RMB603,080.7 million and RMB780,514.8 million respectively, representing an increase of 29.4%.

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

	As at December 31,			
	2016		2015	
	Amount	**Percentage (%)**	Amount	Percentage (%)
	(in millions of RMB)			
Assets				
Cash and balances with central banks	**17,368.0**	**1.5**	46.8	–
Deposits with banks and financial institutions	**75,801.3**	**6.5**	64,590.9	9.0
Financial assets at fair value through profit or loss	**149,045.5**	**12.7**	117,287.4	16.4
Available-for-sale financial assets	**212,495.9**	**18.1**	120,604.3	16.9
Financial assets classified as receivables	**198,787.2**	**16.9**	181,058.3	25.4
Loans and advances to customers	**294,936.6**	**25.1**	104,738.5	14.7
Other assets	**226,046.4**	**19.2**	125,648.5	17.6
Total assets	**1,174,480.9**	**100.0**	713,974.7	100.0
Liabilities				
Borrowings from central bank	**986.1**	**0.1**	986.1	0.2
Accounts payable to brokerage clients	**16,272.1**	**1.6**	21,533.2	3.6
Due to customers	**204,629.0**	**19.9**	–	–
Borrowings	**450,514.8**	**43.9**	317,070.7	52.6
Accounts payable	**3,053.9**	**0.3**	4,970.8	0.8
Bonds issued	**152,497.6**	**14.9**	111,773.4	18.5
Other liabilities	**198,557.4**	**19.3**	146,746.5	24.3
Total liabilities	**1,026,510.9**	**100.0**	603,080.7	100.0
Equity				
Equity attributable to equity holders of the Company	**139,216.7**	**94.1**	101,710.2	91.7
Non-controlling interests	**8,753.3**	**5.9**	9,183.7	8.3
Total equity	**147,970.0**	**100.0**	110,893.9	100.0
Total equity and liabilities	**1,174,480.9**		713,974.7	

6.2.2.1 Assets

Monetary Capital

Monetary capital primarily consists of cash, our bank deposits, balances with central banks 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, 2015 and 2016, monetary capital amounted to RMB64,637.7 million and RMB93,169.3 million, respectively, representing an increase of 44.1%, mainly due to an increase in balances with central banks and interbank deposits for the consolidation of NCB.

Financial Assets at Fair Value through Profit or Loss

The financial assets at fair value through profit or loss are divided into two categories, including held-for-trading financial assets and financial assets designated as at fair value through profit or loss.

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

	As at December 31,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Held-for-trading financial assets				
Listed investment				
Debt securities	**14,483.5**	14,605.3	(121.8)	(0.8)
Equity instruments	**8,720.0**	4,508.5	4,211.5	93.4
Funds	**1,278.7**	325.7	953.0	292.6
Unlisted investment				
Funds	**3,175.8**	1,616.2	1,559.6	96.5
Derivative financial assets	**820.8**	252.4	568.4	225.2
Subtotal	**28,478.8**	21,308.1	7,170.7	33.7
Financial assets designated as at fair value through profit or loss				
Listed investment				
Corporate convertible bonds	**293.2**	18.0	275.2	1,528.9
Unlisted investment				
Distressed debt assets	**94,458.6**	84,620.7	9,837.9	11.6
Corporate convertible bonds	**71.0**	50.0	21.0	42.0
Wealth management products	**3,984.9**	5,882.7	(1,897.8)	(32.3)
Equity instruments	**20,646.5**	5,407.9	15,238.6	281.8
Assets-backed securities	**58.0**	–	58.0	100.0
Embedded derivatives bonds	**171.7**	–	171.7	100.0
Others	**882.8**	–	882.8	100.0
Subtotal	**120,566.7**	95,979.3	24,587.4	25.6
Total	**149,045.5**	117,287.4	31,758.1	27.1

As at December 31, 2015 and 2016, held-for-trading financial assets amounted to RMB21,308.1 million and RMB28,478.8 million, respectively, representing an increase of 33.7%. The significant increase was mainly attributable to the significant increases in the funds held by the Company and equity instruments held by Cinda Hong Kong.

As at December 31, 2015 and 2016, financial assets designated as at fair value through profit or loss amounted to RMB95,979.3 million and RMB120,566.7 million, respectively, representing an increase of 25.6%, mainly attributable to the increase in traditional distressed debt assets of the Company and unlisted equity instruments of its subsidiaries. Distressed debt assets designated as at fair value through profit or loss increased by 11.6% from RMB84,620.7 million as at December 31, 2015 to RMB94,458.6 million as at December 31, 2016, mainly attributable to the increasing investment in distressed assets in 2016 as the Company adhered to distressed assets management as the major business.

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,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Debt securities	**53,609.7**	10,106.4	43,503.3	430.5
Equity instruments	**40,362.4**	51,886.9	(11,524.5)	(22.2)
Certificates of deposit	**14,235.7**	3,840.3	10,395.4	270.7
Funds	**65,072.6**	30,737.5	34,335.1	111.7
Trust products and rights to trust assets	**16,486.8**	10,712.9	5,773.9	53.9
Asset management plans	**12,719.6**	8,507.0	4,212.6	49.5
Wealth management products	**6,500.0**	1,702.9	4,797.1	281.7
Asset-backed securities	**1,061.3**	630.0	431.3	68.5
Others	**2,447.7**	2,480.3	(32.6)	(1.3)
Total	**212,495.9**	120,604.3	91,891.6	76.2

As at December 31, 2015 and 2016, available-for-sale financial assets amounted to RMB120,604.3 million and RMB212,495.9 million respectively, representing an increase of 76.2%. The increase was mainly due to the significant increase in available-for-sale debt securities as a result of the consolidation of NCB.

Funds are the largest component of available-for-sale financial assets of the Group. As at December 31, 2015 and 2016, available-for-sale funds amounted to RMB30,737.5 million and RMB65,072.6 million, representing an increase of 111.7%, mainly due to (1) the increase of investment in the private equity funds and the rapid development of the asset management business of the Group; and (2) the increase of the mutual funds held by Happy Life.

Debt securities are the main component of available-for-sale financial assets of the Group. As at December 31, 2015 and 2016, available-for-sale debt securities amounted to RMB10,106.4 million and RMB53,609.7 million, respectively, representing an increase of 430.5%, which mainly consist of the debt securities held by NCB.

The table below sets forth the principal components of avaliable-for-sale debt securities of the Group by type of issuers of the Group as at the dates indicated.

	As at December 31,			
				Change in
	2016	2015	Change	percentage
Issuers	*(in millions of RMB)*			*(%)*
Government bonds	**14,148.5**	80.6	14,067.8	17,453.8
Public sector and quasi-government bonds	**10,258.9**	4,617.2	5,641.7	122.2
Financial institution bonds	**16,639.2**	1,566.6	15,072.6	962.1
Corporate bonds	**12,563.2**	3,842.0	8,721.2	227.0
Total	**53,609.7**	10,106.4	43,503.3	430.5

The equity instruments decreased by 22.2% from RMB51,886.9 million as at December 31, 2015 to RMB40,362.4 million as at December 31, 2016, mainly due to the reasonable adjustment of the size of portfolio of listed companies' shares according to the operation of equity assets of the Company and its subsidiaries under market principle.

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
	2016	2015	Change	percentage
	(in millions of RMB)			*(%)*
The Group				
Listed	**6,303.2**	17,401.1	(11,097.9)	(63.8)
Unlisted	**34,059.2**	34,485.8	(426.6)	(1.2)
Total	**40,362.4**	51,886.9	(11,524.5)	(22.2)
The Company				
Listed	**2,673.1**	3,615.9	(942.8)	(26.1)
Unlisted	**30,646.6**	32,589.6	(1,943.0)	(6.0)
Sub-total	**33,319.7**	36,205.5	(2,885.8)	(8.0)
DES Assets[(1)]	**31,556.1**	34,521.1	(2,965.0)	(8.6)
Financial equity investments by the Company[(2)]	**1,763.6**	1,684.5	79.1	4.7
Sub-total	**33,319.7**	36,205.5	(2,885.8)	(8.0)

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, *(in millions of RMB)*
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)
Provisions for impairment losses	(2,641.5)
Reversal of impairment losses	86.5
Disposal	509.1
December 31, 2016	**(4,946.5)**

In 2015 and 2016, provisions for impairment losses on available-for-sale financial assets of the Group amounted to RMB380.9 million and RMB2,641.5 million respectively, mainly reflecting the market price changes of certain listed companies' stock interests held by the Group.

Financial Assets Classified as Receivables

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

	As at December 31,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Distressed debt assets				
Loans acquired from financial institutions	**31,297.7**	37,187.2	(5,889.5)	(15.8)
Accounts receivable acquired from non-financial institutions	**160,142.8**	132,292.3	27,850.5	21.1
Subtotal	**191,440.5**	169,479.5	21,961.0	13.0
Allowance for impairment losses	**(6,993.5)**	(6,334.6)	(658.9)	10.4
Net balance	**184,447.0**	163,144.9	21,302.1	13.1
Other financial assets classified as receivables				
Trust products	**7,075.7**	3,950.5	3,125.2	79.1
Asset management plans	**3,832.5**	3,985.5	(153.0)	(3.8)
Structured debt arrangements	**1,232.0**	10,058.6	(8,826.6)	(87.8)
Bonds	**1,109.5**	–	1,109.5	100.0
Other debt instruments	**1,442.5**	–	1,442.5	100.0
Subtotal	**14,692.2**	17,994.6	(3,302.4)	(18.4)
Allowance for impairment losses	**(351.9)**	(81.2)	(270.7)	333.4
Net balance	**14,340.3**	17,913.4	(3,573.1)	(19.9)
Total	**198,787.2**	181,058.3	17,729.0	9.8

As at December 31, 2015 and 2016, the balance of the financial assets classified as receivables amounted to RMB181,058.3 million and RMB198,787.2 million, respectively, representing an increase of 9.8%.

As at December 31, 2015 and 2016, the impaired distressed debt assets classified as receivables of the Company were RMB3,040.4 million and RMB3,415.8 million, respectively, both accounting for 1.78% of the total distressed debt assets classified as receivables. As at December 31, 2015 and 2016, the allowance for impairment losses on distressed debt assets classified as receivables was RMB6,385.4 million and RMB7,009.9 million, respectively, the impaired assets coverage ratio of distressed debt assets classified as receivables were 210.0% and 205.2%, and the ratio of allowance to total distressed debt assets classified as receivables were 3.73% and 3.66%, respectively.

Loans and Advances to Customers

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

	As at December 31,			
				Change in
	2016	2015	Change	percentage
	(in millions of RMB)			*(%)*
By business type				
Corporate and personal loans and advances	**249,963.8**	55,307.9	194,655.9	351.9
Loans to margin clients	**7,655.9**	8,938.2	(1,282.3)	(14.3)
Finance lease receivables	**42,847.7**	44,520.9	(1,673.2)	(3.8)
Subtotal	**300,467.4**	108,767.0	191,700.4	176.2
By security type				
Mortgaged	**96,415.6**	35,498.9	60,916.7	171.6
Pledged	**52,906.3**	29,864.4	23,041.9	77.2
Guaranteed	**48,178.5**	36,236.3	11,942.2	33.0
Unsecured	**102,967.0**	7,167.4	95,799.6	1,336.6
Subtotal	**300,467.4**	108,767.0	191,700.4	176.2
Allowance for impairment losses	**(5,530.8)**	(4,028.5)	(1,502.3)	37.3
Net balance of loans and advances to customers	**294,936.6**	104,738.5	190,198.1	181.6

As at December 31, 2015 and 2016, net balance of loans and advances to customers amounted to RMB104,738.5 million and RMB294,936.6 million, respectively, representing an increase of 181.6%, mainly due to the consolidation of NCB.

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

	As at December 31,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Corporate loans and advances				
Loans and advances	**213,346.6**	55,307.9	158,038.7	285.7
Discounted bills	**2,419.0**	–	2,419.0	100.0
Subtotal	**215,765.6**	55,307.9	160,457.7	290.1
Personal loans and advances				
Mortgage loans	**24,840.1**	–	24,840.1	100.0
Personal consumption loans	**9,358.1**	–	9,358.1	100.0
Subtotal	**34,198.2**	–	34,198.2	100.0
Total corporate and personal loans and advances	**249,963.8**	55,307.9	194,655.9	351.9

Net amount of finance leases receivables (before allowance for impairment losses) decreased by 3.8% from RMB44,520.9 million as at December 31, 2015 to RMB42,847.7 million as at December 31, 2016, mainly because (1) capital demand of some industries decreased and the pressure on investments in new projects increased as China's real economy has entered into a consolidation period in 2016 following the accelerating implementation of supplyside structural reform; (2) new investments and the balance of leased assets decreased in 2016 as a result of the dual effects of a possible increase in credit risks and tightened risk control on new projects under the macroeconomic circumstances.

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

	As at December 31,			
	2016	2015	Change	Change in percentage
	(in millions of RMB)			*(%)*
Gross amount of finance leases receivables	**46,858.1**	49,234.0	(2,375.9)	(4.8)
Less: Unearned finance income	**4,010.4**	4,713.1	(702.7)	(14.9)
Net amount of finance leases receivables	**42,847.7**	44,520.9	(1,673.2)	(3.8)
Within 1 year (inclusive)	**16,462.8**	14,758.4	1,704.4	11.5
1 year to 5 years (inclusive)	**25,498.8**	28,315.3	(2,816.5)	(9.9)
Over 5 years	**886.0**	1,447.2	(561.2)	(38.8)
Allowance for impairment losses	**(1,216.0)**	(976.7)	(239.3)	24.5
Carrying amount of finance lease receivables	**41,631.6**	43,544.2	(1,912.6)	(4.4)

Goodwill

On May 30, 2016 ("Date of Acquisition"), Cinda Financial, an indirect wholly-owned subsidiary of the Company, acquired all the issued shares of NCB Hong Kong from BOCHK at a total consideration of HK$68 billion. The Group has evaluated identifiable net assets of NCB as at the Date of Acquisition according to the relevant requirements of the PRC GAAP. The consolidated goodwill as at the Date of Acquisition amounted to RMB21.8 billion based on the consolidated costs and the fair value of identifiable net assets. The Group performed impairment assessment on such goodwills allocated to the corresponding cash-generating unit and there was no impairment.

6.2.2.2 Liabilities

Liabilities of the Group mainly consist of borrowings, due to customers and bonds issued, accounting for 43.9%, 19.9% and 14.9% of the total liabilities of the Group as at December 31, 2016, respectively. In 2016, the funding source of the Group was diversified, the stability of liability was enhanced and the financing costs was effectively controlled.

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

	As at December 31,			
	2016		2015	
	Amount	**Percentage (%)**	Amount	Percentage (%)
	(in millions of RMB)			
Borrowings	**450,514.8**	**51.9**	317,070.7	68.5
Due to customers	**204,629.0**	**23.6**	–	–
Deposits from banks and financial institutions	**13,304.8**	**1.5**	–	–
Accounts payable to brokerage clients	**16,272.1**	**1.9**	21,533.2	4.6
Financial assets sold under repurchase agreements	**7,872.2**	**0.9**	10,949.4	2.4
Placements from banks and financial institutions	**23,581.2**	**2.7**	1,807.0	0.4
Bonds issued	**152,497.6**	**17.6**	111,773.4	24.1
Total	**868,671.7**	**100.0**	463,133.7	100.0

Borrowings

As at December 31, 2015 and 2016, the balance of borrowings of the Group amounted to RMB317,070.7 million and RMB450,514.8 million, respectively. The increase in borrowings was primarily due to (1) the increase of the Company's borrowings by 42.2% from RMB245,839.5 million as at December 31, 2015 to RMB349,563.0 million as at December 31, 2016, to meet the capital requirement for the development of core business; and (2) the increase in borrowings of Cinda Hong Kong for the acquisition of NCB.

Due to customers

As at December 31, 2016, the balance of due to customers of the Group amounted to RMB204,629.0 million. The due to customers of the Group comprised of due to customers of NCB.

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

	As at December 31, *(in millions of RMB)*
Demand Deposits	**78,029.0**
Corporate Customers	**39,055.8**
Individual Customers	**38,973.2**
Time Deposits	**117,195.6**
Corporate Customers	**72,207.7**
Individual Customers	**44,987.9**
Guarantee Deposits	**9,404.5**
Total	**204,629.0**

Bonds Issued

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

	As at December 31,	
	2016	2015
	(in millions of RMB)	
Subordinated Bonds	**6,281.4**	6,280.4
HKD Bonds	**80.7**	63.7
Corporate Bonds	**23,816.0**	2,984.5
Financial Bonds	**67,818.6**	62,192.7
Redeemable Subordinated Bonds	**–**	504.2
USD Guaranteed Senior Notes	**34,760.1**	32,453.7
Beneficiary Certificates	**3,006.3**	1,139.1
Mid-term Notes	**3,076.3**	3,154.1
Capital Supplement Bonds	**3,001.0**	3,001.0
Tier-2 Capital Bonds	**10,170.4**	–
Certificates of Deposit	**486.8**	–
Total	**152,497.6**	111,773.4

As at December 31, 2015 and 2016, the balance of bonds issued by the Group amounted to RMB111,773.4 million and RMB152,497.6 million, respectively. Bonds issued in 2016 further increased mainly because the Group actively refined the structure of assets and liabilities by carrying out direct financing business with focusing on bond financing while consolidating the inter-bank financing business. For details of issuance of securtities of the Group during the Reporting Period, please see "Report of the Board of Directors" – "Issuance of Securities"

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, 2015 and 2016, the claim amounts of pending litigation of which the Group was defendant were RMB1,845.0 million and RMB1,608.4 million and of which the Company was defendant were RMB514.3 million and RMB416,9 million for the Company respectively, and provisions of RMB93.9 million and RMB90.5 million for the Group were made based on court judgments or the advice of legal counsel, respectively. The Directors believe that the final result of these lawsuits will not have material impacts on the financial position or operations of the Group and the Company.

6.2.4 Difference between Consolidated 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 the 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; and (3) financial services business such as banking, securities, futures, fund management, trusts, financial leasing, and insurance.

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

	For the year ended December 31			
	2016		2015	
	Total income ***(in millions of RMB)***	**% of total**	Total income *(in millions of RMB)*	% of total
Distressed Asset Management	**32,069.3**	**35.0**	32,552.2	41.3
Financial Investment and Asset Management	**27,302.9**	**29.8**	19,274.2	24.5
Financial Services	**34,165.1**	**37.3**	28,971.7	36.8
Elimination	**(1,880.1)**	**(2.1)**	(2,053.9)	(2.6)
Total	**91,657.2**	**100.0**	78,744.1	100.0

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

	For the year ended December 31			
	2016		2015	
	Profit before tax ***(in millions of RMB)***	**% of total**	Profit before tax *(in millions of RMB)*	% of total
Distressed Asset Management	**14,424.8**	**66.3**	12,125.7	62.8
Financial Investment and Asset Management	**6,308.9**	**29.0**	3,889.7	20.2
Financial Services	**2,106.3**	**9.7**	4,265.1	22.1
Elimination	**(1,074.5)**	**(4.9)**	(982.7)	(5.1)
Total	**21,765.5**	**100.0**	19,297.9	100.0

Note:

In order to facilitate investors to understand the Group's operating results more accurately, since 2016, the distressed asset management business carried out in cooperative way were adjusted from the financial investment and asset management segment to the distressed asset management segment. This report has restated the 2015 data according to the above mentioned method which has no significant impact on the business segment of the Group.

In 2016, the income from business segments of distressed asset management, financial investment and asset management and financial services represented 35.0%, 29.8% and 37.3% of the total income of the Group, respectively, and these segments' profit before tax represented 66.3%, 29.0% and 9.7% of the total profit before tax of the Group, respectively.

6.3.1 Distressed Asset Management

The scope of the Group'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) operation and disposal of distressed assets, and custody, liquidation and restructuring of distressed entities through collaborative and comprehensive operations within the Group.

Distressed asset management is the core business of the Group and is the primary source of income and profit. In 2015 and 2016, income from the distressed asset management business accounted for 41.3% and 35.0% of the total income of the Group, respectively, and profit before tax from the distressed asset management business accounted for 62.8% and 66.3% of the total profit before tax of the Group, respectively.

The table below sets forth the key financial indicators 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,	
	2016	2015
	(in millions of RMB)	
Acquisition and disposal of distressed debt assets		
Net balance of distressed debt assets[(1)]	**278,237.6**	248,068.4
Acquisition cost of distressed debt assets	**206,879.5**	167,332.2
Income from distressed debt assets[(2)]	**21,493.4**	23,269.5
Management and disposal of entrusted distressed assets		
Balance of entrusted distressed assets	**35,713.0**	32,671.5
Management and disposal of DES Assets		
Book value of DES Assets	**40,479.6**	38,750.7
Dividend income from DES Assets	**1,571.1**	573.9
Acquisition cost of DES Assets disposed (net of allowance for impairment, if any)	**1,843.9**	2,320.6
Net gain from the disposal of DES Assets	**4,580.8**	3,893.6

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 acquisition the distressed assets: (1) non-performing loans and other distressed debt assets of banks and distressed debt assets of non-bank financial institutions ("FI Distressed Assets") and (2) receivables of non-financial 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,			
	2016		2015	
	Amount *(in millions of RMB)*	**% of total**	Amount *(in millions of RMB)*	% of total
Net balance of distressed debt assets[(1)]				
FI Distressed Assets	**117,676.4**	**42.3**	111,607.7	45.0
NFE Distressed Assets	**160,561.2**	**57.7**	136,460.7	55.0
Total	**278,237.6**	**100.0**	248,068.4	100.0
Acquisition cost of distressed debt assets[(2)]				
FI Distressed Assets	**90,563.4**	**43.8**	80,909.2	48.4
NFE Distressed Assets	**116,316.1**	**56.2**	86,423.0	51.6
Total	**206,879.5**	**100.0**	167,332.2	100.0
Income from distressed debt assets[(3)]				
FI Distressed Assets	**9,900.7**	**46.1**	8,746.1	37.6
NFE Distressed Assets	**11,592.7**	**53.9**	14,523.4	62.4
Total	**21,493.4**	**100.0**	23,269.5	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) Represents the carrying amounts of distressed debt assets acquired during the years 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.

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1 The Traditional Model and Restructuring Model can both be utilized for the management of FI Distressed Assets and NFE Distressed Assets. Accounting treatment of distressed assets are determined in accordance with business models and not sources of acquisition. For example, for 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 non-performing loans and other distressed debt assets from banks, including large commercial banks, joint-stock commercial banks and city and rural commercial banks. We also acquired distressed debt assets from non-bank financial institutions.

The table below sets forth a breakdown of the FI Distressed Assets of the Company 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,			
	2016		2015	
	Amount ***(in millions of RMB)***	**% of total**	Amount *(in millions of RMB)*	% of total
Large commercial banks	**34,073.3**	**37.6**	22,682.5	28.0
Joint-stock commercial banks	**37,680.2**	**41.6**	28,036.6	34.6
City and rural commercial banks	**3,890.0**	**4.3**	12,076.8	15.0
Other banks[(1)]	**1,187.3**	**1.3**	393.7	0.5
Non-bank financial institutions	**13,732.6**	**15.2**	17,719.6	21.9
Total	**90,563.4**	**100.0**	80,909.2	100.0

Note:

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

NFE Distressed Assets

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

6.3.1.2 Business Models for Distressed Debt Asset Management

The Company mainly employs two business models in 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,			
	2016		2015	
	Amount *(in millions of RMB)*	**% of total**	Amount *(in millions of RMB)*	% of total
Net balance of distressed debt assets				
Traditional Distressed Assets(1)	**93,763.8**	**33.7**	83,264.3	33.6
Restructured Distressed Assets(2)	**184,473.8**	**66.3**	164,804.1	66.4
Total	**278,237.6**	**100.0**	248,068.4	100.0
Acquisition cost of distressed debt assets				
Traditional Distressed Assets	**72,654.7**	**35.1**	85,138.9	50.9
Restructured Distressed Assets	**134,224.8**	**64.9**	82,193.3	49.1
Total	**206,879.5**	**100.0**	167,332.2	100.0
Income from distressed debt assets				
Traditional Distressed Assets(3)	**5,836.4**	**27.2**	4,122.7	17.7
Restructured Distressed Assets(4)	**15,657.0**	**72.8**	19,146.8	82.3
Total	**21,493.4**	**100.0**	23,269.5	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 Company's Traditional Distressed Assets is banks. The Company acquires distressed debt assets from banks through competitive biddings, public auctions, blind auctions or negotiated acquisitions. Based on the characteristics of the distressed debt assets, the Company established corresponding management strategies and maximize the value of assets to achieve cash recovery by various disposal methods, including debt restructuring, debt-to-equity swap, receipt of equity in satisfication of debt, asset swap, litigation recovery, sale, etc.

The table below sets forth certain 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,	
	2016	2015
	(in millions of RMB, except for percentages)	
Net balance of Traditional Distressed Assets	**93,763.8**	83,264.3
Acquisition cost of Traditional Distressed Assets	**72,654.7**	85,138.9
Carrying amount of Traditional Distressed Assets disposed[(1)]	**61,860.7**	44,349.6
Unrealized fair value changes	**142.4**	549.3
Net income from Traditional Distressed Assets	**5,836.4**	4,122.7
Internal rate of return[(2)](%)	**19.2**	20.4

Notes:

(1) Represents 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.

In 2016, facing the changes in the environment of the distressed assets market resulting from economic slowdown, the Company managed to grasp the pace of the acquisition and disposals reasonably, and stepped up efforts to participate in the pilot business of securitization of bank distressed asset. We also seized the regional market opportunities of active transactions and asset prices rebound in the Yangtze River Delta to innovate the channels and methods of assets disposal, which accelerating the disposal process and achieving higher return. In 2016, the Traditional Distressed Assets business of the Company maintained steady growth with industry leading operating results.

Restructured Distressed Assets

The primary sources of our Restructured Distressed Assets are non-financial enterprises, as well as banks and non-bank financial institutions. When acquiring debts, the company would enter into a tripartite agreement with creditor and debtor. Concurrent to the debts acquisition, we, the debtor and its related parties also enter into a restructuring agreement that details the repayment amount, repayment method, repayment schedule, and any collateral and guarantee agreements, with the ultimate goal of recovering the debt in full and achieving target gains.

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

	As at and for the year ended December 31,	
	2016	2015
	(in millions of RMB, except for percentages)	
Net balance of Restructured Distressed Assets	**184,473.8**	164,804.1
Acquisition cost of Restructured Distressed Assets	**134,224.8**	82,193.3
Income from Restructured Distressed Assets	**15,657.0**	19,146.8
Annualized return on monthly average balance[(1)](%)	**9.9**	11.7
Balance of impaired Restructured Distressed Assets	**3,415.8**	3,040.4
Impaired Restructured Distressed Assets ratio[(2)](%)	**1.78**	1.78
Allowance for impairment losses	**7,009.9**	6,385.4
Impaired Restructured Distressed Assets coverage ratio[(3)](%)	**205.2**	210.0

Notes:

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

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

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

In 2016, in order to promote the development of Restructured Distressed Assets sustainably and stably, the Company continued to strengthen the assets allocation actively, focus on the target customers and market areas, emphasize the reasonable risk adjustment return, and seize the business opportunities such as resource integration in the supply-side structural reform. At the end of 2016, the Restructured Distressed Assets business has achieved the expected target of enhancing quality and effiency. For one hand, the scale of new assets has increased steadily. For the other hand, the asset quality continued to improve. In addition, the asset structure continued to be optimized, in which the concentration of real estate industry was decreasing steadily and the regional distribution of real estate industry was mainly concentrated in the first and second tier cities.

6.3.1.3 Entrusted Distressed Asset Management

In addition to aforementioned acquiring and disposing of distressed assets, the Company also takes its professional advantages to manage and dispose of distressed assets entrusted by financial institutions, non-financial enterprises and local government authorities, and its income is primarily derived from commissions based on cash recovery. As at December 31, 2015 and 2016, the balance of the entrusted distressed assets was RMB32.67 billion and RMB35.71 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 held by us can be classified as unlisted shares of DES Companies ("Unlisted DES Assets") and listed shares of DES Companies ("Listed DES Assets"). As at December 31, 2015 and 2016, we held Unlisted DES Assets in 164 and 152 DES Companies, with total book value of RMB31,638.1 million and RMB29,410.4 million, respectively and Listed DES Assets in 19 and 13 DES Companies, with total book value of RMB7,112.6 million and RMB11,069.2 million, respectively.

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

	As at December 31,	
	2016	2015
	(in millions of RMB, except number of DES Companies)	
Number of DES Companies	**165**	183
Unlisted	**152**	164
Listed	**13**	19
Total book value	**40,479.6**	38,750.7
Unlisted	**29,410.4**	31,638.1
Listed	**11,069.2**	7,112.6

DES Assets Disposal Gain

In 2015 and 2016, the Company disposed of the investments in 41 and 20 DES Companies, respectively, with total acquisition cost (net of allowance for impairment, if any) of RMB2,320.6 million and RMB1,843.9 million, respectively, realizing net gain of RMB3,893.6 million and RMB4,580.8 million, respectively, and the dividend income amounted to RMB573.9 million and RMB1,571.1 million, respectively. In 2016, the exit multiple of the DES Assets disposed[1] of by the Company was 3.48, and 3.46 for the unlisted ones.

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

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

	For the year ended December 31,	
	2016	2015
	(in millions of RMB, except number of DES Companies)	
Number of DES Companies disposed	**20**	41
Acquisition cost of DES Assets disposed (net of allowance for impairment, if any)	**1,843.9**	2,320.6
Net gain on disposal of DES Assets	**4,580.8**	3,893.6
Dividend income	**1,571.1**	573.9

Note: Net gain on DES Assets disposed and the exit multiple do not include the interest income of RMB81.1 million from DES receivables.

Through years of operations and disposals of DES Assets, the Company accumulated a wealth of professional advantages and industry experience. In 2016, focusing on the supply-side structural reform and new round of DES, after studying the relevant policies and regulations and investigating the situation of the DES industry, the Company adhered to the case-by-case policy and adopted the operation stragety of planning as a whole, breaking through key points and step by step implementation resulting in the enhancement of the value of DES Assets and achieving a good result.

6.3.1.5 Integrated Collaborative Platform of Distressed Assets Management

The Group adopts a comprehensive and cooperative approach to perform centralized management, disposal, custody, liquidation or restructuring on certain distressed assets or distressed entities. Among which, as at December 31, 2015 and 2016, the asset balance of distressed assets management of Zhongrun Development amounted to RMB1,468.0 million and RMB1,196.1 million, respectively.

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, Cinda Capital and their subsidiaries, which primarily includes principal investment, asset management, and other businesses. In 2016, in terms of principal investment, the Group continued to play the core strengths of distressed assets business, focusing on distressed entities and distressed assets, building special situation investment brand, increasing the allocation of medium and long-term equity asset and adjusting and improving the assets and revenue structure of the Group. In terms of asset management business, the Group focused on the development of mezzanine fund asset management business, which generating fixed income, and increased efforts to raise funds from third parties. In 2015 and 2016, the income from financial investment and asset management business accounted for 24.5% and 29.8% of the total income of the Group, respectively, while the profit before tax from financial investment and asset management business accounted for 20.2% and 29.0%, of the total profit before tax of the Group, respectively.

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 funds, debt securities, trust products and wealth management products. As at December 31, 2015 and 2016, the balance of the principal investment of the Group amounted to RMB78.85 billion and RMB141.94 billion, respectively. In 2015 and 2016, income from the principal investment of the Group, primarily including investment income, net income from investment properties and hotel operation revenue under the financial investment and asset management business segment, totalled RMB7.39 billion and RMB12.26 billion, respectively.

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

	As at December 31,			
	2016		2015	
	Amount *(in millions of RMB)*	**% of total**	Amount *(in millions of RMB)*	% of total
Balance of principal investments – by investment type				
Equity investments(1)	**31,762.6**	**22.4**	24,252.7	30.8
Real estate investments(2)	**1,720.9**	**1.2**	2,143.6	2.7
Fund investments	**72,869.0**	**51.3**	24,529.2	31.1
Debt securities investments	**3,188.3**	**2.2**	2,615.8	3.3
Trust products investments	**12,333.3**	**8.7**	10,046.1	12.7
Wealth management products investments	**4,062.2**	**2.9**	3,080.7	3.9
Other investments(3)	**16,003.8**	**11.3**	12,186.6	15.5
Total	**141,940.1**	**100.0**	78,854.7	100.0
Balance of principal investments – by investments entities				
The Company	**94,150.8**	**66.3**	44,047.8	55.8
Cinda Investment	**23,391.7**	**16.5**	20,395.1	25.9
Cinda Hong Kong	**30,203.9**	**21.3**	19,598.4	24.9
Zhongrun Development	**1,129.7**	**0.8**	312.2	0.4
(Elimination)	**(6,936.0)**	**(4.9)**	(5,498.8)	(7.0)
Total	**141,940.1**	**100.0**	78,854.7	100.0

Notes:

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

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

(3) Include primarily investment in asset management plan and large interbank deposits.

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 in companies those belong to energy, construction and environmental protection industries. We also expanded our investments in industries of “big culture”, “big health”, “big consumption”, new energy and new material. Our target customers are leading companies with sound corporate governance, advanced management capabilities and growth potential. Cinda Investment mainly invests in domestic mergers and acquisitions, securities market investment and direct equity investment relying on the capital market. Cinda Hong Kong mainly engages equity investments outside of the PRC and provides financing services for mainland companies and high-end customers who are in demand.

Equity Investments by the Company

The Company is engaged in financial investments and receives dividend income and investment income from the disposal of its equity holdings. As at December 31, 2015 and 2016, the balance of the Company’s direct equity investments classified under financial assets at fair value through profit or loss, available-for-sale financial assets and interests in associates and joint ventures in the consolidated financial statements, were RMB1.72 billion and RMB1.80 billion, respectively.

Equity Investments by Cinda Investment

Cinda Investment serves as the Group’s professional investment platform. As at December 31, 2015 and 2016, the balance of Cinda Investment’s equity investments classified under financial assets at fair value through profit or loss, available-for-sale financial assets and interests in associates and joint ventures in the consolidated financial statements were RMB5.89 billion and RMB5.06 billion, respectively. In 2016, the operation strategies of Cinda Investment are mainly focusing on new strategic emerging industries and establishing industrial funds to deep cultivate investment opportunity of growing industries; introducing social capital and high-quality parnters to invest in the pioneer development industries with potentials in the National Equities Exchange and Quotation; and focusing on the merger and acquisition of listed companies to promote the resource integration and value enhancement.

Equity Investments by Cinda Hong Kong

Cinda Hong Kong and its subsidiaries serve as the Group’s business platform outside of mainland China. As at December 31, 2015 and 2016, the balance of Cinda Hong Kong’s equity investments classified under financial assets at fair value through profit or loss, available-for-sale financial assets and interests in associates and joint ventures in the consolidated financial statements were RMB16.45 billion and RMB24.41 billion, respectively. In 2016, the investment strategies of Cinda Hong Kong mainly are, in terms of industry, to increase investment in overseas non-real estate projects, such as medical, consumption, Internet + and so on; in terms of cooperation with partners, to cooperate with various high-quality companies in the industry and mature overseas institutions; in terms of project region selection, to focus on the projects mainly in U.S., and also in Australia, UK, Singapore and other countries. Meanwhile, it explores investment opportunities from “One Belt One Road” to gradually form its overseas asset layout.

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, 2015 and 2016, the balance of our investment properties amounted to RMB2.14 billion and RMB1.72 billion, respectively. In 2015 and 2016, the real estate development business generated real estate sales revenue of RMB7.56 billion and RMB10.92 billion, respectively.

6.3.2.4 Other Investments

Other principal investments, which the Group conducts through the Company, Cinda Investment and Cinda Hong Kong include investments in funds, debt securities, trust products and wealth management products. As at December 31, 2015 and 2016, the balance of the investments in all types of funds was RMB24.53 billion and RMB72.87 billion, respectively. We invest in debt securities directly or through investment funds. As at December 31, 2015 and 2016, the balance of the debt securities investments was RMB2.62 million and RMB3.19 billion, respectively. We also invest in wealth management products from banks and securities companies, as well as trust products, to earn investment income. As at December 31, 2015 and 2016, the balance of the investments in wealth management and trust products totalled RMB13.13 billion and RMB16.40 billion, respectively.

6.3.2.5 Asset Management Business

The asset management business consists of (1) the private fund business included in the financial investment and asset management segment; and (2) the securities investment management, trust and mutual fund businesses included in the financial services segment. In 2016, the private fund business of the Group grew rapidly. It expanded the size of funds raised and investment through various external fund raising channels and innovative trading structure design, to build up a Cinda's specialised private fund brand.

As at December 31, 2016, we have established 137 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 of the Group as at the dates and for the years indicated.

	As at and for the year ended December 31,	
	2016	2015
Number of funds[1]	**137**	74
Total committed capital (AUM) *(in billions of RMB)*	**267.3**	168.6
Accumulated total paid-in capital *(in billions of RMB)*	**179.5**	95.5
Accumulated paid-in capital from third parties[2] *(in billions of RMB)*	**72.9**	48.5
Accumulated number of projects invested	**289**	192
Fund management income for the year *(in millions of RMB)*	**447.0**	561.3

Notes:

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

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

6.3.2.6 Other Businesses

In 2015 and 2016, the fees and commission income from consulting and advisory services by the Company, Cinda Investment and Cinda Hong Kong totalled RMB360 million and RMB420 million, respectively.

6.3.3 Financial Services

The Group has focused on the development of financial services business which can provide services and support for the development of distressed assets and asset management. Taking the merger of a bank as an opportunity, it further enriched and improved the synergistic and diversified financial services platform including banking, securities, futures, fund management, trusts, financial leasing and insurance. The Group is committed to providing customized financial services integrated solutions to customers.

In 2015 and 2016, income from financial services represented 36.8% and 37.3%, respectively, of the total income of the Group, while the profit before tax from financial services accounted for 22.1% and 9.7%, 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,							
	2016				2015			
	Income	**Profit before tax**	**Total assets**	**Net assets**	Income	Profit before tax	Total assets	Net assets
				(in millions of RMB)				
NCB[1]	**8,675.5**	**2,773.2**	**312,723.0**	**34,598.1**	8,532.1	2,714.4	255,687.8	31,080.6
Securities, Futures and Fund Management[2]	**4,095.2**	**533.1**	**57,081.1**	**9,610.4**	7,367.1	2,828.0	57,639.0	9,667.5
Jingu Trust	**501.2**	**219.7**	**4,742.0**	**3,564.3**	488.3	158.2	4,940.9	3,401.6
Cinda Leasing	**2,461.0**	**860.8**	**45,383.7**	**6,669.5**	2,783.7	898.9	46,477.3	6,143.8
Cinda P&C	**3,358.2**	**(230.8)**	**6,279.9**	**2,649.9**	3,754.6	23.3	6,376.7	2,921.7
Happy Life	**18,823.2**	**39.4**	**67,036.7**	**2,517.6**	14,262.5	327.6	60,827.9	4,178.2

Notes:

(1) Due to the completion of equity transfer of NCB on May 30, 2016, the consolidated income statements of the Group only includes the income and profit of NCB from June to December 2016. In order to reflect the comparability, the annual income and profit before tax of NCB in 2016 was the total amount for the year.

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

6.3.3.1 Banking Business

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

Upon the completion of the equity transfer of NCB on May 30, 2016, NCB has officially become an important part of the financial services segment of the Group. The transfer and subsequent intergration of NCB was in line with the plans and merger and acquisition expectations: first, the transfer was smooth and orderly and the normal operation of NCB has remained consistent and sustainable; second, the Group's risk control and integrated service capabilities are effectively enhanced; third, the operating efficiency kept growing steadily, in particularly, the major operation indicators of NCB have exceeded the average level within China's foreign-funded corporate banks

Progress and Prospects of the Intergration of Nanyang Commercial Bank

Since the acquisition of NCB, the Company attached great importance to the intergration works and put forward the practical goal, that is, based on the synergetic comprehensive financial group, develop NCB into a leading commercial bank mainly engaging in asset management and inter-bank businesses with cross-border financial services and corporate financial services as the key products. In 2016, under the guidance of such goal, the Company established a detailed intergration plan and the relevant works are progressing smoothly as follows:

First, the synergies began to appear. As an account management platform, NCB provides services of deposit, settlement, custody and supervision for the customers of the Group, which improves the risk control of the Group. As a cross-selling platform, NCB shares sales channels with other financial subsidiaries of the Group and distributs asset management plan and insurance. As a comprehensive service platform, NCB enriches the financial products of the Group and improves customer service, to provide customers with differentiated financial product portfolio. Benefit from the strong promotion of synergies, as at December 31, 2016, the total asset of NCB, the average monthly profit, the average monthly deposit and the average loans increased by 20% 23%, 15% and 11% as compared to before equity transfer respectively. Among which, the total asset of NCB China, the average monthly profit the average monthly deposit and the average loans increased by 39%, 110%, 26% and 18% respectively compared to before equity transfer.

Second, the management mechanism has achieved remarkable results. The Group assigned experienced personnel to the executive committee of NCB. It performs reasonable and efficient control in aspects of strategy, risk management, human resource, planning and finance of NCB and played a coordinating role between NCB and the Group's headquarters, as well as between the NCB and other branches and subsidiaries of the Group, which effectively promoted the intergration of NCB and the Group.

Third, the integration of IT system advanced rapidly. Based on the existing Support Center of the Company, the Company is actively promoting the integration and coordination of IT systems between NCB and the Group.

Fourth, the talent team of NCB is stable. Employees at all levels of NCB significantly identified with Cinda Group and the cultural integration is gradually deepening.

Nanyang Commercial Bank

Nanyang Commercial Bank engages in the provision of various wealth management services to individual customers, including deposits in various currencies, foreign exchange, trading of securities, funds and bonds, foreign currencies and securities margin, housing mortgage, as well as tax and personal loans and insurance services. It also provides import and export bills, trade finance, commercial loans, project financing and syndicated loans for corporate customers.

From 2011 to 2016, Nanyang Commercial Bank was ranked continuously as top 10 in Hong Kong on the List of the Top 300 Asian Banks by Asiaweek.

As at December 31, 2015 and 2016, NCB had total assets of RMB255.69 billion and RMB312.72 billion, respectively, total loans of RMB130.89 billion and RMB168.85 billion respectively, and total deposits of RMB182.86 billion and RMB231.57 billion, respectively. For 2015 and 2016, its net interest income was RMB4.00 billion and RMB4.08 billion, respectively, and the net commission and fee income was RMB1.15 billion and RMB1.41 billion, respectively.

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

	As at December 31,	
	2016	2015
Asset quality indicators (%)		
Non-performing loan ratio(1)	**0.39**	0.44
Capital Adequacy ratio indicators (%)		
Total debt-to-capital ratio(2)	**16.19**	18.41
Tier-1 capital ratio(3)	**14.31**	16.20
Tier-1 capital ratio of common equities(4)	**14.31**	16.20
Other indicators (%)		
Liquidity coverage ratio(5)	**141.78**	120.02

	For the year ended December 31,	
	2016	2015
Profitability indicators (%)		
Return on average assets(6)	**0.84**	0.95
Return on average shareholder's equity(7)	**7.25**	8.05
Net interest margin(8)	**1.52**	1.65
Cost-to-income ratio(9)	**41.16**	40.47

Notes:

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

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

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

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

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

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

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

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

(9) Equals operating expenses divided by operating income.

NCB Hong Kong

NCB Hong Kong is well-known for its personal wealth management and corporate banking services. It serves individual customers with a wide range of wealth management products. Its key wealth management products include various types of deposits and investment products, such as deposits of different currencies or investment-linked deposits, foreign exchange, stocks, funds, bonds, and life insurance. As at December 31, 2015 and, 2016, personal deposits in Hong Kong amounted to RMB62.38 billion and RMB75.27 billion, accounting for 48.7% and 47.4% of the total deposits of NCB Hong Kong, respectively. NCB Hong Kong also provides a series of personal loan products, including mortgage, tax and various personal loans. As at December 31, 2015 and 2016, total personal loans amounted to RMB17.85 billion and RMB21.03 billion, accounting for 19.7% and 18.0% of the total loans to customers of NCB Hong Kong, respectively. In recent years, cooperating with its subsidiaries in Mainland China and taking advantage of its cross-border business, NCB Hong Kong has provided credit plans for cross-border customers, using their properties in Mainland China as mortgage. For 2015 and 2016, net interest income amounted to RMB490 million and RMB530 million, respectively and net commission and fee income from personal customers amounted to RMB500 million and RMB510 million, respectively.

In respect of corporate banking business, NCB Hong Kong provides local industrial and commercial customers in Hong Kong with a range of credit financing products, such as import and export bills, trade financing, overdraft, industrial and commercial loans, project loans, syndicated loans and other services, and provides financing channels for all types of small-to-medium-sized enterprises. NCB Hong Kong has promoted a number of cross-border products to meet the financing needs of cross-border enterprises. As at December 31, 2015 and 2016, deposits from corporate customers amounted to RMB65.78 billion and RMB83.41 billion, accounting for 51.3% and 52.6% of the total deposits from customers of NCB Hong Kong, respectively. Loans to corporate customers amounted to RMB72.79 billion and RMB95.61 billion, accounting for 80.3% and 82.0% of the total loans to customers of NCB Hong Kong, respectively. For 2015 and 2016, net interest income amounted to RMB1.37 billion and RMB1.49 billion, respectively and net commission fee income from corporate customers amounted to RMB320 million and RMB470 million, respectively.

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

NCB China

In 2016, NCB China was rated as AAA credit class by Dagong Global Credit Rating Co., Ltd. As at December 31, 2016, the major operating indicators of NCB China were higher than the average of foreign owned banks in Shanghai.

In 2016, the ROE and ROA of NCB China were 5.5% and 0.45%, respectively. As of December 31, 2016, both of the core tier-1 capital adequacy ratio and tier-1 capital adequacy ratio of NCB China were 12.77%, and the capital adequacy ratio, non-performing loan ratio and provision coverage ratio were 13.11%, 0.87% and 151.21%, respectively.

As at December 31, 2015 and 2016, NCB China had total assets of RMB96.67 billion and RMB121.74 billion, respectively, total loans of RMB45.70 billion and RMB54.62 billion, respectively, and total deposits of RMB62.71 billion and RMB77.35 billion, respectively. For 2015 and 2016, its net interest income were RMB1.12 billion and RMB1.07 billion, respectively, and the net commission and fee income were RMB330 million and RMB430 million, respectively.

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

Retail banking refers to the banking services to individual customers, including deposits, credit and debit cards, consumption loans, mortgage loans and personal asset management. As at December 31, 2015 and 2016, the total retail loans provided by NCB China amounted to RMB11.26 billion and RMB13.36 billion, accounting for 24.6% and 24.5% of the total balance of loans, respectively. The total retail deposits were RMB12.96 billion and RMB9.26 billion, accounting for 20.7% and 12.0% of the total balance of deposits, respectively.

Corporate banking refers to the banking services to corporate customers, including deposits, loans, settlement, trade-related products and other services. As at December 31, 2015 and 2016, the total corporate loans provided by NCB China amounted to RMB34.44 billion and RMB41.26 billion, accounting for 75.4% and 75.5% of the total balance of loans, respectively. Total corporate deposits amounted to RMB49.75 billion and RMB68.09 billion, accounting for 79.3% and 88.0% of the total balance of deposits, respectively.

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

6.3.3.2 Securities, Futures and Fund Management

The Group conducts securities and futures businesses in Mainland China through Cinda Securities and Cinda Futures. The Group also conducts mutual fund management business and other asset management business in Mainland China through First State Cinda Fund and provides services of cross-border securities brokers, financial product transactions, investment banking and asset management to customers in Hong Kong through Cinda International. In 2015 and 2016, the revenue of Cinda Securities amounted to RMB5,234.5 million and RMB2,242.7 million. Affected by the fluctuation in securities market and other factors, Cinda Securities recorded significant decrease in operating results in 2016.

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,			
	2016		2015	
	Amount *(in million of RMB)*	**% of total**	Amount *(in million of RMB)*	% of total
Securities brokerage	**1,776.6**	**45.1**	3,549.1	49.4
Futures	**196.4**	**5.0**	189.2	2.6
Investment banking	**232.3**	**5.9**	443.4	6.2
Asset management	**269.6**	**6.8**	561.5	7.8
Other business	**1,467.8**	**37.2**	2,445.6	34.0
Total	**3,942.5**	**100.0**	7,188.8	100.0

Securities brokerage: As at December 31, 2015 and 2016, the number of clients of Cinda Securities' securities brokerage business amounted to 1.388 million and 1.471 million, the total value of its AUM amounted to RMB207.50 billion and RMB172.16 billion, respectively. In 2015 and 2016, the total transaction volume of Cinda Securities' securities brokerage business amounted to RMB4,106.57 billion and RMB1,979.63 billion respectively.

Investment banking: In 2015 and 2016, Cinda Securities' underwriting fee and commission income amounted to RMB361.1 million and RMB168.8 million, respectively.

Asset management: As at December 31, 2015 and 2016, the AUM balance of Cinda Securities amounted to RMB54.70 billion and RMB71.30 billion, respectively. In 2015 and 2016, commission and fee income from Cinda Securities' asset management business amounted to RMB561.5 million and RMB269.6 million, respectively.

Innovative businesses and other businesses: As at December 31, 2015 and 2016, the turnover of margin financing and securities lending business of the Cinda Securities amounted to RMB9.02 billion and RMB7.29 billion, respectively.

Cinda Futures

In 2015 and 2016, income from the futures business of Cinda Futures amounted to RMB190.4 million and RMB199.4 million, respectively, and the revenue of Cinda Futures amounted to RMB54.7 million and RMB77.4 million, respectively.

First State Cinda Fund

The Group conduct mutual fund business through First State Cinda Fund and those mutual funds are classified into monetary funds, equity funds, bond funds and hybrid funds, which invested in equity assets and fixed income assets mainly. As at December 31, 2015 and 2016, the Group had 12 and 16 mutual securities investment funds. The AUM for mutual funds amounted to RMB29.20 billion and RMB65.88 billion respectively. The increase in annual growth rate was mainly due to the fact that the First State Cinda Fund has found new growth in the special accounts asset management business by actively optimizing the product structure and establishing direct sale business system, and that the size of the monetary fund has also experienced rapid growth. In 2015 and 2016, management fee income from such funds amounted to RMB128.0 million and RMB143.8 million.

Cinda International

In 2015 and 2016, Cinda International generated revenue of RMB121.8 million and RMB134.6 million, respectively.

6.3.3.3 Trusts

We conduct trust business through Jingu Trust. As at December 31, 2015 and 2016, the existing trust AUM amounted to RMB121.12 billion and RMB124.50 billion, respectively, and we managed 144 and 128 existing trust projects, respectively. In 2015 and 2016, the fees and commission incomes generated from trust business both were RMB320 million, respectively, accounting for 66.9% and 63.9% respectively, of Jingu Trust's total revenue in respective periods.

In 2016, through active reduction of proportion of real estate projects, Jingu Trust managed sector concentration risk; steadily expanded infrastructure and securities investment business and achieved the target of structural adjustment transformation and upgrading; actively promoted the development of innovative business and achieved remarkable effect in terms of incremental businesses and customer optimization; maintained its leading position in asset-backed securitization business. During the Reporting Period, Jingu Trust achieved rapid growth in the size and proportion of funds trust under active management with relatively high return.

Products

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

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

	As at December 31,			
	2016		2015	
	Amount *(in million of RMB*	**% of total**	Amount *(in million of RMB)*	% of total
Individual trust schemes	**78,760.0**	**63.2**	97,089.0	80.2
Collective trust schemes	**45,766.0**	**36.8**	24,031.0	19.8
Total	**124,526.0**	**100.0**	121,120.0	100.0

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

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

	As at December 31,			
	2016		2015	
	Amount *(in million of RMB)*	**% of total**	Amount *(in million of RMB)*	% of total
Financing	**19,099.0**	**15.3**	24,737.0	20.4
Investment	**25,931.0**	**20.8**	13,039.0	10.8
Non-discretionary	**79,496.0**	**63.9**	83,344.0	68.8
Total	**124,526.0**	**100.0**	121,120.0	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,			
	2016		2015	
	Amount ***(in million of RMB)***	**% of total**	Amount *(in million of RMB)*	% of total
Infrastructure	**15,375.0**	**12.3**	6,065.0	5.0
Real estate	**13,416.0**	**10.8**	19,352.0	16.0
Industry and commerce	**6,100.0**	**4.9**	13,482.0	11.1
Financial institutions	**3,061.0**	**2.5**	1,512.0	1.2
Asset-backed securitization	**39,185.0**	**31.5**	48,950.2	40.4
Others	**47,389.0**	**38.1**	31,758.8	26.3
Total	**124,526.0**	**100.0**	121,120.0	100.0

6.3.3.4 Financial Leasing

We conduct the financial leasing business through Cinda Leasing. As at December 31, 2015 and 2016, the net finance lease receivables of the Group was RMB43.54 billion and RMB41.63 billion, respectively. In 2015 and 2016, the net revenue generated by the financial leasing business was RMB1,340.9 million and RMB1,327.3 million, respectively, and the net profit generated from the financial leasing business of the Group was RMB764.1 million and RMB755.7 million, respectively.

Products

In 2016, the total income from specialized products and non-specialized products was RMB112.3 million and RMB2,354.7 million, respectively, representing 4.6% and 95.4%, respectively, of Cinda Leasing's total income 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 outstanding finance lease receivables of the Group by industry as at the dates indicated.

	As at December 31,			
	2016		2015	
	Amount ***(in millions of RMB)***	**% of total**	Amount *(in millions of RMB)*	% of total
Manufacturing	**19,615.8**	**45.1**	20,190.1	45.4
Mining	**4,455.5**	**10.2**	6,238.8	14.0
Water conservancy, environment and public utilities management	**9,368.8**	**21.5**	10,678.7	24.0
Construction	**269.5**	**0.6**	775.1	1.7
Transportation, logistics and postal services	**3,122.2**	**7.2**	3,146.3	7.1
Others	**6,714.7**	**15.4**	3,491.9	7.8
Total	**43,546.4**	**100.0**	44,520.9	100.0

6.3.3.5 Insurance Business

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

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

	For the year ended December 31,			
	2016		2015	
	Amount ***(in millions of RMB)***	**% of total**	Amount *(in millions of RMB)*	% of total
Happy Life	**13,632.7**	**80.8**	10,748.4	77.6
Cinda P&C	**3,248.8**	**19.2**	3,101.0	22.4
Total	**16,881.5**	**100.0**	13,849.4	100.0

Happy Life

Happy Life primarily offers various 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 and their respective proportion of the total income for the years indicated.

	For the year ended December 31,			
	2016		2015	
	Amount ***(in millions of RMB)***	**% of total**	Amount *(in millions of RMB)*	% of total
Life insurance	**12,972.2**	**95.1**	10,346.6	96.3
Participating life insurance	**2,023.7**	**14.8**	1,844.5	17.2
Others	**10,948.5**	**80.3**	8,502.1	79.1
Health insurance	**458.9**	**3.4**	194.7	1.8
Accident insurance	**201.6**	**1.5**	207.1	1.9
Total	**13,632.7**	**100.0**	10,748.4	100.0

Cinda P&C

Cinda P&C primarily offers motor vehicle insurance as well as other kinds of property insurance, liability insurance, credit insurance, guarantee insurance, short-term health insurance and accidental injury insurance, as well as reinsurance. To further optimize the Group's financial platform resources, and to speed up the business transformation of Cinda P&C. We introduce strong strategic investors, and we will publicly transfer 1.23 billion shares in Cinda P&C, accounting for 41% of its total share capital, which was considered and approved by the second extraordinary general meeting for 2016. As at the date of this report, such equity transfer is still subject to the approval of the relevant regulatory authorities.

The table below sets forth details of the original premium income and their respective proportion of the total income for the years indicated.

	For the year ended December 31,			
	2016		2015	
	Amount ***(in millions of RMB)***	**% of total**	Amount *(in millions of RMB)*	% of total
Motor vehicle insurance	**2,761.4**	**85.0**	2,658.0	85.7
Compulsory motor vehicle liability insurance	**1,153.5**	**35.5**	1,158.9	37.4
Commercial automobile insurance	**1,607.9**	**49.5**	1,499.1	48.3
Non-motor vehicle insurance	**487.3**	**15.0**	443.0	14.3
Total	**3,248.8**	**100.0**	3,101.0	100.0

6.3.3.6 Business Synergy

In 2016, the Group continued to promote business synergy among the core businesses of the Group and various platform by improving the cross-selling system and optimizing the incentive mechanism and adopting measures to reinforce the market coordination.

In respect of cooperation, it emphasized sharing of business opportunities among branches and subsidiaries. Branches brought into play their strengths of customer channel in the regions, further explored customer needs, connected cooperative platforms and enhanced its capability to provide customized integrated financial services for customers. Subsidiaries also gave play to its functional advantages and provided resources and services for main business. In 2016, the major cooperation results included: professional consultation and project regulatory services provided by Cinda Real Estate with its professional advantages, accumulating a total of 153 cooperation projects; Happy Life insurance and Nanyang Commercial Bank provided funds as third parties fund to Group's asset management of RMB4.58 billion; raising RMB35.90 billion from the issuance of bonds of the Company and its subsidiaries with the assistance of Cinda Securities.

In 2016, through business cooperation with its subsidiaries and branch companies, the Group recorded revenue from cross-selling among subsidiaries amounted to RMB2.60 billion from 2,844 customers in relation to 477 projects, with an aggregate business scale of RMB341.0 billion. Among which the financial leasing business volume from cross-selling was RMB29.31 billion. Income derived from these projects in 2015 amounted to RMB500 million. Net income derived from NCB amounted to RMB310 million while the collaborative scale under the real estate business of the Group was RMB6.51 billion with its income amounted to RMB500 million.

6.3.4 Significant Investment and Acquisition

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

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

6.3.5 Information Technology

In 2016, the Company carried out the overall implementation of the Informatization Planning (2016-2020) in accordance with the second Five-Year Plan.

Establishment of Information Systems

In 2016, the Company focused on the further establishment of the systems in relation to business and risk management, completed the upgrading of systems including customer management, capital management and restructured distressed assets business management and internal rating system, and optimizing of various distressed assets business systems. Its information management of various businesses has been improved.

Establishment of IT Infrastructure

In 2016, the Company completed the development and construction of two basic software platforms, namely the data exchange platform and the enterprise service bus (ESB). The Support Center won the China Construction Engineering Luban Prize and was awarded as the Excellent Financial Data Center Project. The support capability for informatization was further strengthened.

6.3.6 Human Resources Management

In 2016, the Company carried out its human resources management in accordance with the Company's second Five-Year Plan, focusing on the optimization of the Company's organization structure and the establishment of management team to proactively facilitate recruitment based on market demand and reforms in allocation mechanism. It stepped up its efforts in improving mechanism, boosting efficiency and standardizing management to provide manpower support for the innovative development of the Company's business. The Company increased the talents introduction with the emphasis on the introduction of professionals, key positions in professional teams were filled up, the setting of the head office were optimized, the direct operation function from the head office was optimized, setting of functional divisions and staffing were refined while management functions were straightened out and staffing requirements were standardized in order to provide a strong human resources guarantee for a good start of all business segments under the Company's second Five-Year Plan.

Employees

As of December 31, 2016, the Group had 21,424 employees (excluding those employed through labor dispatch agency), of which 19,723 were in mainland China and 1,701 were in Hong Kong and Macao. In the Company and its tier-one subsidiaries (head offices), employees with master's degree or above and employees with bachelor's degree accounted for 60% and 37% of the total number of employees, respectively. In order to ensure its stable development in the long run, the Company has attached great importance to its relationship with all employees. The business and financial conditions of the Company are not reliant on particular employee(s).

Remuneration Policy

The Company strived to make remuneration policy more aligned with its strategic plan by allocating remuneration resources in four aspects, namely, value incentive, strategic traction, group collaboration and cost control. The Company, with the emphasis on "clarifying management direction, encouraging value contribution", strengthened the link between the performance-related pay and performance and risk control, deployed more incentive resources to front-line business units with outstanding contribution and effective risk control, increased the proportion of deferred payment of performance-based bonuses to implement effective incentive and strong constraint.

Education and Training

In 2016, the Company focused on the implementation of the second Five-Year Plan, aiming to enhance the staff's ability of grasp the new norm of economy. We organized to conduct in-depth study and comprehensive analysis on the supply-side reform, the integration strategy of Beijing-Tianjin-Hebei, the economic transformation and other new policies, in order to improve our foresight and predictability. The Company formulated training plans for employees from different business lines to improve professional capabilities in accordance with business innovation and practical needs. The Company held over 1,100 training programs with more than 46,000 attendances and over 30 training hours of each employee, further enhancing the ideological quality, business ability, innovation awareness and expertise of overall staff and achieved sound training results.

6.4 Risk Management

In 2016, the Company adhered strictly to its risk management concept of "protecting the bottom-line by managing risks proactively". Through establishment of comprehensive risk management system matching the Company's development strategy, the Company continuously optimized its risk management structure, refined risk management system, enhanced the risk management techniques and methods, so as to improve the overall risk control ability of the Group and enhance the effectiveness and responsiveness of risk prevention and solution to overcome the challenges from the changing external market and ensure a stable operation of all businesses. In 2016, the Company's overall risks were managed within an acceptable level, which laid a solid foundation for the realization of the Company's strategic development targets and operating plans.

In 2016, the Company focused on optimizing its risk governance and carried out the Implementation Plan for Risk Management Organization System. The Company established a Risk Management Committee under the Senior Management, strengthened the internal organization structure of the risk management department of the head office, and designated responsible persons in charge of risk management in the management, and established independent risk management organization at branches and subsidiaries. Through the above measures, the efficiency and professionalism of the risk management were enhanced, providing better support for the business operations of the Company.

The Company also further refined its risk management system to satisfy the regulatory requirements and its internal management needs. In 2016, the Company formulated and revised various rules, including the Measures for Penalties in Relation to the Operating Risk Liabilities, the Administrative Measures on the Risk Classification of Assets, the Administrative Measures on Internal Rating Management and Administrative Measures on Designated Responsible Persons in Charge of Risk Management of Grass Roots Units and Persons in Charge of Risk Management Departments, and further refined relevant management policies and working procedures.

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

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

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

6.4.1 Management of Credit Risk

Credit risk refers to the risk of business losses of the Group resulting from an obligor or counterparty's failure or unwillingness to perform its repayment obligations in a timely manner, or the deterioration of its financial conditions. Credit risk of the Group is primarily related to its distressed debt asset portfolio, corporate and individual loans, and fixed-income investment portfolio of its financial subsidiaries, finance lease receivables of its financial leasing business and other on- and off-balance sheet exposures to credit risk under the consolidated financial statements.

The Company has strictly complied with the regulatory requirements of the CBRC including relevant management guidelines on credit risks. Under the guidance of the Risk Management Committee of the Board and the Senior Management, the Company has optimized the policies and information system of credit risk management and focused on the risk control of key areas to implement the strategies of the Company and control and reduce credit risks.

In 2016, the Company actively refined its credit risk management policies in response to the changes in the macroeconomy and financial regulatory requirements. In particular, 12 regulations were refined, including the Guidelines on Buyer's Due Diligence of Restructured Distressed Asset Business, the Guidelines on Financial Due Diligence and Analysis of Financial Statement of Restructured Distressed Asset Business, the Regulations on Management of Restructured Distressed Asset Business, the Regulations on Management of Asset Management Business, the Regulations on Business Review and Approval and the Guidelines on Formulation of Project Proposal of Restructured Distressed Asset Business, among others.

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

In 2016, faced with the slowing domestic economic growth, the Company carried out a special credit risk stress test on its main business, gradually adjusted the main business structure to reduce the industrial concentration risk. At the same time, the Company continued to strengthen the pre-investigation on the project implementation, focused on the resolution of project risks, fully played the risk mitigation role of mortgage and collateral, and steadily reduced credit risks exposure.

In 2016, the Company continued to promote the establishment of information systems relating to risk management. According to the actual needs of the credit risk management of financial asset management companies, the Company optimized and upgraded the relevant information systems for credit risk management, improved the management of credit risks through information systems, strengthened the monitoring of customer credit status so as to effectively prevent customer credit risks.

In 2016, to strengthen the management of concentration risk and meet the supervision requirements, the Company formulated the implementation plan for customer business concentration management, which stated clear concentration control indicators and management requirements. In order to fulfill the concentration management requirements, the Company monitored and collected statistics on the business balances with customers, and made analysis in real time. Warning signals were issued to business review and approval department when business was close to the limit of the concentration control indicators in a timely manner to ensure that the Company's business does not exceed the regulatory red line and control the Company's concentration risks effectively.

6.4.2 Management of Market Risk

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

The Company has managed interest rate risks mainly by flexibly adjusting the maturity and frequency of financing and increasing the proportion of floating interest products in assets and liabilities.

With respect to foreign exchange risks, the Company has effectively controlled its exposure of foreign exchange risks mainly by matching currencies used in assets and liabilities. As to the USD bonds and Preference Shares issued by the Company, investment assets are mainly denominated in USD or HKD which is pegged to the exchange rate of USD; a favorable fund linkage mechanism has been developed together with its branch in Shanghai free-trade zone and offshore subsidiaries in order to avoid foreign exchange risks.

After two years of fluctuation and adjustment, A-share market risk has been decreased greatly. With respect to market risks of shares in listed companies held by the Company, it has closely monitored factors such as the trend of macroeconomy, tightness of market liquidity and the latest regulations and requirements that will affect the value of the enterprises in which the Company owns equities. More research and prejudgment efforts were made to reasonably formulate and adjust the investment management strategies of its 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 banking, insurance, securities and financial leasing business segments in accordance with regulatory requirements and industry practices. In addition, these subsidiaries report their market risk management to the risk management department of the Group on a regular basis.

6.4.3 Management of Liquidity Risk

Liquidity risk refers to the risk that, while the Company remains solvent, it fails to obtain sufficient funds or obtain sufficient funds at reasonable cost to either accommodate 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 and structure mismatch of assets and liabilities and insufficient liquidity reserve.

Firmly adhering to the liquidity management requirements by relevant regulatory authorities, the Company has strengthened the development of a coordinated and integrated liquidity management system of the Group. Effective initiatives were adopted to coordinate the capital and credit management of the Group. An effective internal funds transfer pricing system was established while reinforcement and innovations were introduced to diversify financing channels. The Company has enhanced informatization of fund management and liquidity risks management, and enhanced the liquidity management and monitoring on subsidiaries for the effective prevention of liquidity risks.

During its daily operation, the Company has put a great emphasis on capital position management, liquidity indicators monitoring and prospective analysis, etc. Efforts were made to enhance the cooperation mechanism among front, middle and back offices. Dynamic estimations on the capital position were made from various perspectives under different scenarios, such as project fund application, repayment of borrowings and interest at maturity, working capital for operations and collection of project fund. Strictly adhering to regulatory requirements, the Company has strengthened dynamic monitoring on the indicators of liquidity risks and controlled liquidity risk of maturity mismatch, conducted regular liquidity stress tests and formulated liquidity risk contingency plan. It has also paid close attention to domestic and international macroeconomic situations and strengthened the study and prejudgment of market liquidity, so as to adjust the liquidity management strategies in a timely manner and raise policy proposals regarding the optimization of term and structure of assets and liabilities to reduce the overall liquidity risk of the Group.

The Company further strengthened its financing capacity initiatives, continuously refined its liabilities structure with the effort to expand the financing channels for secondary capital bonds, financial bonds and inter-bank financing, as well as using liabilities duration matching model to develop a stable, low-cost, diversified and innovative financing system.

6.4.4 Management of Operational Risk

Operational risk refers to the risk of losses resulting from an inadequacy or deficiency of internal processes, working staff and information technology systems or from external events. In 2016, the Company further strengthened its control over operational risk and promoted the improvement of internal control system so as to further enhance its standard of operational risk management.

The Company completed comprehensive risk detection of the Group in 2016. Each unit has analyzed and rectified the identified risks and potential risks, and timely mitigated certain business risks and operational risks. After three years of risk detection, the Company has completed risk detection and onsite inspection of all branches and subsidiaries, which enabled each unit of the Group to enhance its risk awareness, risk responsiveness and qualities of risk inspectors. Based on the results, the Company directed various business lines to complete regulation revision, process optimization and system development, resulting in stronger and more effective control over operational risk.

In 2016, the Company carried out self-review on the head office and branches and on-site inspection on some branches. The scope of the inspection included corporate governance, internal control mechanism, risk management, case prevention and control, serving the real economy, and compliance and risk management in all business segments with attention on the potential operational risks and prevention measures of different business lines of the Company. Compliance awareness of the Group has been further strengthened and effectiveness of long-term mechanism has been improved through looking-back review.

The Company has compiled case studies and organized risk management training programs and seminars to enhance the risk prevention and solution capacity of all employees, promote the risk management philosophy and encourage them to embrace a proper risk management culture.

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

6.4.5 Management of Reputation Risk

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

The Company has put a great emphasis on the establishment of reputation risk management system, and integrates management of reputation risk into the comprehensive risk management system. An operating mechanism for monitoring, handling and reporting public sentiment has been refined to improve its management standard of reputation risk. The Company has appointed dedicated staff to be in charge of managing public sentiment and has formulated contingency plans for reputation risk to maintain effective communication of risk information. The Company has dealt with negative public sentiment proactively to further safeguard and enhance the Company's image and reputation. In 2016, no significant reputation risk event of the Company took place that resulted in an adverse impact on reputation.

6.4.6 Anti-money Laundering

The Company has strictly complied with the relevant anti-money laundering laws and regulations and diligently performed its social responsibility of anti-money laundering. 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 2016, the Company has further improved the management system of anti-money laundering. The risk assessment indicator system has been updated and a risk classification tool of customer money laundering has been prepared in accordance with the regulatory guidelines and business characteristics of the Company to improve the front-line staff's risk assessment efficiency on money laundering. The Company has enhanced training and promotion to raise employees' awareness on anti-money laundering and effectively prevent and control the risk in relation to anti-money laundering.

For more details on the risk management of the Company, please see "Risk Management" and "Internal Control" in the section headed "Corporate Governance Report" and Note VI.75 "Financial risk management" to the consolidated financial statements.

6.5 Capital Management

In 2016, based on the latest regulatory requirement in relation to capital and in line with the development strategies of the Group, the Company continued to enhance capital planning and management while further optimize the asset structure on- and off-balance sheet in order to improve capital efficiency. Furthermore, the Company monitored the capital employment of all business segments and product lines at real time, so as to maintain a moderate capital position and support the stable development of its businesses.

In addition to profit retention and other ways of capital accumulation, the Company proactively motivated the innovation of capital replenishment instruments to replenish capital through multiple channels: (1) in June 2016, the Company successfully issued tier-2 capital bonds of RMB10 billion in the domestic inter-bank market, which marked the first issuance of such bond among the AMCs in China, which were used to replenish the tier-2 capital of the Company; (2) in September 2016, the Company successfully issued dollar-denominated preference shares in an aggregate amount of USD3.2 billion in Hong Kong, which marked the first issuance of dollar-denominated preference shares among Chinese non-banking financial institutions, which were used to replenish additional tier-1 capital of the Company; (3) in December 2016, approximately 1,908 million H Shares in an aggregate consideration of RMB5,495 million has been placed by the Company to COSCO SHIPPING Financial Holdings Co., Limited at the placing price of RMB2.88 per share to replenish core tier-1 capital of the Company. Details of the Company's issuance of securities are set out in the "Report of the Board of Directors" – "Issuance of Securities" of this report.

On February 25, 2016, the CBRC promulgated the Notice of the General Office of the CBRC on Issuing the Indicator System of Off-site Supervision Report of the Financial Asset Management Companies (Yinjianbanfa [2016] No. 38), which became effective on March 1, 2016. The notice showed substantial adjustments to capital measurement of AMCs. In particular, the capital measurement requirement was further classified into core tier-1 capital adequacy ratio of not less than 9%, tier-1 capital adequacy ratio of not less than 10% and capital adequacy ratio of not less than 12.5% from the former single capital adequacy ratio requirement of not less than 12.5% under the original indicator system. The Company calculated its capital adequacy ratio in different categories in accordance with the above new indicator system. The table below sets out the capital adequacy ratio, net capital and risk-weighted assets of the Company on the indicated date.

	As at December 31, 2016 *(in millions of RMB)*
Core tier-1 capital adequacy ratio (%)	11.87
Tier-1 capital adequacy ratio (%)	16.41
Capital adequacy ratio [(1)] (%)	19.38
Net core tier-1 capital	55,572.3
Net tier-1 capital	76,853.5
Net capital	90,728.6
Risk-weighted assets	468,224.3

Note:

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

As at December 31, 2015 and 2016, the leverage ratio[1] of the Company was 4.2:1 and 5.9:1 respectively.

6.6 Prospects

In 2017, global economic development still faces great uncertainties, while the domestic economy will continue the L-shaped growth. And the key to economic growth lies in the effect of supply-side structural reform. In 2017, domestic economy will face more opportunities than risks under the catalysis of reform, while there are still many uncertainties in the short-term economic downturn and bottoming and in the momentum and mechanism transformation during the economic transition.

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

The key task of economic development remains to be firmly pushing forward the reform, and rationalizing the relationship between government and enterprises through incentive compatibility system to improve the efficiency of resource allocation and release the Chinese long-term economic growth potential. Supply-side structural reform continues to be intensified this year, with the main direction of improving the supply quality, which means to reduce the ineffective supply while increase the effective supply, and focus on improving the quality of the entire supply system so as to improve the adaptability of supply structure to demand structure. In this context, resolving market risks is arduous and urgent, with the increasing default risk exposures in the entire debt financing system and the mounting market supply of distressed assets. Non-performing loan balance will increase moderately, while the change of the non-performing rate remains to be seen. Trust and other non-banking financial institutions will continue to face increased payment pressure, and risk events and default risks in the bond market may continue to increase. The economic stabilization may bring about the improvement of the operation conditions of the real economy enterprises but not substantially, while the liquidity pressure brought by the continuous increase of accounts receivable is still outstanding. As such, the core business of the Company is still faced with good development opportunities.

The Company will, in line with the national 13th Five-Year Plan and the changing economic situations, firmly grasp external opportunities to implement the strategies. The Company will accelerate innovative development to improve development quality, and consolidate and leverage its core advantages in distressed assets business. Being committed to building a brand of featured asset management and comprehensive financial services, the Company will develop into an integrated, international and modern financial group with core competitiveness. Firstly, the Company will further reinforce the edges of its distressed asset business. We will innovate the acquisition and disposal models, improving the overall efficiency of distressed assets management, developing the coverage and diversity of distressed asset business, innovating solutions of distressed assets and distressed entities and refining business models and reinforcing the competitive edges of its core business. Secondly, the Company will exert greater efforts in exploring alternative investment and asset management business. By leveraging the core advantages of distressed asset business, the Company will provide customers with risk solutions, financing plans, wealth management and asset management services to build a brand of featured asset management and wealth management. Thirdly, the Company will speed up the development of differentiated integrated financial services by orderly consolidating NCB upon its acquisition and integrating existing platforms, customers, products, channels and human resources for better synergy effects. As such, the Company will provide differentiated integrated financial solutions for customers.

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

7 SOCIAL RESPONSIBILITY

The Company actively constructed a social responsibility management system in line with regulatory rules, fostered the integration of social responsibility work and business operation, and promoted the realization of social responsibility objectives of the Company. In 2016, the company put forward the concept of social responsibility in the new development period, clarified five major issues of corporate social responsibility – to eliminate financial risks, to provide integrated financial services, to realize the value of employees, to participate in environmental protection and to promote social welfare, and introduced five roles in respect of social responsibility – stabilizer, supplier, community, practitioner and corporate citizen, to achieve healthy development of the company and to promote social and environmental sustainable development within the scope of its responsibility.

As a stabilizer to eliminate financial risks. The Company focused on the main line of structural reform on the supply side, actively innovated the business model, acquired distressed assets from banks and enterprises to foster the elimination of financial risks and enhance the stability of economic and social development. The Company promoted industrial upgrading, selected properties which see a promising future with integration capacity and space for industrial expansion, to enhance its value of assets and market competitiveness. It promoted a new manner of regional co-prosperity and development together with urban and rural coordinated development, so as to support the grand development of Western and the rise of Central China, Beijing-Tianjin-Hebei coordinated development, constructions in Yangtze River Economic Zone as well as the development of ethnic minority areas and boarder areas. It provided financial assistance for urban-rural integration of China, supported the construction of affordable housing and renovation of urban village to improve the living conditions of urban and rural residents, and assisted with infrastructure construction such as water supply, electricity supply, heat supply and roads to provide convenience for urban and rural residents. It continued to explore financial assistance to “agriculture, rural areas and farmers (three rural)” and assisted the agricultural industry in expanding financing channels. Through investment and financing activities by way of agricultural fund, funds were effectively leveraged for “three rural” to help leading agricultural enterprises to raise their production efficiency.

As a supplier of integrated financial services. Adhering to the customer-centric philosophy, the Company has been exerting efforts to consolidate the leading strengths of distressed asset management business and develop financial investment and asset management business and financial services business. It concerned the changes in customers’ needs to expedite product innovation and improve the standard of customer services. The headquarters level was more concerned about the opportunities of the restructuring and reform of state-owned enterprises, and provided tailored integrated financial solutions central enterprises and key industries with overcapacity with a variety of financial instruments. The Company acquired NCB and obtained licenses in respect of banking, insurance, trust, securities, fund, futures and leasing, which enhanced the Company’s ability in providing integrated services.

As a community for realizing the value of employees. The Company firmly upheld the legitimate rights of employees, and constantly improved the fair and impartial incentive mechanism; intensified democratic management, timely informed major events and decisions in relation to corporate development, and collected and timely handled proposals from its employees through the first meeting of the third session of employees' general meeting; constantly improved staff training system and established a staff training system consisting of trainings for middle-level management staff, professional training for employees and inclusive trainings; broadened staff career promotion path and improved staff career development system which is composed of management positions, professional and technical positions and non-leadership positions; cared for employees occupational health and safety, provided them with various health protection measures and actively organised a variety of cultural and sports activities to help them to achieve work-life balance.

As a practitioner participating in environmental protection. The Company was concerned about global climate change, and actively responded to national policies to carry out green financial business, focusing on supporting green economy, energy saving, clean energy and other fields. In 2016, the Company provided financing services for a number of green industry enterprises to promote the development of green industry. It developed green products and green construction of Cinda Real Estate was well received in the industry. It put green office into practice and minimized emission and waste of resources through continuous improvement of work procedures and implementation of energy efficiency measures. With a view to raise employees' awareness on environmental protection, the Company launched internal promotion regularly and advocated energy conservation and emission reduction.

As a corporate citizen to promote social welfare. The Company persisted "precise identification", "precise help" and "precise governance" in poverty alleviation. It continuously improved poverty alleviation mechanism, enhanced intelligence and capital output, improved self-development capability of respective poverty-stricken villages and contributed efforts to help poverty-stricken villages to break the cycle of poverty. In 2016, poverty alleviation fund totalled RMB2.69 million was utilised, of which RMB0.95 million was allocated to Ledu District, Qinghai, a targeted area of poverty alleviation of the Company, RMB0.6 million was allocated to the targeted area of poverty alleviation of CBRC, RMB1.14 mllion was approved as donation fund from 11 branch offices and 70 computers were donated to Ledu District, Qinghai, Lintao County, Gansu, Diebu County, Gansu and other areas. Also, the Company carried out regular charity activities, actively developed a platform for charity services and encouraged employees to participate in voluntary activities to work together for improvement of charity business.

Specific details in relation to the Company's environmental policies and social responsibilities, please see the Annual Social Responsibility Report 2016 to be disclosed separately by the Company.

8 CHANGES IN SHARE CAPITAL AND INFORMATION ON SUBSTANTIAL SHAREHOLDERS

8.1 Changes in Ordinary Share Capital

The ordinary share capital of the Company as at December 31, 2016 was as follows:

	December 31, 2016			December 31, 2015	
Class of Shares	**Number of Shares**	**Number of Shares**	**Changes in the Reporting Period**	**Number of Shares**	**Percentage (%)**
Domestic Shares	24,596,932,316	64.45	–	24,596,932,316	67.84
H Shares	13,567,602,831	35.55	1,907,845,112	11,659,757,719	32.16
Total	**38,164,535,147**	**100.00**	**1,907,845,112**	**36,256,690,035**	**100.00**

Under the general mandate to issue additional H Shares (the "General Mandate") approved and granted to the Board at the annual general meeting for 2015, the Company placed 1,907,845,112 new H Shares to COSCO SHIPPING Financial Holdings Co., Limited[1] on December 29, 2016, representing approximately 4.999% of the total issued Ordinary Shares of the Company as enlarged by the issuance, at the placing price of RMB2.88 per share. The net proceeds from the issuance were approximately RMB5,419 million. The proceeds were used to replenish core tier-1 capital of the Company and to support the business development. The closing price of H Shares of the Company was HKD 2.65 per share on December 20, 2016 (being the date of the subscription agreement). Upon the completion of the placing, there are 38,164,535,147 Ordinary Shares of the Company in issue.

For details of the issuance of new H Shares of the Company under the General Mandate, please refer to the announcements of the Company dated June 30, 2016, December 21, 2016 and December 29, 2016 and the circular dated May 16, 2016.

[1] COSCO SHIPPING Financial Holdings Co., Limited is a company incorporated in Hong Kong with limited liability and is a non-listed overseas investment platform for China COSCO Shipping Corporation Limited.

8.2 Substantial Shareholders of Ordinary Shares and De Facto Controller

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

The Company had 1,853 registered Shareholders of Ordinary Shares as at December 31, 2016. So far as the Directors and Supervisors are aware, as at December 31, 2016, 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 shares	Nature of interest	Approximate percentage to the total issued share capital of ordinary shares	Approximate percentage to the relevant class of shares
MOF	Beneficial owner	24,596,932,316	Domestic Shares	Long position	64.45%	100.00%
NSSF	Beneficial owner	2,901,006,093	H Shares	Long position	7.60%	21.38%
China COSCO Shipping Corporation Limited(1)	Interest of controlled corporation	1,907,845,112	H Shares	Long position	5.00%	14.06%

Notes:

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

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.

8.3 Preference Shares

8.3.1 Issuance and Listing of Preference Shares

Upon approval by CBRC pursuant to Yin Jian Fu [2016] No.221 and by CSRC pursuant to Zheng Jian Xu Ke [2016] No.2123, the Company issued USD3.2 billion 4.45% non-cumulative perpetual Offshore Preference Shares on September 30, 2016. The Offshore Preference Shares were listed on Hong Kong Stock Exchange on October 3, 2016. The Offshore Preference Shares have a par value of RMB100 each and are issued as fully paid-up capital in U.S. dollars. The total issuance price of the Offshore Preference Shares is USD20 each with a total of 160,000,000 shares issued. According to the central parity rate of Hong Kong dollars to RMB exchange rates published on September 30, 2016 by China Foreign Exchange Trading System, the total amount of proceeds raised from the issuance of Offshore Preference Shares was approximately RMB21.37 billion. Subject to applicable laws and regulations, and the approvals by the relevant regulatory authorities such as CBRC and the CSRC, the capital raised from the Offshore Preference Shares issuance will be used to replenish the Company's additional tier-1 capital and to support business development.

For details of the issuance of Offshore Preference Shares, please refer to the announcements of the Company dated May 10, 2016, June 30, 2016, July 29, 2016, September 20, 2016, September 25, 2016 and September 30, 2016 and the circular dated May 16, 2016.

8.3.2 Number of Preference Shareholders and Particulars of Preference Shareholding

As at December 31, 2016, the Company had a total of 1 preference shareholder (or proxy).

Particulars of shareholding of the preference shareholder (or proxy) of the Company are as follows (based on the registered preference shareholders as at December 31, 2016):

Name of shareholder	Nature of shareholder	Type of shares	Increase/decrease during the Reporting Period	Number of shares held as at the end of the Reporting Period	Shareholding percentage (%)
The Bank of New York Depository (Nominees) Limited	Foreign legal person	Offshore Preference Shares	160,000,000	160,000,000	100.0

Note:

(1) Particulars of shareholding of preference shareholders were based on the information set out in the Company's register of preference shareholders maintained. Based on information available to the Company, the register of preference shareholders presented the information on proxies of placees.

8.3.3 Dividend Distribution of Preference Shares

Subject to the terms and conditions of the Offshore Preference Shares, each Offshore Preference Share shall entitle the holder thereof to receive non-cumulative dividends which have not been otherwise canceled. Each dividend will be payable, subject to the terms and conditions of the Offshore Preference Shares, annually in arrears on September 30 each year after declaration by the Board. The first dividend payment date will be September 30, 2017. The Offshore Preference Shares will accrue dividends on their liquidation preference during the period from and including the issue date to but excluding the first reset date, at the rate of 4.45% per annum, and thereafter at the relevant reset dividend rate.

During the Reporting Period, the Company did not declare nor distribute any dividend on Offshore Preference Shares.

8.3.4 Redemption or Conversion of Preference Shares

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

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

8.3.5 Restoration of Voting Rights of Preference Shares

During the Reporting Period, the Company did not restore any voting right of preference shares.

8.3.6 Accounting Policy Adopted for Preference Shares and Grounds

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

9 DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

9.1 Directors

No.	Name	Gender	Year of birth	Position	Term of office
Current Directors					
1	Hou Jianhang	Male	1956	Chairman of the Board Executive Director	From June 2016 to the expiration of the term of the current session of the Board
2	Chen Xiaozhou	Male	1962	Executive Director President	From November 2016 to the expiration of the term of the current session of the Board
3	Li Honghui	Male	1964	Non-executive Director	From June 2016 to the expiration of the term of the current session of the Board
4	Song Lizhong	Male	1960	Non-executive Director	From June 2016 to the expiration of the term of the current session of the Board
5	Xiao Yuping	Female	1960	Non-executive Director	From June 2016 to the expiration of the term of the current session of the Board
6	Yuan Hong	Female	1964	Non-executive Director	From June 2016 to the expiration of the term of the current session of the Board
7	Chang Tso Tung, Stephen	Male	1948	Independent non-executive Director	From June 2016 to the expiration of the term of the current session of the Board
8	Xu Dingbo	Male	1963	Independent non-executive Director	From June 2016 to the expiration of the term of the current session of the Board
9	Zhu Wuxiang	Male	1965	Independent non-executive Director	From October 2016 to the expiration of the term of the current session of the Board
10	Sun Baowen	Male	1964	Independent non-executive Director	From October 2016 to the expiration of the term of the current session of the Board
Resigned Directors					
1	Zang Jingfan	Male	1955	Executive Director	From June 2016 to September 2016
2	Lu Shengliang	Male	1967	Non-executive Director	From June 2016 to November 2016
3	Li Xikui	Male	1944	Independent non-executive Director	From June 2013 to October 2016
4	Qiu Dong	Male	1957	Independent non-executive Director	From June 2013 to October 2016

Hou Jianhang Chairman, Executive Director

Mr. Hou has been executive Director of the Company since June 2010 and he has been executive Director and Chairman of the Board since May 2011. Mr. Hou had held various positions successively with CCB from June 1989 to April 1999, including deputy director and director of the Planning Department, deputy general manager of Shandong Branch, general manager of the Credit Management Department, and general manager of the Credit Risk Management Department. Mr. Hou joined the Company in April 1999 and served as director of the Debt Management Department. He served as the Company's Vice President from September 2000 to June 2010 and as President 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 1979 with a major in infrastructure finance. He has a professional title of senior economist.

Chen Xiaozhou Executive Director, President

Mr. Chen has served as executive Director and President of the Company since November 2016. Mr. Chen had held various positions successively in CCB from October 1994 to April 1999, including director of Projects Financing Division of International Business Department of Head Office, director of Agency Division of International Business Department and deputy general manager of the Business Department of Head Office. Mr. Chen joined the Company in April 1999 and had served as the General Manager 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 and Deputy Secretary of the Party Committee of the Company since June 2013. Mr. Chen worked as chairman of the board of directors of Cinda Hong Kong from April 2011 to January 2015 and has been chairman of NCB Hong Kong since May 2016. Mr. Chen worked as chairman and non-executive director of Silver Grant International Industries Limited (listed on the Hong Kong Stock Exchange, stock code: 00171) from September 2006 to January 2017. He worked as chairman and executive director of Cinda International from December 2008 to January 2015. Mr. Chen graduated from Hangzhou University in 1983 with a bachelor's degree in economics. He graduated from the Graduate School of Finance Research Institute of PBOC in 1988 with a master's degree in economics. He graduated from the University of New South Wales in Australia in 2002 with a master's degree in business. He has a professional title of senior economist.

Li Honghui Non-executive Director

Mr. Li 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 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 1987, a master's degree in economics, majoring in finance, from the Graduate School of the Finance Science Institute of the MOF in 1990, and a doctoral degree in economics, majoring in accounting, from the Graduate School of the Finance Science Institute of the MOF in 1998. He has a professional title of senior economist.

Song Lizhong Non-executive Director

Mr. Song 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 C.P.C Branch Office of the Bureau of Retired Cadres under the MOF from September 1989 to June 2005, temporary position 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 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 1999.

Xiao Yuping Non-executive Director

Ms. Xiao has been non-executive Director of the Company since June 2010. Ms. Xiao joined PBOC in July 1986 and from December 1999 to June 2010 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. 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 1986 with a bachelor's degree in law. She has a professional title of senior economist and is qualified to practice law in China. She also received the "National Financial Labor-Day Medal".

Yuan Hong   Non-executive Director

Ms. Yuan has been non-executive Director of the Company since June 2013. 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 State Administration of Foreign Exchange ("**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 the CBRC from September 2003 to June 2013. Ms. Yuan concurrently served as a supervisor of the board of supervisors of the Agricultural Development Bank of China from January 2009 to June 2013 and a 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 1987 with a bachelor's degree in economics. She has a professional title of economist.

Chang Tso Tung, Stephen   Independent Non-executive Director

Mr. Chang has been independent non-executive Director of the Company since June 2013. Mr. Chang has been practicing 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 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 SSE, stock code: 601628). Mr. Chang graduated from the University of London in 1973 with a bachelor's degree in science. He is a senior member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Xu Dingbo   Independent Non-executive Director

Mr. Xu has been independent non-executive Director of the Company since June 2013. 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, member of Management Committee. 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 Dong Yi Ri Sheng Home Decoration Group Limited Company (listed on the SZSE, stock code: 002713), independent director and chairman of the Audit Committee of Shanghai Shyndec Pharmaceutical Co., Ltd. (listed on the SSE, stock code: 600420), independent director and chairman of the Audit Committee of Sany Heavy Industry Co., Ltd. (listed on the SSE, stock code: 600031), independent director and chairman of Audit Committee of Kweichow Moutai Co., Ltd. (SSE, stock code:600519) 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 1983 and 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. He is a member of the American Accounting Association.

Zhu Wuxiang   Independent Non-executive Director

Mr. Zhu has been independent non-executive Director of the Company since October 2016. He is a professor of the Department of Finance of Tsinghua University School of Economics and Management, a PhD tutor and the director of the Research Institute of Business Models and Industrial Finance of China Center for Financial Research of Tsinghua University. Mr. Zhu has successively served as a teaching assistant, lecturer, associate professor and professor of Tsinghua University School of Economics and Management since January 1990. He has also been a standing director of China Society for Finance and Banking and a committee member of the second session of Expert Advisory Committee for Merger, Acquisition and Restructuring under the CSRC. Mr. Zhu currently serves as an independent Director of China Fortune Land Development Co., Ltd. (listed on the SSE, stock code: 600340), an independent non-executive director of Beijing Properties (Holdings) Limited (listed on the Hong Kong Stock Exchange, stock code: 00925), an independent non-executive director of ZTE Corporation (listed on the Hong Kong Stock Exchange, stock code: 00763; listed on the SZSE, stock code: 000063), an independent director of Dongxing Securities Corporation Limited (listed on the SSE, stock code: 601198), a supervisor of Unisplendour Co., Ltd. (listed on the SZSE, stock code: 000938), and an external supervisor of Everbright Securities Company Limited (listed on the SZSE, stock code: 601788). Mr. Zhu was an independent director of Rongxin Power Electronic Co., Ltd. (listed on the SZSE, stock code: 002123) from June 2013 to March 2016, and an independent director of Offshore Oil Engineering Co., Ltd. (listed on the SSE, stock code: 600583) from January 2014 to April 2016. Mr. Zhu graduated from Tsinghua University in 1987, 1989 and 2002 with a bachelor's degree in engineering, a master's degree in engineering and a doctoral degree in economics, respectively.

Sun Baowen Independent Non-executive Director

Mr. Sun has been independent non-executive Director of the Company since October 2016. He is a professor and PhD tutor of Central University of Finance and Economics. He is also entitled to the special government allowances of the State Council. Mr. Sun was a lecturer of Central University of Finance and Economics from January 1989 to October 1997 and an associate professor of Central University of Finance and Economics from October 1997 to October 2003, and he has been a professor and PhD tutor of in Central University of Finance and Economics since October 2003. Mr. Sun currently serves as a professor of Internet Economic Research Institute of Central University of Finance and Economics, chief consultant of Capital Research Base for Internet and Economic Development in Key Research Base for Philosophy and Social Science in Beijing, member of Steering Committee of Professional E-commerce Education under the Ministry of Education, member of National Expert Committee for Accessible Construction and executive member of China Disability Research Society. Mr Sun currently serves as an independent Director of Loften Environmental Technology Co., Ltd. (listed on SZSE, stock code: 002379), independent director of Tianshui Zhongxing Bio-Technology Co., Ltd. (listed on SZSE, stock code: 002772) and independent director of Dareway Software Co., Ltd. (listed on National Equities Exchange and Quotations, stock code: 831688). Mr. Sun obtained a bachelor's degree and a master's degree in engineering from Northeastern University in 1986 and 1989, respectively, and a doctoral degree in economics from Central University of Finance and Economics in 2004.

9.2 Supervisors

No.	Name	Gender	Year of birth	Position	Term of office
Current Supervisors					
1	Gong Jiande	Male	1963	Chairman of the Board of Supervisors Shareholder Representative Supervisor	From June 2016 to the expiration of the term of the current session of the Board of Supervisors
2	Liu Yanfen	Female	1953	External Supervisor	From June 2016 to the expiration of the term of the current session of the Board of Supervisors
3	Li Chun	Male	1957	External Supervisor	From June 2016 to the expiration of the term of the current session of the Board of Supervisors
4	Zhang Zheng	Male	1972	External Supervisor	From June 2016 to the expiration of the term of the current session of the Board of Supervisors
5	Gong Hongbing	Female	1966	Employee Representative Supervisor	From June 2016 to the expiration of the term of the current session of the Board of Supervisors

No.	Name	Gender	Year of birth	Position	Term of office
6	Lin Dongyuan	Male	1959	Employee Representative Supervisor	From June 2016 to the expiration of the term of the current session of the Board of Supervisors
7	Jia Xiuhua	Female	1961	Employee Representative Supervisor	From June 2016 to the expiration of the term of the current session of the Board of Supervisors
Resigned Supervisor					
1	Wei Jianhui	Male	1962	Employee Representative Supervisor	From June 2013 to June 2016

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

Mr. Gong 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 served as department cadre, research consultant, deputy director and director of the organization department of the C.P.C Financial Work Committee from October 2000 to July 2003. He served as the secretary to the Discipline Supervisory Committee (deputy director level), the chairman of the labor union (deputy director level), the member of Discipline Supervisory Committee (during which he worked for the C.P.C Financial Inspection Group), general deputy secretary to the Party Committee of the headquarter (director level) for the CBRC, member of the informatization panel, head of the government procurement office, vice 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 has served as deputy secretary of the Party Committee of the Company since September 2014. Mr. Gong graduated from the Party School of the Central Committee of C.P.C. majoring in economic management in 1996, and graduated from the postgraduate program of the Party School of the Central Committee of C.P.C. in 2007.

Liu Yanfen External Supervisor

Ms. Liu has been External Supervisor of the Company since February 2015. Ms. Liu joined BOC in 1982. She served as the general manager of China Dongfang Trust and Investment Company, the deputy general manager of the financial and accounting department of the head office of BOC, the general manager of the financial and accounting department of the head office of BOC and the general manager of the Singapore branch of BOC. She also served as chief audit officer of BOC from December 2011 to November 2014. 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. She has a professional title of senior accountant and is qualified as a certified public accountant of the PRC.

Li Chun External Supervisor

Mr. Li has been External Supervisor of the Company since February 2015. He 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 Development Research Institute. Mr. Li served as deputy director of Jilin Institute of Law of Chinese Academy of Social Sciences, general manager of Jilin Economic and Legal Consultation Centre, chief legal counsel 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 SZSE, deputy director of Development Strategy Committee of All China Lawyers Association, chief executive and chief researcher of China Private Funds and Risk Investment Legal Consultation Centre, 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 Company Law of the PRC and the Securities Law of the PRC. He once was the independent director of Shangdong Airlines Co., Ltd. (listed on the SZSE, stock code: 200152), Shenzhen Laibao Hi-Tech Co., Ltd. (listed on the SZSE, stock code: 002106), EDAN Instruments, INC. (listed on the SZSE, stock code: 300206) and LongiTech Smart Energy Holding Limited (listed on the Hong Kong Stock Exchange, stock code: 01281). Mr. Li graduated from Jilin University in 1996 with a master's degree in law.

Zhang Zheng External Supervisor

Mr. Zhang has been External Supervisor of the Company since June 2016. He is a professor and PhD tutor of finance of Guanghua School of Management of Peking University. Mr. Zhang currently serves as an independent director of Tianjin Guangyu Development Co., Ltd. (listed on the SZSE, stock code: 000537). He received the 2014 Sun Yefang Financial Innovation Award – Paper Award (with the co-author), 2014 Taishin Holdings Excellent Paper Award, Peking University Excellent Teaching Award (2013-2014 Academic Year), Chinese Finance Annual Meeting Distinguished Service Award (2013), the Fourth Li Yining Teaching Excellence Award (2010), the Tenth Beijing Philosophy and Social Science Excellent Achievements Award and Doctoral Dissertation Award of Peking University. Mr. Zhang graduated from the Department of Mathematics of Nankai University with a bachelor's degree in science in 1995 and a master's degree in science in 1998, and Peking University with a doctoral degree in economics in 2005.

Gong Hongbing　Employee Representative Supervisor

Ms. Gong has been Employee Representative Supervisor of the Company since July 2014. From August 1988 to August 1999, Ms. Gong consecutively 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 an assistant to general manager of the General Affairs Office and assistant to the director of the Board of Directors' Office of the Company, deputy general manager of General Affairs Office and deputy general manager in charge of the General Affairs Office (Mass Work Department). Since October 2015, she has served as the deputy director of the Labor Union and general manager of the General Affairs Office (Mass Work Department). Ms. Gong graduated from Harbin Senior Finance College majoring in bank management in 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 2008. She is accredited as senior political engineer.

Lin Dongyuan　Employee Representative Supervisor

Mr. Lin has been Employee Representative Supervisor of the Company since June 2016. Mr. Lin served as the officer of the Planning Division of the Geology Department of the Ministry of Metallurgical Industry and the deputy head of the Finance and Accounting Division and the head of the Finance Division of the Geological Exploration Bureau from August 1981 to February 2000. Mr. Lin joined the Company in March 2000 and served as the chief financial officer of the Planning and Finance Department, deputy director of the Changsha Office, the deputy director of the Beijing Office, and the general manager of the Asset Appraisal Department. He has served as the general manager of the Risk Management Department since March 2014. He also served as the director of Cinda Financial Leasing since September 2015. Mr. Lin graduated from Zhejiang Metallurgic and Economics Technical School (currently known as Jiaxing University) majoring in finance and accounting in 1981. He also graduated from School of Adult Education, Renmin University of China majoring in accounting with a bachelor's degree in economics in 2000 and graduated from Xiangtan University majoring in political economics with a doctor's degree in economics in 2010. He has a professional title of senior accountant.

Jia Xiuhua   Employee Representative Supervisor

Ms. Jia has been Employee Representative Supervisor of the Company since June 2016. She served as the officer of the finance division of Tianjin Silk Company from July 1985 to April 1988, the officer of the Business and Finance Department, and officer and deputy chief of the Finance Supervision Department of MOF from April 1988 to July 2000. She also served as the deputy chief and chief of the board of supervisors of China Huarong Assets Management Company (currently known as China Huarong Asset Management Co.,Ltd.) and China Coal Trust Investment Co., Ltd. (currently known as China Credit Trust Co., Ltd.) as appointed by the Central Financial Work Commission from June 2000 to August 2003. She served as the chief of the Board of Supervisors and supervisor of chief level of the Company as appointed by the CBRC from September 2003 to April 2007. Ms. Jia joined the Company in April 2007 and served as the deputy general manager of the Compliance Management Department , the deputy general manager of the Audit Department and the deputy general manager (general manager level) of the Audit Department. She has served as the general manager of the Audit Department since January 2017. She has also served as the supervisor of Cinda Financial Leasing since April 2010. Ms. Jia graduated from Liaoning Finance and Economics College (currently known as Dongbei University of Finance & Economics), majoring in business and economics and obtained a bachelor's degree in economics in 1985. She is qualified as an accountant.

9.3 Senior Management

No.	Name	Gender	Year of birth	Position	Term of office
Current Senior Management					
1	Chen Xiaozhou	Male	1962	President	From November 2016
2	Zhuang Enyue	Male	1960	Vice President	From March 2007
3	Li Yuejin	Male	1958	Vice President	From February 2011
4	Liu Ligeng	Male	1965	Vice President	From June 2015
5	Liang Qiang	Male	1971	Assistant to the President	From February 2016
6	Chen Yanqing	Male	1963	Assistant to the President	From February 2016
7	Luo Zhenhong	Male	1965	Chief Risk Officer	From Ocober 2013
8	Ai Jiuchao	Male	1967	Board Secretary	From April 2016
Resigned Senior Management					
1	Zang Jingfan	Male	1955	President	From May 2011 to September 2016
2	Yang Junhua	Male	1956	Senior Management member	From September 2005 to February 2017
3	Wu Songyun	Male	1964	Vice President	From June 2013 to February 2017
4	Gu Jianguo	Male	1962	Vice President	From June 2013 to May 2016
5	Zhang Weidong	Male	1967	Board Secretary	From February 2011 to April 2016

Chen Xiaozhou President

Please see “Directors”.

Zhuang Enyue Vice President

Mr. Zhuang has been Vice President of the Company since March 2007. From July 1990 to March 2001, Mr. Zhuang had held various positions successively in the National Audit Office, including the deputy director of Directing Bureau, the director of the Second Scientific Research Office, the deputy director of Scientific Research Centre, the vice president of Nanjing Audit University and the deputy director of National Audit Office Economic and Trading Section. From March 2001 to July 2003, Mr. Zhuang served as the supervisor of deputy director level of the board of supervisors, deputy office director, supervisor of director level of the board of supervisors, the supervisor of director level and office director of ICBC. 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. He served as the Executive Director of the Company from May 2011 to June 2013. Mr. Zhuang graduated from the Department of Management of Shanghai Maritime University in 1983 with a bachelor’s degree in accounting, and graduated from Renmin University of China in 1990 with a master’s degree in economics. He was accredited as a researcher by the National Audit Office and receives government special allowance from the State Council.

Li Yuejin Vice President

Mr. Li has been Vice President of the Company since February 2011. From November 1989 to December 1999, Mr. Li had held various positions successively in CCB, including the chief of the Credit Planning Department and deputy general manager of Dongying Branch, Shandong Province, the deputy general manager of Zibo Branch and the branch general manager of Tai’an Branch. Mr. Li joined the Company in December 1999 and had served as the deputy director of Jinan office, the director of Xi’an office, the general manager of Shaanxi Branch and the general manager of Shandong Branch. Mr. Li graduated from Shandong University in 1999 majoring in currency banking, and graduated from Peking University in 2007 with an EMBA degree. He has a professional title of senior economist.

Liu Ligeng Vice President

Mr. Liu has served as the Vice President of the Company since June 2015. From July 1988 to September 2003, Mr. Liu had served as an officer and deputy head of the Education Division, Human Resources Division, and Human Resources and Staff Training Division of the PBOC. He served as a researcher, the head and the deputy director (deputy head) of the Human Resources Department of the CBRC from September 2003 to January 2014. Mr. Liu joined the Company in January 2014 and has served as the director of the Labor Union of the Company since then. He graduated from Beijing Normal University in 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 1998. He has a professional title of economist.

Liang Qiang Assistant to the President

Mr. Liang has been Assistant to the President of the Company since February 2016. From July 1993 to September 1999, Mr. Liang consecutively 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. Mr. Liang joined the Company in September 1999. He successively served as the assistant to general manager and deputy general manager of the Capital and Finance Department, deputy general manager and deputy general manager (general manager level) of the Planning and Finance Department of the Head Office, the general manager of the Finance and Budget Department of the Company and the general manager of the Shanghai Branch. 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 a standing member of All-China Financial Youth Federation since January 2014. Mr. Liang graduated from Shanxi Finance & Taxation College in 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 1999. He obtained an MBA degree from Tsinghua University in 2005. He has a professional title of senior economist.

Chen Yanqing Assistant to the President

Mr. Chen has been the assistant to the President of the Company since February 2016. From January 1987 to January 2000, Mr. Chen consecutively served as the first officer 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 Offi ce 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 deputy general manager of the Asset Management Department, the general manager of the Restructuring Business Department, the Market Development Department, the Group Synergy Department and the Corporate Management Department, the general manager of Shenzhen Branch and Shenzhen regional business director. 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 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 1998. He obtained an EMBA degree from Tsinghua University in 2010. He has a professional title of senior engineer.

Luo Zhenhong Chief Risk Officer

Mr. Luo has been the Chief Risk Officer of the Company since October 2013. From July 1988 to April 1999, Mr. Luo held various positions in CCB. Mr. Luo joined the Company in April 1999 and served successively as the deputy general manager and the general manager of Legal Department of the Company. Since April 2009, Mr. Luo has served as the general manager of the Legal and Compliance Department of the Company. From October 2008 to November 2012, Mr. Luo served as vice president of the Banking Law Division of China Law Society and has served as the vice president of China Banking Law Society since November 2012. Mr. Luo graduated from Peking University with a bachelor's degree in law in 1988, a master's degree in law in 2002, and an EMBA degree in 2012.

Ai Jiuchao Board Secretary

Mr. Ai has served as the Board Secretary of the Company since April 2016. He served as an officer of the General Office and Policy Research Office of China National Coal Allocation Corporation and the Department of Policies and Regulations of the Ministry of Coal Industry from June 1989 to January 1996, as a deputy head of the General Office of the Department of Policies and Regulations of the Ministry of Coal Industry and a deputy head of the Research Office of the Department of Industry Management of the National Coal Industry Bureau from January 1996 to October 1998, and as the head and researcher of the General Management Office of the Department of Industry Management of the National Coal Industry Bureau and the head of the General Office of the Department of Policies and Regulations of the National Coal Industry Bureau from October 1998 to September 2000. Mr. Ai joined the Company in September 2000. He served as the deputy head and deputy head (director level) of the Chief Executive Office, the general manger of the Compliance Management Department and the head of the Board Office. He has also served as the general manager of Strategic Development Department and the director of Financial Risk Research Center since April 2016. Mr. Ai graduated from China University of Mining and Technology and obtained a bachelor's degree in engineering in 1989. He also obtained a bachelor's degree in economics from Renmin University of China in 1996 and an EMBA degree from China University of Mining and Technology in 2002. He has a professional title of senior economist.

9.4 Change in Directors, Supervisors and Senior Management

9.4.1 Change in Directors

As elected at the annual general meeting for 2015 and approved by CBRC, Mr. Chen Xiaozhou was appointed as the Company's Executive Director since 4 November 2016. Mr. Zhu Wuxiang and Mr. Sun Baowen were appointed as the Company's Independent Non-Executive Directors since 25 October 2016.

Since October 25, 2016, Mr. Li Xikui and Mr. Qiu Dong ceased to act as the independent non-executive Directors of the Company due to the expiration of the term of office.

Since September 14, 2016, Mr. Zang Jingfan ceased to act as the executive Director of the Company due to age reason.

Since November 18, 2016, Mr. Lu Shengliang ceased to act as the non-executive Director of the Company due to work arrangement.

On January 4, 2017, Mr. Zhang Guoqing was elected as a non-executive Director of the Company at the first extraordinary general meeting in 2017 of the Company. As at the date of this report, the qualification of Mr. Zhang Guoqing is still pending approval by the CBRC and his appointment will become effective upon the approval.

On March 15, 2017, Mr. Liu Chong was elected as a non-executive Director of the Company at the second extraordinary general meeting in 2017. As of the date of this Report, the qualification of Mr. Liu Chong is still pending approval from the CBRC and the appointment will become effective from the date of approval.

9.4.2 Change in Supervisors

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

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

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

9.4.3 Change in Senior Management

As appointed at the eighth Board meeting of 2015 of the Company and approved by CBRC, Mr. Liang Qiang and Mr. Chen Yanqing have been Assistants to the President since 5 February 2016.

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

As appointed at the first Board meeting of 2016 of the Company and approved by CBRC, Mr. Ai Jiuchao has been the Secretary to the Board since 13 April 2016.

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

Since September 14, 2016, Mr. Zang Jingfan ceased to be the President of the Company due to age reason.

As appointed at the seventh Board meeting of 2016 of the Company and approved by CBRC, Mr. Chen Xiaozhou has been the President of the Company since 4 November 2016.

Since February 10, 2017, Mr. Wu Songyun ceased to be the Vice President of the Company due to other work arrangement.

Since March 28, 2017, Mr. Yang Junhua ceased to be the member of the senior management of the Company due to age reason.

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 dedicated to improving its corporate governance, 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 continuously optimized its governance structure comprised of general meetings, the Board, the Board of Supervisors, and Senior Management. The units of the corporate structure have clear division of responsibilities, fulfill their own dities, and effectively cooperate with and supervise one another. The Company's corporate governance has been enhanced continuously.

In accordance with regulations and business practices, the Company has disclosed the information in a timely and effective manner. It has also attached great importance to investor relations management, providing diversified communication channels for investors, so as to ensure that shareholders and investors of the Company are able to obtain the corporate information in an open, fair, truthful and accurate manner.

During the Reporting Period, the Company was once again awarded the "Stars of China Awards – Best Corporate Governance Bank" of Global Finance. The Company's market image and international influence have been further enhanced.

10.1.1 Corporate Governance Code

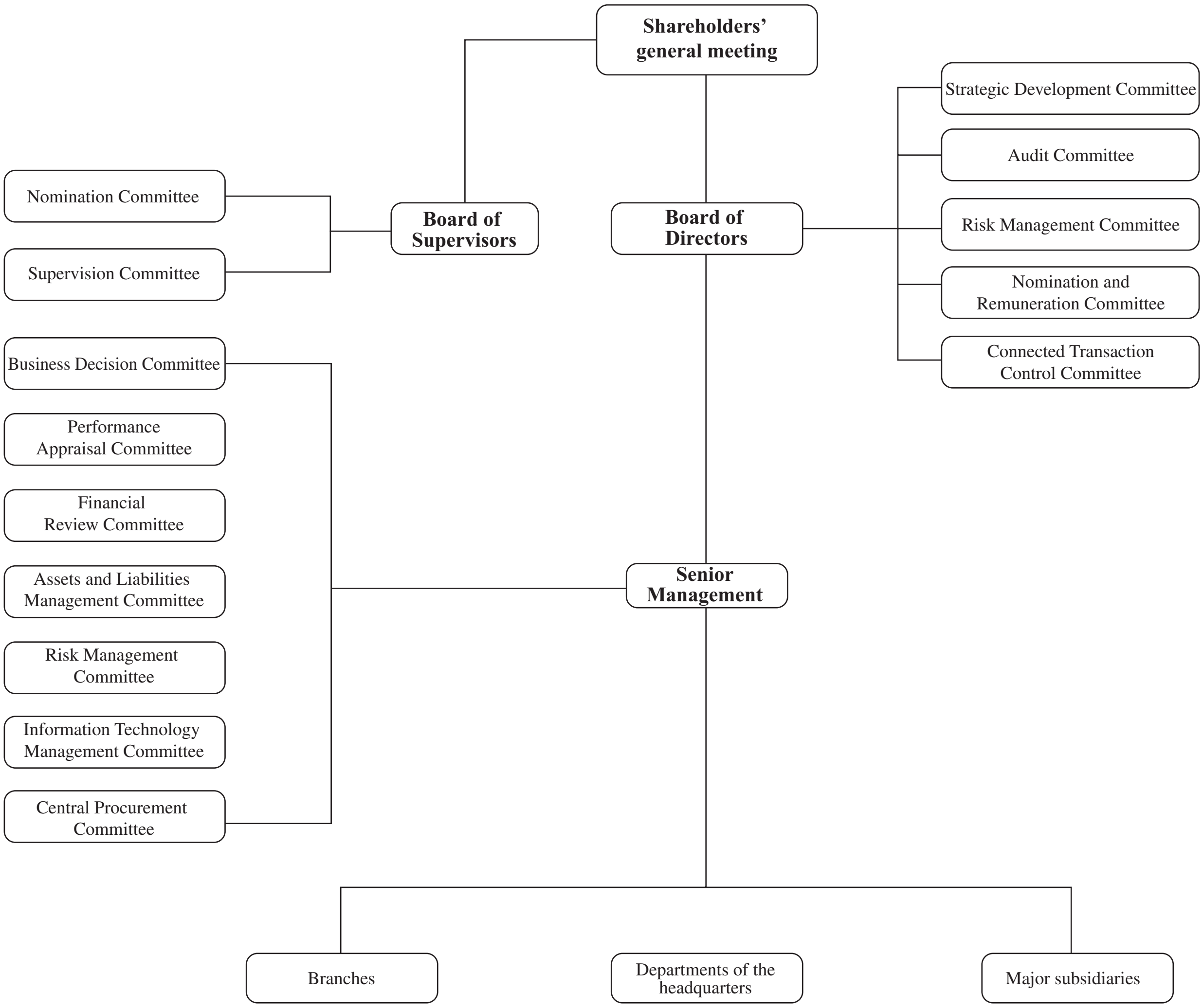
During the Reporting Period, the Company had complied with the Corporate Governance Code under Appendix 14 of the Listing Rules (the "CG Code") and most of the recommended best practices therein.

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 so as to ensure their effectiveness; (2) to review and monitor the training and continuous professional development of Directors and Senior Management; (3) to review and monitor the Company's policies and practices 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:



10.1.3 Amendments to the Articles

During the Reporting Period, the Company has made amendments to the Articles in accordance with the requirements of laws and regulations and taking into account the Offshore Preference Shares issuance plan and the actual situation of the Company. The amended Articles have been reviewed and approved at the annual general meeting for 2015 of the Company and been approved by the CBRC. For details of the above amendments, please see the circular of the Company dated May 16, 2016 and the announcement of the Company dated July 29, 2016.

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 non-employee representative supervisors, and to decide on matters related to the emoluments of Directors and Supervisors; (3) to consider and approve the report of the Board and the report of the Board of Supervisors; (4) to consider and approve the annual financial budgets, final account plans, profit distribution 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 five Shareholders' general meetings in Beijing, including one annual general meeting, two extraordinary general meetings, one class meeting of domestic shareholders and one class meeting of H shareholders, and considered and approved 18 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 and attest Shareholders' general meetings and to provide legal opinion. Major matters considered and approved at the meetings include:

- resolution on approving the Company's acquisition of NCB Hong Kong and signing the Equity Purchase Agreement;

- resolution on the Company's investment on Cinda Hong Kong;

- resolution on the remuneration settlement scheme for Directors of the Company for 2014;

- resolution on the remuneration settlement scheme for Supervisors of the Company for 2014;

- resolution on the appointment of accounting firms of the Company for 2016;

- resolution on the election of Directors of the third session of the Board of Directors of the Company;

- resolution on the election of Supervisors of the third session of the Board of Supervisors of the Company;

- resolution on the granting of general mandate to the Board of Directors to issue additional H Shares;

- resolution on the work report of the Board of the Company for 2015;

- resolution on the report of the Board of Supervisors of the Company for 2015;

- resolution on the final financial account of the Company for 2015;

- resolution on the profit distribution of the Company for 2015;

- resolution on the fixed assets investment budget of the Company for 2016;

- resolution on the non-public issuance of Offshore Preference Shares by the Company;

- resolution on the amendments to the Articles of the Company;

- resolution on the transfer of equity in Cinda P&C and relevant authorization.

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) can 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

Members of the Board	Number of meetings attended/required to attend	Attendance rate
Executive Directors		
Hou Jianhang	5/5	100%
Chen Xiaozhou	–	–
Non-executive Directors		
Li Honghui	5/5	100%
Song Lizhong	5/5	100%
Xiao Yuping	5/5	100%
Yuan Hong	5/5	100%
Independent non-executive Directors		
Chang Tso Tung, Stephen	5/5	100%
Xu Dingbo	5/5	100%
Zhu Wuxiang	1/1	100%
Sun Baowen	1/1	100%
Resigned Directors during the Reporting Period		
Zang Jingfan	4/4	100%
Lu Shengliang	3/5	60%
Li Xikui	3/4	75%
Qiu Dong	4/4	100%

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 by Directors in person 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 10 members, including two executive Directors, namely Mr. Hou Jianhang (Chairman) and Mr. Chen Xiaozhou, four non-executive Directors, namely Mr. Li Honghui, Mr. Song Lizhong, Ms. Xiao Yuping and Ms. Yuan Hong and four independent non-executive Directors, namely Mr. Chang Tso Tung, Stephen, Mr. Xu Dingbo, Mr. Zhu Wuxiang and Mr. Sun Baowen. 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 Company 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 main 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 President and the Board Secretary; 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 assets, external donations of the Company and major decisions of invested legal entities.

10.3.2 Board Meetings

In 2016, the Board conducted nine meetings, including four regular meetings and five extraordinary meetings. 40 resolutions were passed and nine work reports were reviewed at the meetings. Before the meetings, Directors were provided with appropriate notice and information necessary for making an informed decision. Among the resolutions passed, there were 12 resolutions on management matters, two resolutions on major transactions, five resolutions on work reports, 12 resolutions on appointment or dismissal of employees, three resolutions on remuneration and insurance matter and six other resolutions. The major issues were as follows:

- the final account plan and the profit distribution plan of the Company for 2015 and fixed assets investment budget for 2016;

- the annual report (the annual results announcement) of the Company for 2015 and the interim report (interim results announcement) of the Company for 2016;

- the non-public issuance of Offshore Preference Shares by the Company;

- the work report of the Board, internal control evaluation report and social responsibility report of the Company for 2015;

- the internal audit working plan of the Company for 2016;

- the transfer of equity in Cinda P&C of the Company;

- private placement of H Shares of the Company for 2016;

- the subscription of the new shares issued by Happy Life of the Company;

- the nomination of candidates for the directors of the Company, election of the Chairman, the president and the Chairmen and members of the special committees of the Company;

- the remuneration settlement scheme for Directors and Senior Management of the Company for 2015; and

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

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

10.3.3 Directors' Attendance at Board Meetings

Members of the Board	Number of meetings attended/ required to attend	Attendance rate
Executive Directors		
Hou Jianhang	9/9	100%
Chen Xiaozhou	2/2	100%
Non-executive Directors		
Li Honghui	9/9	100%
Song Lizhong	9/9	100%
Xiao Yuping	9/9	100%
Yuan Hong	8/9	89%
Independent non-executive Directors		
Chang Tso Tung, Stephen	9/9	100%
Xu Dingbo	8/9	89%
Zhu Wuxiang	2/2	100%
Sun Baowen	2/2	100%
Resigned Directors during the Reporting Period		
Zang Jingfan	7/7	100%
Lu Shengliang	7/7	100%
Li Xikui	7/7	100%
Qiu Dong	4/7	57%

Notes:

1. Please see "Directors, Supervisors and Senior Management" – "Changes in Directors, Supervisors and Senior Management" in this report for details for the 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 by Directors in person 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.

10.4.1 Strategic Development Committee

As at the date of this report, the Strategic Development Committee had seven members. Mr. Hou Jianhang (Chairman of the Board) served as the chairman. The members included four non-executive Directors, Mr. Li Honghui, Mr. Song Lizhong, Ms. Xiao Yuping and Ms. Yuan Hong and two independent non-executive Directors, Mr. Chang Tso Tung, Stephen and Mr. Sun Baowen.

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 13 resolutions, mainly including the 2015 final accounts, 2016 annual operation plan, 2016 fixed asset investment budget, the strategic development plan of the company (2016-2020), the non-public issuance of Offshore Preference Shares by the Company, and the private placement of H Shares of the Company for 2016, and received corporate governance report of the Company for 2015.

Directors' attendance at Strategic Development Committee meetings

Members	**Number of meetings attended/ required to attend**	**Attendance rate**
Hou Jianhang	6/6	100%
Li Honghui	6/6	100%
Song Lizhong	6/6	100%
Xiao Yuping	6/6	100%
Yuan Hong	6/6	100%
Chang Tso Tung, Stephen	6/6	100%
Sun Baowen	2/2	100%
Resigned members during the Reporting Period		
Zang Jingfan	4/4	100%
Lu Shengliang	4/4	100%
Li Xikui	4/4	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 by Directors in person to the total number of meetings required to attend.

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. Chang Tso Tung, Stephen and Mr. Sun Baowen.

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 supervise and evaluate the internal audit work of the Company; 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 six meetings to review eight resolutions including the 2015 annual report (the annual results announcement), the internal control evaluation report for 2015, the risk management report for 2015, the internal audit work plan for 2016, the appointment of external accounting firms, the interim report (interim results announcement) for 2016 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 relevant management suggestions from auditors and audit plan for financial statements for 2016.

On March 29, 2017, the Audit Committee conducted a meeting to resolve the submission of the 2016 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, 2016.

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 assess the effectiveness of risk management and internal control of the Company, 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	6/6	100%
Li Honghui	6/6	100%
Chang Tso Tung, Stephen	6/6	100%
Sun Baowen	2/2	100%
Resigned members during the Reporting Period		
Li Xikui	4/4	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 by Directors in person 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 chairman. The members included an executive Director, Mr. Chen Xiaozhou, a non-executive Director, Mr. Li Honghui 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 and internal control under the CG Code and Corporate Governance Report; to review the effectiveness of risk management and internal control systems at least once a year; to review risk management reports of the Company; 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 four meetings to review and receive five reports, mainly including reviewing the 2015 risk management report and the evaluation report on internal control 2015 and receiving quarterly risk management reports of the Company. Risk Management Committee understands and evaluate the effectiveness of the operation of the Company's risk management and internal control system through considering the risk management reports and internal control reports, receiving reports on risk appetite at operational level, participating in meetings on the Company's system risk management, and investigation and research on site.

Directors' attendance at Risk Management Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Xiao Yuping	4/4	100%
Chen Xiaozhou	1/1	100%
Li Honghui	4/4	100%
Xu Dingbo	4/4	100%
Resigned members during the Reporting Period		
Lu Shengliang	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 by Directors in person 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. Sun Baowen (independent non-executive Director) served as the chairman. The members included a non-executive Director, Mr. Song Lizhong and an independent non-executive Director, Zhu Wuxiang.

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 (other than the chairman of the Strategic Development Committee) and members of the special committees of the Board; to review the structure and composition of the Board; and to 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 six meetings to consider 12 resolutions, including the nomination of candidates for the Directors and the President of the Company, the nomination of the members of the Strategic Development Committee, the nomination of the Chairmen and members of the Audit Committee, the Risk Management Committee, and the Connected Transaction Control Committee of the Company, the preliminary verification of the qualification of candidates for Senior Management; the remuneration settlement scheme of Directors and Senior Management for 2015; the review of the structure, size and composition of the Board (in respect of knowledge, skills and experience), 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
Sun Baowen	2/2	100%
Song Lizhong	6/6	100%
Zhu Wuxiang	2/2	100%
Resigned members during the Reporting Period		
Li Xikui	4/4	100%
Qiu Dong	2/4	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 by Directors in person 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 concurrently holding positions;

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

   - their shareholdings in the Company; and

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

2. A candidate 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 duties as a Director after he/she is elected. A written notice of the intention to nominate a candidate of Director and willingness of the candidate to be elected as well as the written documents of the basic information of the candidate shall be given to the Company 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 each candidate by way of a separate resolution; 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 and the improvement on the diversity composition 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. Zhu Wuxiang 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 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 four meetings to consider and receive nine resolutions and reporting issues, mainly including to consider identification of connected persons of the Company and the 2015 connected transaction management report, and receive the report of the construction of the connected transaction management information system and the internal transaction report of the Group for 2015.

Directors' attendance at Connected Transaction Control Committee meetings

Members	**Number of meetings attended/ required to attend**	**Attendance rate**
Zhu Wuxiang	1/1	100%
Yuan Hong	4/4	100%
Xu Dingbo	4/4	100%
Resigned members during the Reporting Period		
Qiu Dong	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 by Directors in person 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: (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 seven Supervisors, including one shareholder representative Supervisor, Mr. Gong Jiande, and three external Supervisors, Ms. Liu Yanfen, Mr. Li Chun and Mr. Zhang Zheng, and three employee representative Supervisors, Ms. Gong Hongbing, Mr. Lin Dongyuan and Ms. Jia Xiuhua. 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

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

During the Reporting Period, the Board of Supervisors of the Company conducted six meetings and approved 21 resolutions, including the work report of the Board of Supervisors for 2015, the performance appraisal report of the Directors and Senior Management for 2015, the internal control evaluation report for 2015, the 2015 annual report (the annual results announcement), the final financial account for 2015, the profit distribution plan for 2015, the social responsibility report of the Company for 2015, the remuneration settlement scheme of Supervisors for 2015 submitted to the Shareholders' general meeting for approval, the interim report (the interim results announcement) for 2016, the election of Mr. Gong Jiande as the chairman of the Board of Supervisors, the election of the chairman and members of the Nomination Committee of the Board of Supervisors, the election of the chairman and members of the Supervision Committee of the Board of Supervisors, Terms of Reference of Special Committee of the Board of Supervisors, Measures on the Performance Supervision of the Board of Supervisors, Measures on the Financial Supervision of the Board of Supervisors and Measures on the Supervision of the Board of Supervisors over the Risk Management and Internal Control.

Supervisors' attendance at meetings of the Board of Supervisors

Supervisors	**Number of meetings attended/ required to attend**	**Attendance rate**
Current members		
Gong Jiande	6/6	100%
Liu Yanfen	6/6	100%
Li Chun	6/6	100%
Zhang Zheng	3/3	100%
Gong Hongbing	6/6	100%
Lin Dongyuan	3/3	100%
Jia Xiuhua	3/3	100%
Resigned members during the Reporting Period		
Wei Jianhui	3/3	100%

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 committees of the Board of Supervisors

The Board of Supervisors has two special committees, namely the Nomination Committee and the Supervision Committee, 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 their work to the Board of Supervisors.

Nomination Committee

As at the date of this report, the Nomination Committee consisted of three members, including Mr. Gong Jiande as Chairman, and Mr. Zhang Zheng (external Supervisor) and Ms. Gong Hongbing (employee representative Supervisor) as members.

The duties of the Nomination Committee primarily include: (1) to make recommendations to the Board of Supervisors on the candidates of Supervisors, and preliminarily review the eligibility of the candidates for Supervisors; (2) to supervise the procedure of Director election; (3) to assess the performance of the Directors, Supervisors and Senior Management comprehensively and report to the Board of the Supervisors; (4) to supervise the remunerations of Directors, Supervisors and Senior Management; (5) to perform other duties as authorized by the Board of the Supervisors.

During the Reporting Period, the Nomination Committee conducted one meeting to review the following issues, including the resolution on the remuneration settlement scheme of Supervisors for 2015 submitted to the Shareholders' general meeting for approval and the Measures on Performance Supervision of the Board of Supervisors.

Supervision Committee

As at the date of this report, the Supervision Committee consisted of four members, including Ms. Liu Yanfen (external Supervisor) as chairperson, and Mr. Li Chun (external Supervisor), Mr. Lin Dongyuan (employee representative Supervisor) and Ms. Jia Xiuhua (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 supervise the risk management of the Company; (3) to supervise the formulation and implementation of the Company's strategies; (4) to supervise the independence and effectiveness of the external auditing; (5) to perform other duties as authorized by the Board of the Supervisors.

During the Reporting Period, the Supervision Committee conducted five meetings to review the following resolutions, including the final financial account for 2015, the internal control evaluation report of the Company for 2015, the 2015 annual report (the 2015 annual results announcement), the interim report of the Company for 2016 (interim results announcement), Measures on the Financial Supervision of the Board of Supervisors, and Measures on the Supervision of the Board of Supervisors over the Risk Management and Internal Control.

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. Chen Xiaozhou 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 eight members. For details of its composition, please see "Directors, Supervisors and Senior Management" – "Senior Management" in this report. There is a strict separation of power between the Senior Management and the Board. The Senior Management determines the operation management and decisions within its terms of reference as authorized by the Board. Senior Management of the Company includes President, Vice presidents, Assistant to the President, Chief Risk Officer and Board Secretary. 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 Performance Supervision of the Board of Supervisors, the Board of Supervisors reviewed the annual performance reports of the Board, the special committees 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, conducted extention verification on key projects through on-site and off-site inspection, and conducted supervision and appraisal of the performance of the Board, Senior Management and its members through 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 Risk Management

The Company endeavours to develop a comprehensive risk management system which is in line with the scale and complexity of its business development, and has developed a comprehensive risk management framework consisting of four levels, namely the Board and the Board of Supervisors, the Senior Management, the Risk Management Department and relevant functional departments at the 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 Committee of the Board quarterly listens to the management's report on the Group's risk management, annually reviews the annual risk management report of the Company and assesses the effectiveness of the risk management system through reviewing reports and field research. Based on the review of the available reports and operating conditions, the Board is of the view that the operation level has soundly implemented the policies, systems and processes of risk management formulated by the Board, fostered a stable and prudent risk management culture, and provided necessary organisational structure, human resources, management instruments and technical means for risk management. During the Reporting Period the Company's risk management and internal control system is effective and the relevant risk control is within the acceptable range of the Company. The Board is satisfied with the current risk management procedures and internal control mechanism of the Company and intends to further promote its optimization and improvement.

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

10.9 Internal Control

In accordance with the requirements of enterprise internal control regulated system, 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, and truthfully disclosing the internal control evaluation report. The Supervisory Committee is responsible for supervising the establishment and implementation of internal control system by the Board. The Senior Management is responsible for supervising the daily operation of internal control system of the Company.

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.

The Company established a management structure of internal control consisting of three lines of defenses under the leadership of the Board, the Board of Supervisors and the management, and clarified the division of internal control responsibilities and the reporting relationship from management to staff. For corporate governance, the Board is responsible for the thorough examination and evaluation of the establishment, improvement and effective implementation of the internal control as well as the effectiveness of the internal control, while the Board of Supervisors was responsible for supervising the Board and the management on the establishment, improvement, effective implementation and regular evaluation of the Company's internal control system. The management organized and guided the daily operation of the internal control of the Company, established and improved the relevant systems of the operation segment's internal control system, and comprehensively promoted the implementation of the internal control system. The Audit Committee and the Risk Management Committee of the Board annually review the Company's evaluation report on internal control during the year.

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

The risk compliance management position in each department of the Company, the internal control management position and the special audit position in each branch were set up to be responsible for the implementation and evaluation of the internal control management within the scope of the organization. The compliance & internal control department is responsible for the establishment and maintenance of the internal control system of each subsidiary. Each subsidiary has internal control contact person to be in charge of promoting the establishment and implementation of the internal control system within the scope of subsidiary, the routine maintenance and inspection organization, and the communication with the head office including the significant events report and periodic report.

Pursuant to the Measures on the Internal Control of Financial Asset Management Companies, the Basic Internal Control Norms for Enterprises, Guidelines on the Internal Control of Enterprises, as well as the Listing Rules, after taking into account of the internal control systems of the Company, the Company adopted an implementation plan for internal control assessment for 2016, and approved by the Audit Committee of the Board, 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 2016 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. Each unit designated special departments or personnel to be specifically responsible for sorting out the main business processes one by one to find defects in internal control, actively implementing the rectification and optimizing the establishment and implementation of internal control by taking into account of the business operation situations. No material or significant deficiencies in internal control were identified during the assessment while matters to be addressed did not have a substantial impact on the operation and management of the Company. The Company attaches great importance to the matters to be addressed and will launch further rectification measures.

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. The Company further enhanced its management system and internal control manual and strengthened compliance inspection and problem rectification to inspect and enhance the staff's understanding of the system. The effectiveness of internal control assessment was improved, resulting in higher internal control efficiency. Details are as follow:

1. During the year, 15 new measures were added, 36 were revised and two were abolished, 40 processes of the internal control manual were thoroughly reviewed. The Company also made corresponding amendments on about eight percent of the control points.

2. By leveraging the opportunities of risk investigation and the looking-back review of "Two Reinforcements and Two Containments", the Company conducted an overall compliance and internal control self-review, and assigned core business members for random check on branches. 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.

3. 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.

10.10 Internal Audit

The Company has implemented an internal audit system, established an audit department at the headquarters of the Company 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. The Company's internal audit system is in compliance with the requirements of CG Code on establishing the internal audit functionality.

In 2016, the Company fully completed the annual internal audit plan as approved by the Board. In accordance with the regulatory requirements, based on its risk profile and focusing on effectiveness, the Company planned as a whole, and continuously innovated audit contents and methods to improve the audit quality and effectively perform the internal audit's function of supervision management and advisory service. With focus on team building, the comprehensive capability of its internal audit team was further improved.

Carrying out regular and special audits. Based on its risk profile and focusing on effectiveness, to serve the company development as the starting point, the Company carried out regular and special audits for its branches and subsidiaries in respect of key business, significant projects, important aspects, 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.

Organizing evaluation on internal control. Through self-evaluation of all departments of the headquarters, branches and subsidiaries, and on-site 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.

Carrying 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 IT information-based management and collateral management audit. As a result, the Company was able to thoroughly refresh and regulate the development of relevant businesses.

Further improving audit system. The Company completed the amendments on the internal audit system in a timely manner in accordance with the changes of regulatory requirements. 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.

10.11 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, putting in place the accountability mechanism for material errors in information disclosure of annual reports. 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 disclosed in the annual report.

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

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 and Information Disclosure System. We also increased efforts to keep confidentiality of insider information and strictly implemented the insider registration system to limit the number of insiders as well as proactively prevent insider dealing. To the best knowledge of the Company, during the Reporting Period, there was no incident of insider trading of the Shares of the Company by taking advantage of the insider information.

10.13 Communication with shareholders

10.13.1 Information disclosure and investor relations

The Company has strictly complied with the regulatory provisions and requirements under the rules of the Company, including the Information Disclosure System, the Administrative Measures on the Preparation of Regular Information Disclosure Reports, the Accountability System of Material Errors of Information Disclosure in Annual Report, the Administrative Measures on the Internal Reporting of Material Information and the Provisional Measures of Investor Relations to manage the information disclosure and investor relations of the Company. 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 legitimate interests of investors.

In 2016, the Company strictly complied with the true, accurate, complete, timely, and fair principles, and carried out information disclosure conscientiously. The Company continuously enhanced the disclosure quality of regular reports, enrich the disclosure contents from perspective in favour of investors' understanding of the Company's development strategies and business operation, strengthened the focus and effectiveness of the disclosure in regular reports, disclosed temporary announcements in a timely manner, actively promoted voluntary disclosure, continuously increased the transparency in information disclosure, protected investors' right to know, continuously improved the working mechanism of information disclosure, regularly conducted training on information disclosure, and strengthened the building of the Company's compliance culture.

The Company attached high importance to communication with investors and listens to their views and suggestions. The Company communicated with investors through announcement of results, non-deal roadshows, large-scale investment forums and summits, and daily receptions to introduce the corporate strategy development plans, its operation and development values and the development conditions of the Company and promptly answered investors' enquiries with a view to enhancing investors' faith in the Company and boosting recognition of the Company in the capital market as well as its influence in the financial industry, thereby being widely recognized in the capital market and by the investors. Moreover, the Company actively participated in the regular press conferences in the bank industry organized by the CBRC, introducing the conditions of the Company when it promoted the structural reform on the supply side, relieved the financial risks and supported the real economy and helping the understanding of the competitive edge and the management and development conditions of the Company.

10.13.2 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:

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

10.14 Auditor's Remuneration

As approved by the third meeting of the Board in 2016, and the annual general meeting for 2015, the Company appointed Ernst & Young Hua Ming LLP and Ernst & Young (collectively "Ernst & Young") as its domestic and international auditors for 2016, respectively, to provide audit service of the annual financial report, review of the interim financial report, audit of internal control and other professional services for the Company for 2016. During the Reporting Period, the audit fee due to Ernst & Young and its member firms for the audit of financial statements and audit of internal control amounted to a total of RMB25.74 million. The audit-related fees due to Ernst & Young and its member firms for the acquisition of NCB Hong Kong and the issue of Offshore Preference Shares amounted to a total of RMB6.29 million. In 2016, the consulting fee due to Ernst & Young and its member firms amounted to a total of RMB4.08 million, and no otherwise non-audit service fee incurred.

10.15 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 the Group's operating condition of the Group.

10.16 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.

10.17 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.

10.18 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

Training on annual financial audit and performance report by The Hong Kong Institute of Chartered Secretaries;

Training on value creation and reform transformation by China Europe International Business School;

Training on the new vision, new thinking and new countermeasures in response to globalization, the financial risk management and board decision-making, the Internet thinking and business model innovation by Changjiang Business School.

Internal Trainings

Training on the framework, road map and difficulties of supply-side structural reform;

Training on the understanding of "Internet+ and Internet economy";

Training on the innovation of financial service mode of the Company in the time of great change;

Special training on the contents and requirements of the amended Listing Rules;

Training on the amendments of the International Accounting Standards and their effects on the operation of the Company;

Training on the Guidelines on the Management of Overall Risk by Banking Financial Institutions.

10.19 Joint company secretaries

One of the joint Company secretaries of the Company, Mr. Ai Jiuchao, has served the Company for many years and is familiar with the ordinary business of the Company. In addition, the Company has appointed Dr. Ngai Wai Fung as another joint company secretary to work closely with Mr. Ai. He also assists Mr. Ai in performing the functions and duties of joint company secretary and acquiring relevant experience within the meaning of Rule 3.28 of the Listing Rules. Dr. 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, Dr. Ngai shall discuss with Mr. Ai, the key contact person of the Company. Mr. Ai is responsible to report to the Directors and/or the President. During the Reporting Period, Mr. Ai and Dr. 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 REPORT OF THE BOARD OF DIRECTORS

11.1 Principal Business

The Company primarily engages in distressed asset management, financial investment and asset management as well as financial services. Details of 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.

11.2 Profit and dividend distribution

The profit and financial condition of the Company for the year ended December 31, 2016 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 2016 of RMB1.22 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 RMB4,656 million on the basis of 38,164,535,147 Domestic Shares and H Shares in issue on December 31, 2016.

The 2016 profit distribution plan of the Company shall be subject to approval at the Shareholders' annual general meeting for 2016. Subject to approval, the cash dividend for 2016 is expected to be distributed on or around August 18, 2017 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 2016 (including the date of the meeting).

The Company will announce the date of the Shareholders' general meeting for 2016 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 2016 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.

For individual holders of H Shares, pursuant to the PRC Individual Income Tax Law, the Implementation Regulations of the PRC Individual Income Tax Law, 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 2016 to be distributed to them. The individual holders of H Shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled and the tax arrangements between mainland China, Hong Kong or Macao.

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

For investors of the SSE or SZSE investing in the H Shares of the Company, the Company will distribute the cash dividend for 2016 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 (Caishui [2014] No. 81) and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No. 127), 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.

During the Reporting Period, the Company did not distribute any dividend on Offshore Preference Shares.

11.3 Distributable Reserves

Details of distributable reserves of the Group for the year ended December 31, 2016 are set out in the Consolidated Statement of Financial Position in the consolidated financial statements.

11.4 Financial Summary

The operating results and summary of assets and liabilities of the Group for the year ended December 31, 2016 are set out in the "Financial Summary" in this report.

11.5 Donations

Donations made by the Group for the year ended December 31, 2016 amounted to RMB3,778,000.

11.6 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, 2016 are set out in Note VI.42 "Property and equipment" to the consolidated financial statements.

11.7 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 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.

11.8 Major Clients

During the Reporting Period, the combined revenue from the top five clients of the Company did not exceed 30% of its total revenue for 2016. There were no customer, employee and others that have a significant impact on the Group and on which the Group's success depends.

11.9 Share Capital and Public Float

As at December 31, 2016, the Company had a total of 38,164,535,147 Shares in issue and 1,853 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 35.55%, which was in compliance with the relevant laws and regulations and the requirement of the Listing Rules.

11.10 Pre-emptive Right

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

11.11 Purchase, Sale and Redemption of Shares

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

11.12 Equity-linked Agreement

During the Reporting Period, except for the Offshore Preference Shares, the Company did not enter into any equity-linked agreement.

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

11.13 Issuance of Securities

11.13.1 Issuance of Securities of the Company

During the Reporting Period, issuance of securities of the Company is set out as follows:

As approved by Yin Jian Fu [2016] No. 81 and Yin Shi Chang Xu Zhun Yu Zi [2016] No. 93 issued by the CBRC and the PBOC respectively, the Company issued tier-2 capital bonds of RMB10 billion on June 14, 2016. The bonds were ten-year fixed rate bond with coupon rate of 3.70% and are conditionally redeemable on the last day of the fifth year. The proceeds from the issuance of the bonds were used to replenish the tier-2 capital of the Company in order to improve its capital adequacy ratio, operating strength, risk resistance capability and profitability for its sustainable and sound business development.

With the approval of the CBRC by Yin Jian Fu [2016] No.221 and the CSRC by Zheng Jian Xu Ke [2016] No.2123, the Company issued USD3.2 billion 4.45% non-cumulative perpetual offshore preference shares on September 30, 2016. Details of the Offshore Preference Shares issuance are set out in the "Changes in Share Capital and Information on Substantial Shareholders" – "Preference Shares" in this report.

Details of the issuance of new H Shares under the General Mandate of the Company are set out in the "Changes in Share Capital and Information on Substantial Shareholders" – "Changes in Ordinary Share Capital" in this report.

11.13.2 Issuance of Securities of Subsidiaries

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

Cinda Investment issued RMB2 billion of corporate bonds of 8 years with coupon rate of 3.70% on SSE in January 2016; issued RMB3 billion of corporate bonds of 5 years with coupon rate of 4.70% on SSE in May 2016; issued RMB5 billion of corporate bonds of 5 years with coupon rate of 4.00% on SSE in August 2016. The fund raised from the three issues was also used as repayment of borrowings from financial institutions and as supplement to the operating capital, and within areas as stipulated by the regulatory authority.

In December 2016, as approved by CBRC and the PBOC, NCB China issued RMB500 million of financial bonds of 5 years with a coupon rate of 4.67% in the national interbank bond market in China. The fund raised from the bonds was used within China and areas stipulated by the regulatory authority.

In June 2016 and August 2016, Cinda Leasing issued RMB2 billion and RMB3 billion of financial bonds of 3 years with a coupon rate of 3.81% and 3.15% respectively in the national interbank bond market in China. The fund raised from the two issues was used as supplement to the long-term operating capital and within areas as stipulated by the regulatory authority.

In March 2016, Cinda International issued HKD10 million of corporate bonds of 5 years with a coupon rate of 4.00%. The fund raised was used as supplement to the operating capital.

In March 2016, Cinda Real Estate issued RMB2.5 billion and RMB500 million of corporate bonds of 5 years with a coupon rate of 3.80% and 3.50% respective. The fund raised from the two issues was used as repayment of borrowings from financial institutions, as supplement to liquidity, and within areas as stipulated by the regulatory authority.

Cinda Real Estate non-publicly issued RMB3 billion of corporate bonds of 3 years with a coupon rate of 5.56% in May 2016 and RMB3 billion of corporate bonds of 3 years with a coupon rate of 4.50% in August 2016. The fund raised from the two issues was used a repayment of borrowings from financial institutions, as supplement to the operating capital, and within areas as stipulated by the regulatory authority.

Huajian International Industry (Shenzhen) Company Limited, a subsidiary of Cinda Hong Kong, issued RMB600 million of corporate bonds of 5 years with a coupon rate of 4.60% and non-publicly issued RMB800 million of corporate bonds of 4 years with a coupon rate of 4.98% on SSE in April 2016. The fund raised from the two issues was used as repayment of borrowings from financial institutions, as supplement to the operating capital, and within areas as stipulated by the regulatory authority.

Save as the above-mentioned 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.

11.14 Material Interests and Short Positions

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

11.15 Use of Proceeds

During the Reporting Period, the use of proceeds from the Company's issuance of new H Shares under the General Mandate conformed to the purposes disclosed in the issuance announcement, which is to replenish core tier-1 capital of the Company and supporting its business development.

11.16 Borrowings

The borrowings of the Group as of December 31, 2016 amounted to approximately RMB450.51 billion. Details of the borrowings are set out in Note VI.52 "Borrowings" to the consolidated financial statements.

11.17 Directors, Supervisors and Senior Management

Lists, biographical information and changes of the Directors, Supervisors and Senior Management 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.

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

As at December 31, 2016, 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.

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

In 2016, 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.

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

11.20 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.

11.21 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.

11.22 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.

11.23 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 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.

11.24 Relationship between Directors, Supervisors and Senior Management

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

11.25 Indemnity for Directs, Supervisors and Senior Management

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

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

11.26 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.74 "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.

11.27 Compliance with Relevant Laws and Regulations

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

11.28 Auditors

The financial report of the Company for 2016 prepared under the IFRS and PRC GAAP has been audited by Ernst & Young and Ernst & Young Hua Ming LLP, respectively.

11.29 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) (Caijin [2010] No. 169) 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 approved at 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 as its domestic and international auditors for 2015, respectively, to provide the audit of the annual financial statements, review of the interim financial statements, audit of internal control and other relevant services to the Company for 2015.

As approved at the annual general meeting for 2015 on June 30, 2016, the Company continued to appoint Ernst & Young Hua Ming LLP and Ernst & Young as its domestic and international auditors for 2016, respectively, to provide the audit of the annual financial statements, review of the interim financial statements, audit of internal control and other relevant services to the Company for 2016.

By Order of the Board of Directors
Hou Jianhang
Chairman

March 30, 2017

12 REPORT OF THE BOARD OF SUPERVISORS

In 2016, pursuant to the national laws and regulations, the Articles and regulatory requirements, in response to new challenges on risk control brought by New Normal economic development, the Board of Supervisors of the Company carefully implemented the Administrative Measures on Financial Asset Management Companies on the overall operation development and focused on the improvement of compliance effectiveness. With excellent performance training programs and team building, the Board of Supervisors efficiently discharged its supervisory duties in respect of performance, risk, internal control and finance. These efforts facilitated the standardized operation of corporate governance and sustainable healthy development of the Company.

12.1 Major Work Completed

The Board of Supervisors duly promoted the performance and supervision evaluation. In accordance with the new regulatory requirements such as the Administrative Measures on Financial Asset Management Companies and the actual situation of the Company, it prepared and issued the Key Areas of the Performance Supervision and Evaluation of Directors and Senior Management for 2016 for better supervision relevance. It also focused on the implementation of the decision-making system, establishment of the internal control system, preparation of the risk appetite and information disclosure, and established a supervision record. It issued performance evaluation reports of Directors and Senior Management on the basis of the routine supervision and annual evaluation, and submitted such reports to the Shareholders' general meetings and relevant regulatory authorities, and informed the Board and Senior Management in accordance with relevant requirements.

Deepening risk and internal supervision continuously. The Board of Supervisors promoted the concept of comprehensive risk management, held joint supervision meetings regularly, paid attention to the comprehensive risk management of the Company and timely provided opinions and suggestions on risk prevention. It conducted investigations on the intra-group transactions regulated by CBRC and the group collaboration and conducted special investigations on some subsidiaries and formed reports thereon. Focusing on the establishment of the internal control system of the company, especially the improvement of the business system, business approval system and risk accountability system, etc., it reviewed reports regarding major issues identified during internal audits, and the implementation of internal control suggestions and rectifications, participated internal control, "Two Reinforcements and Two Containments" and other special review projects to promote the standardized operation of the Company.

Duly conducting financial supervision and review. The Board of Supervisors supervised based on the review of annual and interim reports and enhanced its communication with external auditors. Emphasis was laid on the compliance of report preparation, review and disclosure, impacts of the transformation of business tax to value-added tax and the implementation of the new accounting standards, and the impacts of consolidating Nanyang Commercial Bank into the financial statements of the Group on financial indicators. It also analyzed major findings in audit which may affect the truthfulness, accuracy and completeness of financial reports and made timely notices.

Conducting special research on new businesses. The Board of Supervisors conducted case studies on various aspects of major projects including the fund-raising, transaction structure, coordination mechanism and post-investment management with the focus on the Company's special situations investment business. It also conducted investigations on the current situations and trends of China's wealth management market, analysed the Company's opportunities and challenges on wealth management and issued corresponding opinions and suggestions.

Focusing on the enhancement of self-improvement. The Board of Supervisors comprehensively sorted out and systematically amended the existing governance system of the Board of Supervisors, which fully reflected the regulatory requirements and requirements of the Company's party building system. It successfully completed the selection of external supervisor and the general election of the Board of Supervisors and established the Nomination Committee of the Board of Supervisors accordingly. The preliminary establishment of the information system for the Board of Supervisors was completed through enriching and improving the supervision information database and combining the data warehouse building and the development of the Company's consolidated statements index system. It also timely organized the study of the latest regulatory policies and business developments, carried out exchanges with the boards of supervisors from the same industry and subsidiaries, explored new methods constantly so as to improve the comprehensive supervision capability.

Continuously improving the efficiency of the Board of Supervisors meetings. In 2016, the Board of Supervisors held six meetings to review and approve 21 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 report. All members of the Board of Supervisors duly performed their duties, attended meetings of the Board of Supervisors as scheduled, and studied issues in accordance with laws and regulations. The governance standard has been improved effectively.

12.2 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

The results of the performance evaluation of all Directors and members of Senior Management for 2016 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 2016.

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 2016.

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

March 30, 2017

13 SIGNIFICANT EVENTS

13.1 Material Litigation and Arbitration

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

13.2 Major Acquisition and Disposal of Assets and Merger

For details of the acquisition of 100% shares of NCB Hong Kong through Cinda Financial Holdings by the Company, please see "Management Discussion and Analysis" – "Business Overview" in this report.

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

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

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

13.4 Implementation of Share Incentive Plan

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

13.5 Major Contracts and Implementation

13.5.1 Major Custody, Contracting and Leasing

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

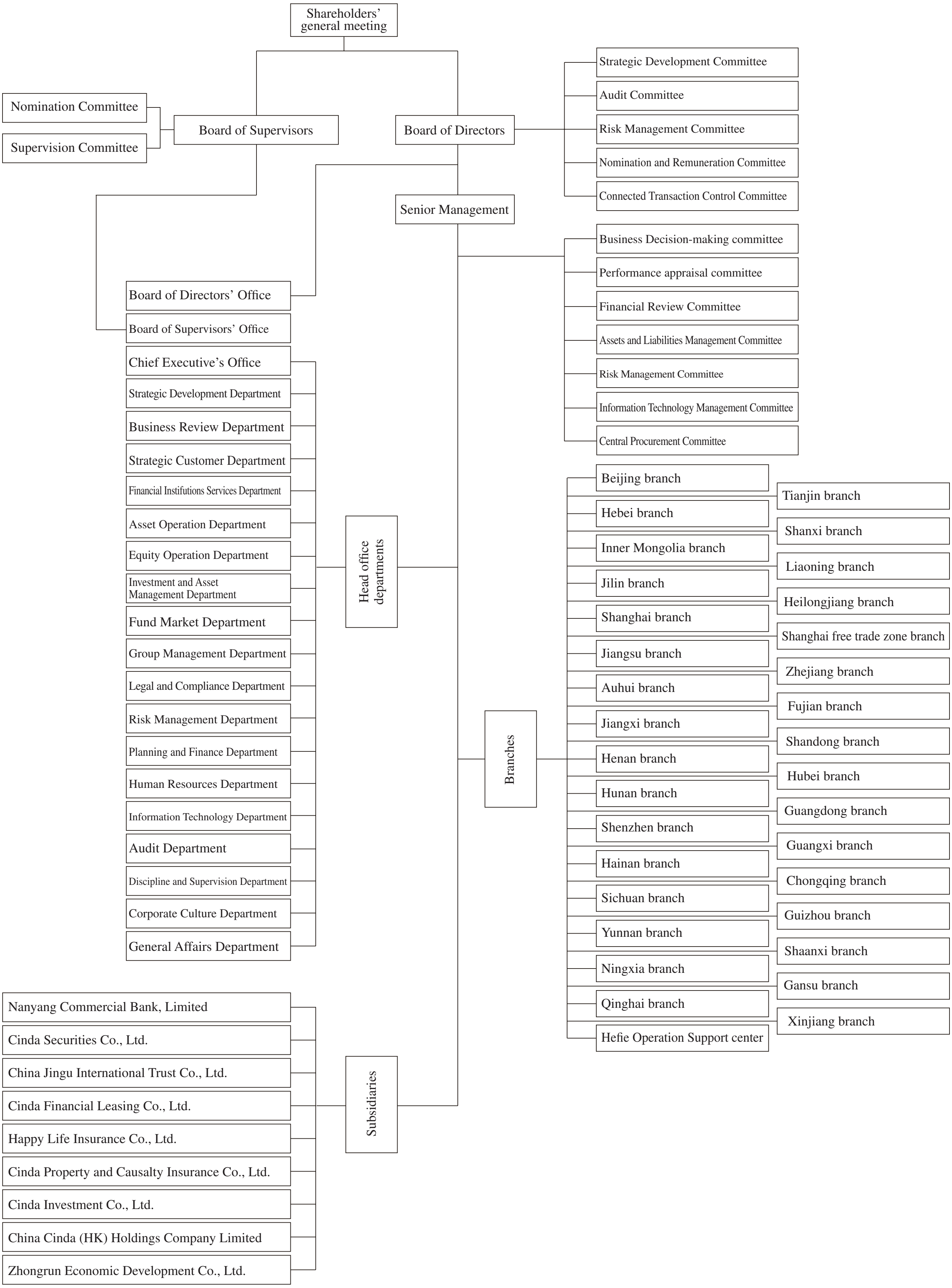
13.5.2 Material Guarantees

During the Reporting Period, the Company did not make any material guarantee which is required to be disclosed.

13.6 Penalty Imposed on the Company and Directors, Supervisors and Senior Management

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

14 ORGANIZATIONAL CHART



15 AUDIT REPORT AND FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2016

CONTENTS

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF CHINA CINDA ASSET MANAGEMENT CO., LTD.

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

Opinion

We have audited the consolidated financial statements of China Cinda Asset Management Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 160 to 421, which comprise the consolidated statement of financial position as at December 31, 2016, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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

Key audit matter	**How our audit addressed the key audit matter**
(1) Valuation of financial instruments	
Financial assets carried at fair value represented a significant portion of total assets. The fair values of level 2 and level 3 financial instruments are determined through the application of valuation techniques which often involve the exercise of judgement by the management and the use of assumptions and estimates. The Group's disclosures about valuation of financial instruments are included in note VI.76, which specifically explains fair value of financial instruments.	We assessed and tested the design and operating effectiveness of controls over the identification, measurement and management of valuation risk. We compared observable inputs, such as quoted bid prices in an active market, against independent sources and externally available market data and reperformed valuations on a sample basis to evaluate the valuation techniques, assumptions and estimates adopted by the Group with the assistance of our internal valuation specialists. Furthermore, we evaluated and tested the design and operating effectiveness of internal controls related to disclosures of fair value.

Key audit matter	**How our audit addressed the key audit matter**
(2) Impairment of financial assets	
The impairment of loans and advances and financial assets classified as receivables is estimated by the management through the application of judgement and use of highly subjective assumptions. The management adopts individual impairment assessment approach for individually significant assets, and adopts collective impairment assessment approach for assets not individually significant or not individually impaired. Under the individual impairment assessment approach, assessment of future cash flows is based on the assumptions upon assessing the amount, timing and likelihood of estimated future cash flows. Under the collective impairment assessment approach, assessment of future cash flows for asset portfolios is based on the assumptions including probability of default, loss given default and impact of macro-economic changes for various types of asset portfolios. The Group's disclosures about impairment of loans and advances and financial assets classified as receivables are included in note VI.30 Financial assets classified as receivables, note VI.31 Loans and advances to customers and note VI.75.1 Credit risk.	Our audit procedures included the assessment of controls over the approval, recording and monitoring of the impairment of loans and advances and financial assets classified as receivables. We tested the discounted cash flow models and the related assumptions used in individual impairment assessment by assessing the amount, timing and likelihood of estimated future cash flows, including cash flows from collateral. We compared the assumptions with historical loss data for asset portfolios, observable economic data, market information and industry trends. We evaluated the parameters and assumptions used in the collective impairment assessment approach adopted by the Group, including assumptions on probability of default, loss given default and impact of macro-economic changes for various types of asset portfolios, and compared them with historical loss data for asset portfolios, observable economic data, market information and industry trends. Furthermore, we evaluated and tested the design and operating effectiveness of internal controls related to disclosures of credit risk and impairment allowance.

Key audit matter	How our audit addressed the key audit matter
(3) Consolidation of structured entities	
The Group invested in certain structured entities including private equity funds, trusts, asset management plans, wealth management products and mutual funds. Whether to consolidate those structured entities is determined by the management on the basis of control, which involves management's judgement upon power over the investee, exposure to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. The Group's disclosures about structured entities are included in note VI.39 Interests in consolidated structured entities and note VI.41 Interests in the unconsolidated structured entities.	Our audit procedures included obtaining and reviewing related contracts and agreements of all new structured entities set up in the reporting period; assessment of the Group's control based on relevant facts and circumstances, which mainly included the purpose to set up the investee, what the relevant activities of the investee were, how decisions about those activities were made, the magnitude and variability of returns and the Group's current ability to direct the relevant activities to affect the amount of its returns. Furthermore, we evaluated and tested the design and operating effectiveness of internal controls related to disclosures of unconsolidated structured entities.
(4) Derecognition of financial assets	
The Group's core businesses contain distressed asset management, which involves the management's judgement upon whether the derecognition should be applied to part of a financial asset or the financial asset in its entirety, as well as the evaluation of whether, and to what extent, derecognition is appropriate. Considering the significant impact and the usage of judgement and subjective estimation by the management in relation to accounting treatment, we treated derecognition of financial assets as a key audit matter. The Group's disclosures about derecognition of financial asset are included in note VI.72 Transfers of financial assets.	Our audit procedures included obtaining and reviewing related contracts and agreements and assessing whether the Group should derecognize financial assets based on relevant facts and circumstances, mainly including the nature and purpose of the financial assets transferred, the Group's exposure, before and after the transfer, to the variability in the amounts and timing of the net cash flows of the transferred assets, as well as whether the Group had retained the control of the transferred assets. We checked related agreements for derecognition of significant financial assets to assess whether the financial assets should be derecognized. Furthermore, we evaluated and tested the design and operating effectiveness of internal controls related to disclosures of derecognition of financial assets.

Key audit matter	How our audit addressed the key audit matter
(5) Business combination and goodwill impairment assessment	
The Group acquired 100% issued share capital of Nanyang Commercial Bank, Limited (the "NCB") in May 2016. The management recognized identifiable intangible assets of trade names, core deposits intangible and credit card customer relationships amounting to RMB4,146 million in aggregate, and recognized goodwill amounting to RMB21,799 million at the acquisition day. The valuation of the assets and liabilities identified in the purchase price allocation was significant to our audit, as the estimation process is complex and based on assumptions by management. Under IFRSs, the Group is required to test the amount of goodwill for impairment at least annually. This impairment test was significant to our audit because the balance of above goodwill as of December 31, 2016 was material to the financial statements. In addition, the management's assessment process was complex and highly judgemental and was based on assumptions which were affected by expected future market or economic conditions. The Group's disclosures about business combination and goodwill impairment assessment are included in note VI.43 Goodwill and note VI.78 Acquisition of subsidiaries.	For business combination, our audit procedures included, among others, involving our internal valuation specialists to assist us in evaluating the assumptions and the methodologies used by the management. We particularly focused on the assumptions used in the valuation of intangible assets. We also focused on the adequacy of the Group's disclosures in the financial statements that relate to the acquisition of NCB. For goodwill impairment assessment, our audit procedures included, among others, involving our internal valuation specialists to assist us in evaluating the assumptions and the methodologies used by the Group. We also focused on the adequacy of the disclosure about those assumptions to which the outcome of the impairment test was most sensitive, that was, those that had the most significant effect on the recoverable amount of goodwill.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Ng Chi Keung.

Ernst & Young
Certified Public Accountants
Hong Kong

March 30, 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED DECEMBER 31, 2016

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended December 31	
	Notes VI	**2016**	2015
Income from distressed debt assets classified as receivables	*1*	**15,539,245**	18,883,901
Fair value changes on distressed debt assets	*2*	**5,716,228**	4,420,108
Fair value changes on other financial instruments	*3*	**2,656,271**	1,971,185
Investment income	*4*	**17,991,337**	13,552,229
Net insurance premiums earned	*5*	**16,635,753**	12,912,192
Interest income	*6*	**14,506,497**	13,516,464
Revenue from sales of inventories	*7*	**10,954,587**	7,637,046
Commission and fee income	*8*	**3,848,071**	4,329,509
Net gains on disposal of subsidiaries, associates and joint ventures	*9*	**996,972**	262,886
Other income and other net gains or losses	*10*	**2,812,266**	1,258,619
Total		**91,657,227**	78,744,139
Interest expense	*11*	**(23,223,843)**	(20,185,316)
Insurance costs	*12*	**(17,549,048)**	(13,766,891)
Employee benefits	*13*	**(6,109,651)**	(5,192,299)
Purchases and changes in inventories	*7*	**(8,455,785)**	(5,587,055)
Commission and fee expense	*14*	**(2,122,362)**	(1,471,848)
Taxes and surcharges		**(1,302,625)**	(2,806,766)
Depreciation and amortization expenses		**(740,425)**	(408,287)
Other expenses		**(4,040,268)**	(3,406,407)
Impairment losses on assets	*15*	**(4,813,697)**	(4,376,544)
Total		**(68,357,704)**	(57,201,413)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2016

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended December 31	
	Notes VI	**2016**	2015
Change in net assets attributable to other holders of consolidated structured entities	*39*	**(2,331,743)**	(2,557,001)
Profit before share of results of associates and joint ventures and tax		**20,967,780**	18,985,725
Share of results of associates and joint ventures		**797,722**	312,175
Profit before tax	*16*	**21,765,502**	19,297,900
Income tax expense	*17*	**(5,783,491)**	(4,594,014)
Profit for the year		**15,982,011**	14,703,886
Profit attributable to:			
Equity holders of the Company		**15,512,155**	14,027,474
Non-controlling interests		**469,856**	676,412
		15,982,011	14,703,886
Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)	*18*		
– Basic		**0.43**	0.39
– Diluted		**0.43**	0.39

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2016

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2016	2015
Profit for the year	**15,982,011**	14,703,886
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	**(2,382,171)**	411,318
Amounts reclassified to profit or loss upon disposal	**(167,288)**	(3,525,235)
Amounts reclassified to profit or loss upon impairment	**(255,689)**	2,165
Income tax effect	**378,691**	458,982
	(2,426,457)	(2,652,770)
Effective portion of changes in fair value of hedging instruments arising during the year	**57,665**	–
Income tax effect	**(14,416)**	–
	43,249	–
Exchange differences arising on translation of foreign operations	**726,599**	(69,110)
Share of other comprehensive expense of associates and joint ventures	**(60,015)**	(8,894)
	(1,716,624)	(2,730,774)
Items not to be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	**1,457**	–
Income tax effect	**(240)**	–
	1,217	–
Other comprehensive expense for the year, net of income tax	**(1,715,407)**	(2,730,774)
Total comprehensive income for the year	**14,266,604**	11,973,112
Total comprehensive income attributable to:		
Equity holders of the Company	**14,962,054**	11,575,022
Non-controlling interests	**(695,450)**	398,090
	14,266,604	11,973,112

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT DECEMBER 31, 2016

(Amounts in thousands of RMB, unless otherwise stated)

		As at December 31	
	Notes VI	**2016**	2015
Assets			
Cash and balances with central banks	*23*	**17,367,965**	46,794
Deposits with banks and financial institutions	*24*	**75,801,266**	64,590,885
Deposits with exchanges and others	*25*	**2,047,567**	1,364,230
Placements with banks and financial institutions	*26*	**26,277,582**	300,000
Financial assets at fair value through profit or loss	*27*	**149,045,496**	117,287,436
Financial assets held under resale agreements	*28*	**41,973,962**	30,982,266
Available-for-sale financial assets	*29*	**212,495,886**	120,604,306
Financial assets classified as receivables	*30*	**198,787,226**	181,058,288
Loans and advances to customers	*31*	**294,936,591**	104,738,490
Accounts receivable	*32*	**3,522,114**	3,434,791
Held-to-maturity investments	*34*	**12,635,621**	6,703,763
Properties held for sale	*35*	**44,476,384**	31,085,307
Investment properties	*36*	**1,616,904**	1,901,785
Interests in associates and joint ventures	*40*	**19,563,600**	13,270,176
Property and equipment	*42*	**10,352,795**	3,918,234
Goodwill	*43*	**23,524,019**	392,935
Other intangible assets	*44*	**4,511,084**	190,408
Deferred tax assets	*45*	**5,877,907**	5,029,152
Assets classified as held for sale	*59*	**6,018,894**	2,245,582
Other assets	*46*	**23,648,060**	24,829,847
Total assets		**1,174,480,923**	713,974,675

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

AS AT DECEMBER 31, 2016

(Amounts in thousands of RMB, unless otherwise stated)

		As at December 31	
	Notes VI	**2016**	2015
Liabilities			
Borrowings from central bank	*47*	**986,058**	986,058
Accounts payable to brokerage clients	*48*	**16,272,095**	21,533,181
Financial liabilities at fair value through profit or loss	*49*	**6,511,691**	2,779,923
Financial assets sold under repurchase agreements	*50*	**7,872,213**	10,949,445
Placements from banks and financial institutions	*51*	**23,581,181**	1,807,000
Borrowings	*52*	**450,514,763**	317,070,650
Due to customers	*53*	**204,629,039**	–
Deposits from banks and financial institutions	*54*	**13,304,792**	–
Accounts payable	*55*	**3,053,860**	4,970,775
Investment contract liabilities for policyholders	*56*	**27,193,179**	20,057,746
Tax payable	*57*	**2,391,212**	2,373,094
Insurance contract liabilities	*58*	**31,186,027**	28,275,174
Bonds issued	*60*	**152,497,560**	111,773,372
Deferred tax liabilities	*45*	**2,272,446**	886,161
Liabilities classified as held for sale	*59*	**3,628,613**	–
Other liabilities	*61*	**80,616,173**	79,618,167
Total liabilities		**1,026,510,902**	603,080,746
Equity			
Share capital	*62*	**38,164,535**	36,256,690
Other equity instruments	*63*	**21,281,215**	–
Capital reserve	*64*	**21,230,931**	17,666,143
Other comprehensive income	*65*	**559,220**	1,109,321
Surplus reserve	*66*	**5,548,247**	4,292,386
General reserve	*67*	**9,744,133**	6,739,459
Retained earnings		**42,688,440**	35,646,222
Equity attributable to equity holders of the Company		**139,216,721**	101,710,221
Non-controlling interests		**8,753,300**	9,183,708
Total equity		**147,970,021**	110,893,929
Total equity and liabilities		**1,174,480,923**	713,974,675

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:

傅建杭	陈东圆
CHAIRMAN	*PRESIDENT*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2016

(Amounts in thousands of RMB, unless otherwise stated)

	Equity attributable to equity holders of the Company									
	Share capital *(Note VI.62)*	Other Equity Instruments *(Note VI.63)*	Capital reserve *(Note VI.64)*	Other comprehensive income *(Note VI.65)*	Surplus reserve *(Note VI.66)*	General reserve *(Note VI.67)*	Retained earnings	Subtotal	Non-controlling interests	Total
As at January 1, 2016	36,256,690	–	17,666,143	1,109,321	4,292,386	6,739,459	35,646,222	101,710,221	9,183,708	110,893,929
Profit for the year	–	–	–	–	–	–	15,512,155	15,512,155	469,856	15,982,011
Other comprehensive expense for the year	–	–	–	(550,101)	–	–	–	(550,101)	(1,165,306)	(1,715,407)
Total comprehensive income/(expense) for the year	–	–	–	(550,101)	–	–	15,512,155	14,962,054	(695,450)	14,266,604
Shares issued	1,907,845	–	3,511,588	–	–	–	–	5,419,433	–	5,419,433
Capital contribution from other equity instrument holders	–	21,281,215	–	–	–	–	–	21,281,215	–	21,281,215
Capital contribution from non-controlling interests of subsidiaries	–	–	(650)	–	–	–	–	(650)	299,594	298,944
Acquisition of additional interests in subsidiaries	–	–	17,586	–	–	–	–	17,586	(27,998)	(10,412)
Disposal of partial interests in subsidiaries	–	–	36,264	–	–	–	–	36,264	156,610	192,874
Disposal of interests in subsidiaries	–	–	–	–	–	–	–	–	(58,092)	(58,092)
Appropriation to surplus reserve	–	–	–	–	1,255,861	–	(1,255,861)	–	–	–
Appropriation to general reserve	–	–	–	–	–	3,004,674	(3,004,674)	–	–	–
Dividends recognized as distribution	–	–	–	–	–	–	(4,209,402)	(4,209,402)	–	(4,209,402)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(105,072)	(105,072)
As at December 31, 2016	38,164,535	21,281,215	21,230,931	559,220	5,548,247	9,744,133	42,688,440	139,216,721	8,753,300	147,970,021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2016

(Amounts in thousands of RMB, unless otherwise stated)

	Equity attributable to equity holders of the Company								
	Share capital *(Note VI.62)*	Capital reserve *(Note VI.64)*	Other comprehensive income *(Note VI.65)*	Surplus reserve *(Note VI.66)*	General reserve *(Note VI.67)*	Retained earnings	Subtotal	Non-controlling interests	Total
As at January 1, 2015	36,256,690	17,328,518	3,561,773	3,394,304	4,461,263	28,366,310	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	–	–	(2,452,452)	–	–	–	(2,452,452)	(278,322)	(2,730,774)
Total comprehensive income/(expense) for the year	–	–	(2,452,452)	–	–	14,027,474	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	1,109,321	4,292,386	6,739,459	35,646,222	101,710,221	9,183,708	110,893,929

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED DECEMBER 31, 2016

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2016	2015
OPERATING ACTIVITIES		
Profit before tax	**21,765,502**	19,297,900
Adjustments for:		
Impairment losses on assets	**4,813,697**	4,376,544
Depreciation of property and equipment, and investment properties	**494,942**	299,426
Amortization of intangible assets and other long-term assets	**245,483**	108,861
Share of results of associates and joint ventures	**(797,722)**	(312,175)
Net gains on disposal of property and equipment, and investment properties	**(30,420)**	(73,152)
Net gains on disposal of subsidiaries and associates and joint ventures	**(996,972)**	(262,886)
Fair value changes on financial assets	**(514,743)**	188,692
Investment income	**(17,991,337)**	(13,552,229)
Borrowing costs	**15,238,858**	9,930,547
Change in reserves for insurance contracts	**5,142,162**	3,424,865
Operating cash flows before movements in working capital	**27,369,450**	23,426,393
Decrease/(increase) in balances with central banks and deposits with banks and financial institutions	**4,274,645**	(7,749,807)
Increase in financial assets at fair value through profit or loss	**(17,435,298)**	(57,116,731)
Decrease in financial assets held under resale agreements	**701,395**	5,174,312
Increase in financial assets classified as receivables	**(15,417,996)**	(2,663,372)
Increase in loans and advances to customers	**(49,129,951)**	(25,933,824)
Increase in accounts receivable	**(405,917)**	(1,301,325)
Increase in properties held for sale	**(13,427,058)**	(1,152,472)
Increase in due to customers	**36,408,754**	–
Decrease/(increase) in accounts payable to brokerage clients	**(5,261,086)**	9,869,847
Increase in financial assets sold under repurchase agreements	**659,122**	1,550,171
Increase in borrowings	**98,172,457**	38,113,061
Decrease/(increase) in accounts payable	**(552,375)**	790,088
Increase in other operating assets	**(15,211,264)**	(11,478,009)
Increase in other operating liabilities	**11,788,415**	15,298,874
Cash inflow/outflow from operations	**62,533,293**	(13,172,794)
Income taxes paid	**(6,189,486)**	(4,941,957)
NET CASH INFLOW/OUTFLOW FROM OPERATING ACTIVITIES	**56,343,807**	(18,114,751)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2016

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2016	2015
INVESTING ACTIVITIES		
Cash receipts from disposals and recovery of investment securities	**92,271,577**	93,471,173
Dividends received from investment securities	**4,413,697**	2,099,300
Dividends received from associates and joint ventures	**128,390**	240,077
Interest received from investment securities	**3,560,115**	2,926,729
Cash receipts from disposals of property and equipment, investment properties and other intangible assets	**591,217**	263,143
Net cash flows from disposals of subsidiaries	**5,842,965**	32,715
Net cash flows from disposals of associates and joint ventures	**680,164**	3,627,530
Cash payments to acquire investment securities	**(174,716,250)**	(137,919,617)
Net cash outflows due to acquisition of subsidiaries	**(28,211,534)**	(90,663)
Net cash flows from consolidated structured entities	**(13,960,893)**	17,058,222
Cash payments for purchase of property and equipment, investment properties and other intangible assets	**(1,295,061)**	(1,077,136)
Cash payments for establishment and acquisition of interests in associates and joint ventures	**(5,341,694)**	(4,898,308)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(116,037,307)**	(24,266,835)
FINANCING ACTIVITIES		
Net proceeds from issue of common shares	**5,419,433**	–
Net proceeds from issue of preference shares	**21,281,215**	–
Capital contribution from non-controlling interests of subsidiaries of the company	**298,944**	532,755
Proceeds from disposal of partial interests in subsidiaries that does not involve loss of control	**192,874**	430,327
Cash payments to acquire additional interests in subsidiaries	**(10,412)**	(117,702)
Cash receipts from borrowings raised	**64,206,394**	34,609,608
Cash receipts from bonds issued	**35,900,000**	72,979,308
Cash receipts from financial assets sold under repurchase agreements	**401,500**	3,757,354
Cash repayments on financial assets sold under repurchase agreements	**(3,757,354)**	(4,297,729)
Cash repayments of borrowings	**(28,979,738)**	(17,969,931)
Cash repayment of bonds	**(596,710)**	(7,000,000)
Interest expenses on borrowings paid	**(9,694,538)**	(7,721,456)
Dividends paid	**(4,237,266)**	(3,596,648)
Dividends paid to non-controlling interests of subsidiaries	**(105,517)**	(155,525)
Cash payments for transaction cost of bonds issued	**(80,931)**	(277,939)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**80,237,894**	71,172,422

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

FOR THE YEAR ENDED DECEMBER 31, 2016

(Amounts in thousands of RMB, unless otherwise stated)

		Year ended December 31	
	Note VI	**2016**	2015
NET INCREASE IN CASH AND CASH EQUIVALENTS		**20,544,394**	28,790,836
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**63,102,681**	34,476,920
Effect of foreign exchange changes		**460,574**	(165,075)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	*69*	**84,107,649**	63,102,681
Net cash flows from operating activities include:			
Interest received		**14,506,497**	12,178,075
Interest paid		**10,316,728**	12,388,932

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, 2016, the MOF directly owned 64.45% of the share capital of the Company.

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

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

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

II. BASIS OF PREPARATION

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

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

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.

(Amounts in thousands of RMB, unless otherwise stated)

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, 2016.

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

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.

Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2016:

		Effective for annual periods beginning on or after
IAS 7 Amendments	Statement of Cash Flows	1 January 2017
IAS 12 Amendments	Recognition of Deferred Tax Assets for Unrealized Losses	1 January 2017
IAS 40 Amendments	Transfers of Investment Property	1 January 2018
IFRS 2 Amendments	Share-based Payment	1 January 2018
IFRS 4 Amendments	Insurance Contracts	1 January 2018
IFRS 9	Financial Instruments	1 January 2018
IFRS 15 and Amendments	Revenue from Contracts with Customers	1 January 2018

(Amounts in thousands of RMB, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2016: (Continued)

		Effective for annual periods beginning on or after
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 16	Leases	1 January 2019
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been deferred indefinitely
Annual Improvements to IFRSs 2014-2016 cycle (issued in December 2016)		

The amendments to IAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The amendments to IAS 12 clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

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

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2016: (Continued)

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

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

In July 2014, the IASB issued the final version of IFRS 9 – Financial Instruments which reflects all phases of the financial instruments project and replaces IAS 39 – Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting.

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS.

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

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2016: (Continued)

IFRS 16 – Leases requires lessees to recognize assets and liabilities for most leases. For lessors, there is little change to the existing accounting in IAS 17 Leases. The scope of the new standard includes leases of all assets, with certain exceptions.

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

Annual Improvements to IFRSs 2014-2016 cycle:

IAS 28 Investments in Associates and Joint Ventures

The amendments clarifies that an entity that is a venture capital organisation, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. The amendments are effective from January 1, 2018.

IFRS 1 First-time Adoption of International Financial Reporting Standards

Short-term exemptions for first-time adopters in IFRS 1 were deleted because they have now served their intended purpose. The amendment is effective from January 1, 2018.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (Continued)

IFRS 12 Disclosure of Interests in Other Entities

The amendments clarify that the disclosure requirements in IFRS 12, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale. The amendments are effective from January 1, 2017.

The Group is in the process of assessing the impact of these new standards, amendments and interpretations on the consolidated and separate financial statements of the Group and the Company respectively.

IV. SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

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

2. Basis of consolidation

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Basis of consolidation (Continued)

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.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. Basis of consolidation (Continued)

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 recognized in profit or loss as incurred.

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Foreign currency transactions (Continued)

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.76.

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 balances with central banks, deposits with banks and financial institutions, deposits with exchanges and others, 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.

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 certificates of deposits as available-for-sale financial assets on initial recognition of those items.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

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

Available-for-sale financial assets (Continued)

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, 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 other comprehensive income 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.

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;

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.4 Impairment of financial assets (Continued)

(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; and

(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.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.4 Impairment of financial assets (Continued)

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 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.

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. 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.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.5 Transfer of financial assets

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

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

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.

Other financial liabilities

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

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.7 Derecognition of financial liabilities

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

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

7.8 Derivative financial instruments and hedge accounting

Derivatives financial instruments include interest rate derivatives, exchange rate derivatives, equity derivatives, commodity derivatives and others. Derivatives are initially recognized at fair value on the date the derivative contract is entered into and are subsequently re-measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and through the use of valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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 the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; and 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)

7.8 Derivative financial instruments and hedge accounting (Continued)

Derivatives are categorized as held for trading and changes in their fair value are recognized immediately in the statement of profit or loss.

The Group documents at inception the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values of hedged items. These criteria should be met before a hedge can be qualified to be accounted for under hedge accounting.

(a) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognized in other comprehensive income and accumulated in equity. The gain or loss relating to the ineffective portion is recognized immediately in the statement of profit or loss. Amounts accumulated in equity are reclassified to the statement of profit or loss in the periods when the hedged item affects profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any accumulated gain or loss existing in equity at that time remains in equity and is recognized in the statement of profit or loss when the forecast transaction is ultimately recognized in the statement of profit or loss. When a forecast transaction is no longer expected to occur, the accumulated gain or loss that was reported in equity is immediately reclassified to the statement of profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. Financial instruments (Continued)

7.8 Derivative financial instruments and hedge accounting (Continued)

(b) Net investment hedge

A gain or loss on the effective portion of the hedging instrument is recognized in other comprehensive income and accumulated in equity; a gain or loss on the ineffective portion is recognized immediately in the statement of profit or loss. Accumulated gains and losses previously recognized in other comprehensive income are reclassified to the statement of profit or loss upon disposal of the foreign operation as part of the gain or loss on disposal.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Interests in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parities parties that have joint control of the arrangement have the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant require unanimous consent of the parties sharing control.

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

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the investee is recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. Interests in associates and joint ventures (Continued)

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired. 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 or joint venture. 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.

Upon disposal of an associate that results in the Group losing significant influence over that investee, 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 or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group' consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Property and equipment (Continued)

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

	Depreciation period	**Residual value rates**	**Annual depreciation rates**
Buildings	20-50 years	3%-10%	1.80%-4.85%
Machinery and equipment	2-15 years	0%-5%	6.33%-50.00%
Electronic equipment and furniture	2-15 years	0%-5%	6.33%-50.00%
Motor vehicles	2-15 years	0%-5%	6.33%-50.00%

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

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

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

12. Borrowing costs (Continued)

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, computer software systems and others, trade names, core deposits intangible and credit card customer relationships, etc.

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

16. Provisions (Continued)

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.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

18. Insurance contracts liabilities (Continued)

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

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

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

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

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

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

18. Insurance contracts liabilities (Continued)

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

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

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

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

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

18. Insurance contracts liabilities (Continued)

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.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

18. Insurance contracts liabilities (Continued)

Investment contracts

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

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

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

Universal life contracts

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

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

18. Insurance contracts liabilities (Continued)

Reinsurance

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

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

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

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

19. Assets and liabilities classified as held for sale

The Group classifies non-current assets or an asset group as held for sale if their carrying amounts are recovered principally through disposal rather than through continuing use. Assets and liabilities classified as held for sale are presented separately on the balance sheet. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Property and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

20. Preference shares

Preference shares issued by the Company contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Company; and preference shares issued are non-derivative instruments that will be settled in the Company's own equity instruments, but includes no contractual obligation for the Company to deliver a variable number of its own equity instruments. The Company classifies preference shares issued as an equity instrument. Fees, commissions and other transaction costs of preference shares issuance are deducted from equity. The dividends on preference shares are recognized as profit distribution at the time of declaration.

21. 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:

21.1 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.21.5.

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.21.7.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

21. Revenue recognition (Continued)

21.2 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)

21. Revenue recognition (Continued)

21.3 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.

21.4 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.

21.5 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.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

21. Revenue recognition (Continued)

21.6 Investment income

Investment income includes interest income, dividend income and disposal gain/loss from the debt assets and equity instruments that are classified as available-for-sale financial assets, held-to-maturity investments and debt instruments classified as receivables.

21.7 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.

21.8 Other income

Property rental income

The property rental income is recognized when the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group, 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.

22. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

22.1 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.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

22. Taxation (Continued)

22.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with interests in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on 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.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

22. Taxation (Continued)

22.2 Deferred tax (Continued)

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.

23. 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.

23.1 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.

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.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

23. Leasing (Continued)

23.2 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.

23.3 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.

24. Fiduciary activities

The Group's fiduciary activities mainly include trust and asset custody services.

The trust service of the Group refers to the business that the Group acts as trustee to undertake investment activity within the agreed period and scope on behalf of the third-party lenders who provide the fund.

The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

25. Employee benefits

In the reporting period in which an employee has rendered services, the Group recognizes the employee benefits payable for those services as a liability.

Social welfare

Social welfare expenditure refers to payments for employees' social welfare system established by the PRC government, including social insurance, housing funds and other social welfare contributions. The Group contributes on a monthly basis to these funds based on certain percentage of the salaries of the employees and the contributions are recognized in profit or loss for the period in which they are incurred. The Group's liabilities in respect of these funds are limited to the contribution payable in the reporting period.

Annuity Scheme

The employees of the Group participate in Annuity Scheme set up by the Company (the "Annuity Scheme"). The Group made annuity contributions with reference to employees' salaries of last year, and the contributions are expensed in profit or loss when incurred. The Group has no further obligation even if the Annuity Scheme does not have sufficient assets for payment of supplementary retirement benefits to employees.

Defined benefit plans

The Group's subsidiary NCB operates a defined benefit plan for all its retired employees.

Under the plan, the employees are entitled to retirement benefits which included fully redeemed medical care, housing allowance and other retirement benefits.

The liability related to the above post-retirement benefit obligations existing at the end of each reporting period is calculated by independent actuaries using the projected unit credit method and is recorded as a liability. The present value of the liability is determined through discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The actuarial gains or losses of post-retirement benefit obligations are recognized in "other comprehensive income" immediately when they occur. Except for the actuarial changes, other changes are recognized in profit or loss for the period immediately when they occur.

IV. SIGNIFICANT ACCOUNTING POLICIES (Continued)

26. 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. Transfer of financial assets

Whether the derecognition should be applied to part of a financial asset or the financial asset in its entirety, as well as whether, and to what extent, derecognition is appropriate requires significant judgment. In making this judgment, the Group evaluates whether it has transferred the right to collect the contractual cash flows, retained substantially all the risks and rewards of the transferred assets, or retained control of the transferred assets. The judgments the Group used in the transfer of financial assets are detailed in note VI.72.

7. 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.

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION (Continued)

8. 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.

9. Control on structured entities

The Group's management needs to assess whether the Group has the power over a structured entity and is exposed to significant variable return of the structured 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 debt 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	
	2016	2015
Held-for-trading financial assets	**543,248**	1,610,736
Financial assets designated as at fair value through profit or loss	**2,113,023**	360,449
Total	**2,656,271**	1,971,185

4. Investment income

	Year ended December 31	
	2016	2015
Net realized gain from disposal of		
– available-for-sale financial assets(1)	**7,980,842**	7,855,047
Interest income from investment securities		
– available-for-sale financial assets	**1,919,215**	1,063,613
– debt instruments classified as receivables	**1,208,971**	1,603,970
– held-to-maturity financial assets	**428,011**	307,812
Dividend income from		
– available-for-sale financial assets	**6,454,298**	2,721,787
Total	**17,991,337**	13,552,229

(1) During the year, two debt-to-equity-swap investees held by the Company, which were classified as available-for-sale financial assets, had been reclassified as interests in associates due to that the Company became capable of exercising significant influence over the investees. On transaction date, initial cost of RMB4,524.09 million and investment income of RMB3,301.17 million was realized accordingly. During the year, Cinda Investment Co., Ltd. ("Cinda Investment"), a subsidiary of the Company, had disposed one investee and an investment income of RMB2,505.66 million was realized accordingly.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

5. Net insurance premiums earned

	Year ended December 31	
	2016	2015
Gross written premiums	**16,891,389**	13,854,170
Less: Premiums ceded to reinsurers	**139,436**	1,099,119
Withdrawal/(reversal) of unearned premium reserves	**116,200**	(157,141)
Total	**16,635,753**	12,912,192

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

	Year ended December 31	
	2016	2015
Life insurance	**13,632,654**	10,748,440
Property and casualty insurance	**3,258,735**	3,105,730
Total	**16,891,389**	13,854,170

6. Interest income

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

	Year ended December 31	
	2016	2015
Loans and advances to customers		
Corporate and personal loans and advances	**8,584,398**	6,944,912
Finance lease receivables	**2,431,763**	2,722,457
Loans to margin clients	**555,559**	944,946
Deposits with banks and financial institutions	**1,456,489**	1,839,062
Financial assets held under resale agreements	**994,272**	651,541
Placements with banks and financial institutions	**179,358**	59,075
Balance with central banks	**92,947**	–
Accounts receivable	**81,424**	234,208
Others	**130,287**	120,263
Total	**14,506,497**	13,516,464

(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	
	2016	2015
Revenue from sales of inventories	**10,954,587**	7,637,046
Purchases and changes in inventories	**(8,455,785)**	(5,587,055)
Including:		
Revenue from sales of properties held for sale	**10,918,121**	7,557,762
Purchases and changes in properties held for sale	**(8,428,346)**	(5,523,071)
Gross profit from sales of properties	**2,489,775**	2,034,691
Revenue from other trading operations	**36,466**	79,284
Purchases and changes in inventories of other trading operations	**(27,439)**	(63,984)
Gross profit from other trading operations	**9,027**	15,300

8. Commission and fee income

	Year ended December 31	
	2016	2015
Securities and futures brokerage	**1,537,086**	3,001,268
Fund and asset management business	**436,198**	372,262
Consultancy and financial advisory	**657,127**	335,817
Trustee services	**320,267**	286,860
Banking business	**570,793**	–
Securities underwriting	**82,858**	205,942
Agency business	**95,723**	81,189
Others	**148,019**	46,171
Total	**3,848,071**	4,329,509

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

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

	Year ended December 31	
	2016	2015
Net gains on disposal of subsidiaries	**897,233**	63,574
Net gains on disposal of associates and joint ventures	**99,739**	199,312
Total	**996,972**	262,886

10. Other income and other net gains or losses

	Year ended December 31	
	2016	2015
Revenue from hotel operation	**483,649**	494,776
Rental income	**406,993**	294,364
Revenue from property management business	**231,386**	215,280
Net gains on disposal of investment properties	**20,547**	79,322
Government grant and compensation	**41,607**	27,314
Net gains on disposal of other assets	**63,301**	3,916
Net gains/(losses) on exchange differences	**1,140,545**	(103,641)
Others	**424,238**	247,288
Total	**2,812,266**	1,258,619

11. Interest expense

	Year ended December 31	
	2016	2015
Accounts payable to brokerage clients	**(66,144)**	(81,636)
Financial assets sold under repurchase agreements	**(363,391)**	(510,113)
Borrowings		
– wholly repayable within five years	**(14,411,080)**	(15,324,723)
– not wholly repayable within five years	**(1,097,072)**	(88,227)
Amount due to the MOF	**–**	(163,368)
Bonds issued	**(5,512,089)**	(3,738,535)
Due to customers	**(1,327,204)**	–
Placements from banks and financial institutions	**(176,919)**	(250,250)
Others	**(269,944)**	(28,464)
Total	**(23,223,843)**	(20,185,316)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

12. Insurance costs

	Year ended December 31	
	2016	2015
Reserves for insurance contracts	**(5,025,784)**	(3,582,006)
Interest credited and policyholder dividends	**(2,063,851)**	(1,476,478)
Refund of reinsurance premiums	**(24,146)**	1,375,756
Other insurance expenses	**(10,435,267)**	(10,084,163)
Total	**(17,549,048)**	(13,766,891)

13. Employee benefits

	Year ended December 31	
	2016	2015
Wages or salaries, bonuses, allowances and subsidies	**(4,816,840)**	(4,038,761)
Social insurance	**(207,937)**	(198,410)
Defined contribution plans	**(381,128)**	(484,678)
Defined benefit plans	**(4,449)**	–
Housing funds	**(275,030)**	(180,781)
Labor union fees and staff education expenses	**(143,341)**	(145,519)
Others	**(280,926)**	(144,150)
Total	**(6,109,651)**	(5,192,299)

14. Commission and fee expense

	Year ended December 31	
	2016	2015
Insurance sales	**(1,502,079)**	(912,190)
Securities brokerage	**(303,050)**	(469,001)
Custody fee	**(108,252)**	–
Others	**(208,981)**	(90,657)
Total	**(2,122,362)**	(1,471,848)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

15. Impairment losses on assets

	Year ended December 31	
	2016	2015
Allowances of impairment losses on assets		
– Available-for-sale financial assets	**(2,554,671)**	(380,932)
– Distressed debt assets classified as receivables	**(1,209,642)**	(1,627,430)
– Loans and advances to customers	**(440,274)**	(2,316,061)
– Other financial assets classified as receivables	**(270,889)**	(15,150)
– Properties held for sale	**(150,077)**	–
– Dividends receivable	**(87,728)**	(83,000)
– Other assets	**(98,604)**	82,166
– Accounts receivable	**(1,812)**	(32,796)
– Property and equipment	**–**	(3,341)
Total	**(4,813,697)**	(4,376,544)

16. Profit before tax

	Year ended December 31	
	2016	2015
Profit before tax for the year has been arrived at after charging:		
Operating lease expenses	**(466,547)**	(298,586)
Depreciation of property and equipment	**(401,417)**	(233,929)
Depreciation of investment properties	**(93,525)**	(65,497)
Amortization	**(245,483)**	(108,861)

Principal auditors' remuneration for the year ended December 31, 2016 was RMB32.03 million (2015: RMB17.50 million).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

17. Income tax expense

	Year ended December 31	
	2016	2015
Current income tax:		
– PRC Enterprise Income Tax	**(5,482,991)**	(5,403,833)
– PRC Land Appreciation Tax ("LAT")	**(464,941)**	(246,784)
– Hong Kong Profits Tax	**(226,867)**	(8,656)
(Underprovision)/Overprovision in prior years:	**(32,805)**	121,894
Subtotal	**(6,207,604)**	(5,537,379)
Deferred income tax (Note VI.45)	**424,113**	943,365
Total	**(5,783,491)**	(4,594,014)

The statutory income tax rate applicable to PRC enterprise is 25% for the year (2015: 25%). A subsidiary of the Company set up in the Western Region (as defined in note VI.75.1) 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% (2015: 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	
	2016	2015
Profit before tax	**21,765,502**	19,297,900
Income tax calculated at the tax rate of 25%	**(5,441,376)**	(4,824,476)
Tax effect of expenses not deductible for tax purpose(1)	**(103,213)**	(94,661)
Tax effect of income not taxable for tax purpose(2)	**1,134,224**	712,058
Tax effect of share of results of associates	**(202,046)**	78,044
Effect of tax losses and deductible temporary differences not recognized	**(956,270)**	(393,159)
Effect of utilization of tax losses not previously recognized	**83,230**	98,242
LAT	**(464,941)**	(246,784)
Tax effect of LAT	**116,236**	61,696
(Underprovision)/Overprovision in prior years	**(32,805)**	121,894
Effect of different tax rates of subsidiaries	**83,470**	(106,868)
Income tax expense	**(5,783,491)**	(4,594,014)

(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 includes 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 2016	2015
Earnings:		
Profit attributable to equity holders of the Company	**15,512,155**	14,027,474
Less: Dividends on preference shares declared	**–**	–
Profit attributable to ordinary shareholders of the Company	**15,512,155**	14,027,474
Number of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	**36,272,328**	36,256,690
Weighted average number of shares in issue for the purpose of diluted earnings per share (in thousand)	**36,272,328**	36,256,690
Basic earnings per share (RMB Yuan)	**0.43**	0.39
Diluted earnings per share (RMB Yuan)	**0.43**	0.39

19. Dividends

	Year ended December 31 2016	2015
Final dividend for 2015	**4,209,402**	–
Final dividend for 2014	**–**	3,571,284
Dividends recognized as distribution during the period	**4,209,402**	3,571,284

The resolution on the profit distribution plan for 2015 was duly approved by the shareholders at the Annual General Meeting held on June 30, 2016. In accordance with the plan, the dividend of RMB4,209.40 million was distributed during the year.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

20. Emoluments of directors and supervisors

	Year ended December 31, 2016			
	Fees	Paid remuneration	All kinds of social insurance housing funds and annuity scheme	Total (before tax)
Executive directors				
HOU Jianhang	–	479	171	650
ZANG Jingfan(1)	–	366	139	505
CHEN Xiaozhou(2)	–	425	167	592
Non-executive directors				
XIAO Yuping(3)	–	–	–	–
LI Honghui(3)	–	–	–	–
SONG Lizhong(3)	–	–	–	–
YUAN Hong(3)	–	–	–	–
LU Shengliang(3)(4)	–	–	–	–
Independent non-executive directors				
LI Xikui(5)	208	–	–	208
QIU Dong(5)	208	–	–	208
ZHU Wuxiang(6)	40	–	–	40
SUN Baowen(6)	40	–	–	40
CHANG Tso Tung Stephen	250	–	–	250
Xu Dingbo	250	–	–	250
Supervisors				
GONG Jiande	–	472	165	637
WEI Jianhui(7)(8)	10	–	–	10
GONG Hongbing(7)	20	–	–	20
LIU Yanfen	200	–	–	200
LI Chun	200	–	–	200
ZHANG Zheng(9)	100	–	–	100
LIN Dongyuan(7)(10)	10	–	–	10
JIA Xiuhua(7)(10)	10	–	–	10
Total	1,546	1,742	642	3,930

VI. EXPLANATORY NOTES (Continued)

20. Emoluments of directors and supervisors (Continued)

(1) Zang Jingfan ceased to be an executive director and the Chief Executive from September 2016, and his emoluments disclosed above include those for services rendered by him as the Chief Executive during the year.

(2) Chen Xiaozhou was elected as the executive director and the Chief Executive in November 2016, and his emoluments disclosed above include those for services rendered by him as the Chief Executive during the year.

(3) These non-executive directors did not receive any fees from the Company.

(4) Lu Shengliang ceased to be non-executive director from November 2016.

(5) Li Xikui and Qiu Dong ceased to be independent non-executive directors from October 2016.

(6) Zhu Wuxiang and Sun Baowen were elected as the independent non-executive directors in October 2016.

(7) The amounts only included fees for their services as employee representative supervisors.

(8) Wei Jianhui ceased to be the employee representative supervisor from June 2016.

(9) Zhang Zheng was elected as the external supervisor in June 2016.

(10) Lin Dongyuan and Jia Xiuhua were elected as the employee representative supervisors in June 2016.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

20. Emoluments of directors and supervisors (Continued)

	Year ended December 31, 2015			
	Fees	Paid remuneration	All kinds of social insurance housing funds and annuity scheme	Total (before tax)
Executive directors				
HOU Jianhang	–	569	199	768
ZANG Jingfan(1)	–	569	195	764
XU Zhichao(2)	–	–	–	–
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)	–	569	195	764
CHEN Weizhong(5)	–	–	–	–
DONG Juan(6)	–	–	–	–
WEI Jianhui(7)	20	–	–	20
GONG Hongbing(7)	20	–	–	20
LIU Yanfen(8)	167	–	–	167
LI Chun(8)	167	–	–	167
Total	1,374	1,707	589	3,670

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 an executive director from January 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 a 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.

The total compensation packages for the above executive directors, supervisors and the Chief Executive for the year ended December 31, 2016 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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers. The aggregate compensation paid/payable to key management personnel for employment services, excluding the directors and supervisors whose emolument details have been reflected in note VI.20, is as follows:

	Year ended December 31	
	2016	2015
Emoluments of key management personnel		
Paid emoluments	**8,674**	5,990
All kinds of social insurance, housing funds and annuity scheme	**2,244**	2,799
Total (before tax)	**10,918**	8,789

The total compensation packages for the above key management personnel for the year ended December 31, 2016 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed in a separate announcement when determined.

The number of key management personnel with emoluments within the following bands is as follows:

	Year ended December 31	
	2016	2015
RMB100,001 to RMB500,000	**7**	3
RMB500,001 to RMB1,000,000	**–**	7
RMB1,000,001 to RMB1,500,000	**1**	1
RMB1,500,001 to RMB2,000,000	**3**	–
Total	**11**	11

(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

The emoluments of the five highest paid individuals whose emoluments were the highest in the Group for the year ended December 31, 2016 were as follows:

	Year ended December 31	
	2016	2015
Remuneration	**13,454**	11,373
All kinds of social insurance, housing funds and annuity scheme	**1,560**	1,611
Total (before tax)	**15,014**	12,984

Among the five highest paid individuals in the Group, none of them was a director. The number of these five individuals with emoluments within the following bands is as follows:

	Year ended December 31	
	2016	2015
RMB2,000,001 to RMB2,500,000	**2**	3
RMB2,500,001 to RMB3,000,000	**2**	2
RMB3,000,001 to RMB3,500,000	**1**	–
Total	**5**	5

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

22. Statement of financial position

		As at December 31	
	Notes VI	**2016**	2015
Assets			
Cash and balances with central banks	*23*	**2,889**	2,873
Deposits with banks and financial institutions	*24*	**17,325,021**	9,635,987
Placements with banks and financial institutions	*26*	**3,000,000**	300,000
Financial assets at fair value through profit or loss	*27*	**95,135,859**	84,015,602
Financial assets held under resale agreements	*28*	**32,916,015**	21,909,260
Available-for-sale financial assets	*29*	**88,993,131**	61,697,526
Financial assets classified as receivables	*30*	**187,003,286**	174,862,734
Accounts receivable	*32*	**2,077,047**	1,234,057
Amounts due from subsidiaries	*33*	**30,533,368**	282,735
Investment properties	*36*	**335,549**	351,684
Interests in subsidiaries	*37*	**43,677,112**	25,806,293
Interests in consolidated structured entities	*39*	**36,433,708**	16,297,032
Interests in associates and joint ventures	*40*	**12,253,695**	5,407,813
Property and equipment	*42*	**1,260,607**	1,203,770
Other intangible assets	*44*	**13,888**	11,316
Deferred tax assets	*45*	**2,752,404**	2,946,723
Assets classified as held for sale	*59*	**1,878,126**	2,245,582
Other assets	*46*	**9,549,848**	4,153,733
Total assets		**565,141,553**	412,364,720

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

22. Statement of financial position (Continued)

		As at December 31	
	Notes VI	**2016**	2015
Liabilities			
Borrowings from central bank	*47*	**986,058**	986,058
Financial liabilities at fair value through profit or loss	*49*	**3,244,454**	3,607,386
Placement from banks	*51*	**1,900,000**	–
Borrowings	*52*	**349,563,000**	245,839,500
Accounts payable	*55*	**1,701**	1,281,877
Tax payable	*57*	**388,879**	891,378
Bonds issued	*60*	**72,269,207**	62,034,492
Other liabilities	*61*	**14,329,466**	9,678,333
Total liabilities		**442,682,765**	324,319,024
Equity			
Share capital	*62*	**38,164,535**	36,256,690
Other equity instruments	*63*	**21,281,215**	–
Capital reserve	*64*	**20,025,375**	16,513,787
Other comprehensive income	*65*	**911,454**	1,548,215
Surplus reserve	*66*	**5,548,247**	4,292,386
General reserve	*67*	**5,938,610**	5,038,659
Retained earnings	*68*	**30,589,352**	24,395,959
Total equity		**122,458,788**	88,045,696
Total equity and liabilities		**565,141,553**	412,364,720

CHAIRMAN

PRESIDENT

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

23. Cash and balances with central banks

Group

	As at December 31	
	2016	2015
Cash	**505,840**	44,464
Mandatory reserve deposits with central banks(1)	**12,118,580**	–
Surplus reserve deposits with central banks	**3,925,755**	–
Other deposits with central banks	**817,790**	2,330
Total	**17,367,965**	46,794
Including:		
Restricted		
– Balances with central banks	**12,934,023**	–

Company

	As at December 31	
	2016	2015
Cash	**542**	543
Other deposits with central banks	**2,347**	2,330
Total	**2,889**	2,873

(1) In accordance with relevant regulations, NCB, subsidiary of bank operations, is required to place mandatory reserve deposits with the People's Bank of China (the "PBOC") for customer deposits in both RMB and foreign currencies. As at December 31, 2016, the mandatory deposits were calculated at 14.5% of customer deposits denominated in RMB and 5% of customer deposits denominated in foreign currencies. Mandatory reserve deposits are not available for use by the Group in its daily operations.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

24. Deposits with banks and financial institutions

Group

	As at December 31	
	2016	2015
Deposits with banks		
– House accounts	**58,407,792**	42,262,626
– Cash held on behalf of clients	**11,192,655**	15,318,924
Clearing settlement funds		
– House accounts	**1,282,383**	729,011
– Clients	**4,428,664**	5,838,698
Deposits with other financial institutions		
– House accounts	**489,772**	441,626
Total	**75,801,266**	64,590,885
Including:		
Restricted	**38,042,473**	30,773,661
– Pledged bank deposits	**888,360**	5,732,272
– Clearing settlement funds	**4,428,664**	5,838,698

Company

	As at December 31	
	2016	2015
Deposits with banks	**17,325,021**	9,635,987
Total	**17,325,021**	9,635,987

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

As at December 31, 2016 and 2015, 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 as at December 31, 2016 and 2015.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

25. Deposits with exchanges and others

Group

	As at December 31	
	2016	2015
Shanghai Stock Exchange	**512,654**	70,141
Shenzhen Stock Exchange	**28,527**	56,921
Hong Kong Stock Exchange	**5,151**	3,102
National Equities Exchange and Quotations	**1,068**	–
China Securities Finance Corporation Limited	**508,144**	545,509
Shanghai Futures Exchange	**341,013**	178,290
China Financial Futures Exchange	**198,809**	214,180
Hong Kong Futures Exchange	**1,460**	1,307
Dalian Commodity Exchange	**313,164**	224,598
Zhengzhou Commodity Exchange	**135,363**	56,778
Others	**2,214**	13,404
Total	**2,047,567**	1,364,230

The Company had no deposits with any exchanges or financial institutions at the end of 2016 and 2015.

26. Placements with banks and financial institutions

Group

	As at December 31	
	2016	2015
Banks	**22,044,100**	300,000
Other financial institutions	**4,233,482**	–
Total	**26,277,582**	300,000

Company

	As at December 31	
	2016	2015
Other financial institutions	**3,000,000**	300,000
Total	**3,000,000**	300,000

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

27. Financial assets at fair value through profit or loss

Group

	As at December 31	
	2016	2015
Held-for-trading financial assets		
Listed investments:		
Debt securities		
– Government bonds	**4,606,825**	149,604
– Public sector and quasi-government bonds	**1,688,552**	2,019,729
– Corporate bonds	**8,188,117**	12,436,013
Equity instruments	**8,720,033**	4,508,447
Funds	**1,278,689**	325,706
	24,482,216	19,439,499
Unlisted investments:		
Funds	**3,175,833**	1,616,192
Derivative financial assets[(1)]	**820,826**	252,396
	3,996,659	1,868,588
Subtotal	**28,478,875**	21,308,087

(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	
	2016	2015
Financial assets designated as at fair value through profit or loss		
Listed investments:		
Corporate convertible bonds	**293,175**	18,037
Unlisted investments:		
Distressed debt assets	**94,458,586**	84,620,657
Equity instruments	**20,646,522**	5,407,941
Wealth management products	**3,984,868**	5,882,728
Embedded derivatives bonds	**171,691**	–
Corporate convertible bonds	**71,018**	49,986
Asset-backed securities	**58,004**	–
Others	**882,757**	–
Subtotal	**120,566,621**	95,979,349
Total	**149,045,496**	117,287,436
Including:		
Corporate bonds pledged for borrowings	**25,517**	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

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

(1) Derivative financial instruments

	As at December 31, 2016			As at December 31, 2015		
	Contractual/ Notional amount	**Fair value Assets**	**Fair value Liabilities**	Contractual/ Notional amount	Fair value Assets	Fair value Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps	**50,145,311**	**791,405**	**(609,680)**	–	–	–
Currency options	**24,841**	**446**	**(446)**	–	–	–
Subtotal	**50,170,152**	**791,851**	**(610,126)**	–	–	–
Interest rate derivatives						
Interest rate swaps	**35,825,804**	**17,833**	**(29,698)**	–	–	–
Subtotal	**35,825,804**	**17,833**	**(29,698)**	–	–	–
Equity derivatives	**–**	**–**	**–**	432,886	252,396	–
Commodity derivatives and others	**2,953,245**	**11,142**	**(213,453)**	–	–	–
Total	**88,949,201**	**820,826**	**(853,277)**	432,886	252,396	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

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

(1) Derivative financial instruments (Continued)

Included in the derivative financial instruments above are those designated as hedging instruments by the Group as follows:

	As at December 31, 2016			As at December 31, 2015		
	Contractual/ Notional amount	**Fair value Assets**	**Fair value Liabilities**	Contractual/ Notional amount	Fair value Assets	Fair value Liabilities
Exchange rate derivatives						
– Currency forwards and swaps, and cross-currency interest rate swaps	**5,847,222**	**104,251**	**(161,916)**	–	–	–
Total	**5,847,222**	**104,251**	**(161,916)**	–	–	–

The Group uses cross-currency interest rate swaps to hedge against exposure to cash flow variability primarily from foreign exchange rates and interest rate risks of placement transactions.

For the year ended December 31, 2016, a net gain from cash flow hedges of RMB43.25 million was recognized in "Other comprehensive income" (2015: Nil), and there was no ineffectiveness for the years ended December 31, 2016 and 2015.

Company

	As at December 31 2016	As at December 31 2015
Financial assets designated as at fair value through profit or loss		
Distressed debt assets	**93,763,782**	83,264,252
Investment funds[1]	**800,027**	751,350
Others	**572,050**	–
Total	**95,135,859**	84,015,602
Analysed as:		
Unlisted	**95,135,859**	84,015,602

(1) This represents investment funds issued by a subsidiary of the Company.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

28. Financial assets held under resale agreements

Group

	As at December 31	
	2016	2015
By collateral type:		
Bonds	**37,998,533**	25,129,105
Equity instruments	**3,989,026**	5,858,349
Subtotal	**41,987,559**	30,987,454
Less: Allowance for impairment losses	**13,597**	5,188
Total	**41,973,962**	30,982,266

Company

	As at December 31	
	2016	2015
By collateral type:		
Bonds	**32,916,015**	21,909,260
Less: Allowance for impairment losses	**–**	–
Total	**32,916,015**	21,909,260

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

29. Available-for-sale financial assets

Group

	As at December 31	
	2016	2015
Debt securities		
– Government bonds	**14,148,459**	80,627
– Public sector and quasi-government bonds	**10,258,889**	4,617,214
– Financial institution bonds	**16,639,182**	1,566,626
– Corporate bonds	**12,563,201**	3,841,953
Subtotal	**53,609,731**	10,106,420
Equity instruments	**40,362,393**	51,886,938
Certificates of deposit	**14,235,718**	3,840,322
Funds	**65,072,593**	30,737,505
Trust products and rights to trust assets	**16,486,799**	10,712,882
Asset management plans	**12,719,609**	8,507,045
Wealth management products	**6,500,000**	1,702,930
Asset-backed securities	**1,061,325**	629,974
Others	**2,447,718**	2,480,290
Total	**212,495,886**	120,604,306
Analysed as:		
Listed	**33,363,810**	47,129,472
Unlisted	**179,132,076**	73,474,834
Total	**212,495,886**	120,604,306
Including:		
Debt securities analysed as:		
Listed	**14,194,363**	2,947,377
Unlisted	**39,415,368**	7,159,043
Total	**53,609,731**	10,106,420
Equity instruments analysed as:		
Listed	**6,303,196**	17,401,114
Unlisted	**34,059,197**	34,485,824
Total	**40,362,393**	51,886,938
Including:		
Debt securities pledged for borrowings	**563,218**	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

29. Available-for-sale financial assets (Continued)

Company

	As at December 31	
	2016	2015
Debt securities		
– Public sector and quasi-government bonds	**1,316,070**	1,381,299
– Financial institution bonds	**99,077**	100,809
Subtotal	**1,415,147**	1,482,108
Equity instruments	**33,319,727**	36,205,523
Certificates of deposit	**1,543,557**	3,840,322
Funds	**35,803,264**	13,210,480
Trust products and rights to trust assets	**11,208,629**	4,752,445
Asset management plans	**4,813,057**	1,600,674
Asset-backed securities	**889,750**	605,974
Total	**88,993,131**	61,697,526
Analysed as:		
Listed	**15,089,139**	14,114,683
Unlisted	**73,903,992**	47,582,843
Total	**88,993,131**	61,697,526
Including:		
Equity instruments analysed as:		
Listed	**2,673,129**	3,615,889
Unlisted	**30,646,598**	32,589,634
Total	**33,319,727**	36,205,523

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 RMB41,786.53 million and RMB43,306.08 million of the Group and RMB33,873.91 million and RMB36,844.63 million of the Company as at December 31, 2016 and 2015, respectively, that were measured at cost because their fair values cannot be reliably measured.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

30. Financial assets classified as receivables

Group

	As at December 31	
	2016	2015
Distressed debt assets		
– Loans acquired from financial institutions	**31,297,685**	37,187,169
– Accounts receivable acquired from non-financial institutions	**160,142,762**	132,292,291
	191,440,447	169,479,460
Less: Allowance for impairment losses		
– Individually assessed	**1,615,224**	1,285,448
– Collectively assessed	**5,378,248**	5,049,140
	6,993,472	6,334,588
Subtotal	**184,446,975**	163,144,872
Other financial assets classified as receivables		
– Trust products	**7,075,733**	3,950,485
– Asset management plans	**3,832,500**	3,985,500
– Structured debt arrangements[1]	**1,231,955**	10,058,605
– Bonds	**1,109,478**	–
– Other debt instruments	**1,442,527**	–
	14,692,193	17,994,590
Less: Allowance for impairment losses		
– Individually assessed	**328,233**	81,174
– Collectively assessed	**23,709**	–
	351,942	81,174
Subtotal	**14,340,251**	17,913,416
Total	**198,787,226**	181,058,288

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

30. Financial assets classified as receivables (Continued)

Company

	As at December 31 **2016**	2015
Distressed debt assets		
– Loans acquired from financial institutions	**31,313,424**	36,645,821
– Accounts receivable acquired from non-financial institutions	**160,170,243**	134,543,739
	191,483,667	171,189,560
Less: Allowance for impairment losses		
– Individually assessed	**1,630,963**	1,285,448
– Collectively assessed	**5,378,910**	5,099,983
	7,009,873	6,385,431
Subtotal	**184,473,794**	164,804,129
Other financial assets classified as receivables		
– Structured debt arrangements[1]	**1,231,955**	10,058,605
– Other debt instruments	**1,442,527**	–
	2,674,482	10,058,605
Less: Allowance for impairment losses		
– Individually assessed	**121,281**	–
– Collectively assessed	**23,709**	–
	144,990	–
Subtotal	**2,529,492**	10,058,605
Total	**187,003,286**	174,862,734

(1) Structured debt arrangements were entered into by the Company with banks and other financial institutions through structured fund arrangements, 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)

The movements of allowance for impairment losses during the years are:

Group

	2016		
	Individually assessed allowance	**Collectively assessed allowance**	**Total**
As at January 1	**1,366,622**	**5,049,140**	**6,415,762**
Impairment losses recognized	**1,242,737**	**369,531**	**1,612,268**
Impairment losses reversed	**(131,737)**	**–**	**(131,737)**
Impairment losses written off and transfer out	**(434,781)**	**(16,714)**	**(451,495)**
Unwinding of discount on allowance	**(99,384)**	**–**	**(99,384)**
As at December 31	**1,943,457**	**5,401,957**	**7,345,414**

	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 and transfer out	(608,909)	–	(608,909)
Unwinding of discount on allowance	(39,331)	–	(39,331)
As at December 31	1,366,622	5,049,140	6,415,762

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

30. Financial assets classified as receivables (Continued)

Company

	2016		
	Individually assessed allowance	**Collectively assessed allowance**	**Total**
As at January 1	**1,285,448**	**5,099,983**	**6,385,431**
Impairment losses recognized	**1,132,577**	**302,636**	**1,435,213**
Impairment losses reversed	**(131,737)**	**–**	**(131,737)**
Impairment losses written off and transfer out	**(434,660)**	**–**	**(434,660)**
Unwinding of discount on allowance	**(99,384)**	**–**	**(99,384)**
As at December 31	**1,752,244**	**5,402,619**	**7,154,863**

	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 and transfer out	(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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

31. Loans and advances to customers

Group

	As at December 31	
	2016	2015
Corporate loans and advances		
– Loans and advances	**213,346,550**	55,307,937
– Discounted bills	**2,419,029**	–
Subtotal	**215,765,579**	55,307,937
Personal loans and advances		
– Mortgages	**24,840,116**	–
– Personal consumption loans	**9,358,059**	–
Subtotal	**34,198,175**	–
Loans to margin clients	**7,655,945**	8,938,153
Finance lease receivables	**42,847,659**	44,520,891
Gross loans and advances	**300,467,358**	108,766,981
Less: Allowance for impairment losses		
– Individually assessed	**2,066,194**	1,985,674
– Collectively assessed	**3,464,573**	2,042,817
Subtotal	**5,530,767**	4,028,491
Net loans and advances to customers	**294,936,591**	104,738,490

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

31. Loans and advances to customers (Continued)

Group (Continued)

Loans and advances analyzed by collective and individual assessment methods are as follows:

	Loans and advances for which allowance is collectively assessed	Identified impaired loans and advances: For which allowance is collectively assessed	Identified impaired loans and advances: For which allowance is individually assessed	Identified impaired loans and advances: Subtotal	Total	Identified impaired loans and advances to customers as a % of total loans and advances
At December 31, 2016						
Gross loans and advances	**295,758,305**	**12,494**	**4,696,559**	**4,709,053**	**300,467,358**	**1.57%**
Less: Allowances for impairment losses	**3,464,198**	**375**	**2,066,194**	**2,066,569**	**5,530,767**	
Net loans and advances to customers	**292,294,107**	**12,119**	**2,630,365**	**2,642,484**	**294,936,591**	

	Loans and advances for which allowance is collectively assessed	Identified impaired loans and advances: For which allowance is collectively assessed	Identified impaired loans and advances: For which allowance is individually assessed	Identified impaired loans and advances: Subtotal	Total	Identified impaired loans and advances to customers as a % of total loans and advances
At December 31, 2015						
Gross loans and advances	104,601,198	–	4,165,783	4,165,783	108,766,981	3.83%
Less: Allowances for impairment losses	2,042,817	–	1,985,674	1,985,674	4,028,491	
Net loans and advances to customers	102,558,381	–	2,180,109	2,180,109	104,738,490	

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

31. Loans and advances to customers (Continued)

Group (Continued)

The movements of allowance for loans and advances to customers during the years are:

	For the year ended December 31, 2016		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	**1,985,674**	**2,042,817**	**4,028,491**
Transfer in	**550,546**	**885,404**	**1,435,950**
Impairment losses recognized	**772,062**	**836,212**	**1,608,274**
Impairment losses reversed	**(907,836)**	**(260,164)**	**(1,168,000)**
Impairment losses written off and transfer out	**(342,564)**	**(62,123)**	**(404,687)**
Recovery of loans and advances written off in previous years	**15,723**	**767**	**16,490**
Unwinding of discount on allowance	**(2,208)**	**–**	**(2,208)**
Exchange differences	**(5,203)**	**21,660**	**16,457**
As at December 31	**2,066,194**	**3,464,573**	**5,530,767**

	For the year ended December 31, 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)
Impairment losses written off and transfer out	(77,768)	–	(77,768)
As at December 31	1,985,674	2,042,817	4,028,491

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

31. Loans and advances to customers (Continued)

Group (Continued)

Finance lease receivables are analyzed as follows:

	As at December 31	
	2016	2015
Minimum finance lease receivables:		
Within 1 year (inclusive)	**18,426,820**	16,811,324
1 year to 5 years (inclusive)	**27,453,206**	30,851,878
Over 5 years	**978,055**	1,570,774
Gross amount of finance lease receivables	**46,858,081**	49,233,976
Less: Unearned finance income	**4,010,422**	4,713,085
Net amount of finance lease receivables	**42,847,659**	44,520,891
Less: Allowance for impairment losses	**1,216,035**	976,724
Carrying amount of finance lease receivables	**41,631,624**	43,544,167
Present value of minimum lease receivables:		
Within 1 year (inclusive)	**16,462,836**	14,758,424
1 year to 5 years (inclusive)	**25,498,798**	28,315,288
Over 5 years	**886,025**	1,447,179
Total	**42,847,659**	44,520,891
Including:		
Finance lease receivables pledged for borrowings	**1,931,825**	3,529,950

The Company had no loans and advances to customers as at December 31, 2016 and 2015.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

32. Accounts receivable

Group

	As at December 31	
	2016	2015
Accounts receivable relating to distressed debt assets	**1,485,052**	452,537
Accounts receivable relating to equity assets(1)	**1,032,248**	868,175
Accounts receivable from sales of properties	**470,892**	496,131
Commission and fee receivable	**316,506**	72,345
Insurance premium and reinsurance refund receivables	**98,484**	1,337,040
Others	**247,032**	368,620
Subtotal	**3,650,214**	3,594,848
Less: Allowance for impairment losses	**128,100**	160,057
Total	**3,522,114**	3,434,791

Company

	As at December 31	
	2016	2015
Accounts receivable relating to distressed debt assets	**1,485,052**	452,537
Accounts receivable relating to equity assets(1)	**679,964**	868,175
Others	**1,924**	3,238
Subtotal	**2,166,940**	1,323,950
Less: Allowance for impairment losses	**89,893**	89,893
Total	**2,077,047**	1,234,057

(1) As at December 31, 2016, the major component comprise outstanding amount of RMB679.96 million (December 31, 2015: RMB868.18 million) mainly arising from disposals of several debt-to-equity assets. These receivables bear interest from nil to 6.15% per annum (December 31, 2015: Nil to 6.15%). The outstanding balances are repayable no later than November 20, 2017 (December 31, 2015: no later than November 20, 2017).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

32. Accounts receivable (Continued)

Ageing analysis of accounts receivable is as follows:

Accounts receivable relating to distressed assets

Group and Company

	As at December 31							
	2016				2015			
	Gross amount	**%**	**Impairment**	**Carrying amount**	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	**1,354,447**	**63**	**–**	**1,354,447**	122,364	9	–	122,364
1 year to 2 years (inclusive)	**24,500**	**1**	**–**	**24,500**	395,727	30	–	395,727
2 years to 3 years (inclusive)	**227,940**	**11**	**–**	**227,940**	–	–	–	–
Over 3 years	**558,129**	**25**	**(89,893)**	**468,236**	802,621	61	(89,893)	712,728
Total	**2,165,016**	**100**	**(89,893)**	**2,075,123**	1,320,712	100	(89,893)	1,230,819

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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

32. Accounts receivable (Continued)

The movements of allowance for impairment loss during the years are:

Group

	Year ended December 31	
	2016	2015
At beginning of the year	**160,057**	129,767
Impairment losses recognized	**6,949**	48,688
Impairment losses reversed	**(5,137)**	(15,892)
Amounts written off and transfer out	**(33,769)**	(2,506)
At end of the year	**128,100**	160,057

Company

	Year ended December 31	
	2016	2015
At beginning of the year	**89,893**	80,111
Impairment losses recognized	**–**	9,782
At end of the year	**89,893**	89,893

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 2016.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

34. Held-to-maturity investments

Group

	As at December 31	
	2016	2015
Debt securities		
– Government bonds	**6,185,527**	117,700
– Public sector and quasi-government bonds	**4,655,865**	4,204,904
– Financial institution bonds	**1,009,626**	1,371,585
– Corporate bonds	**784,603**	1,009,574
Total	**12,635,621**	6,703,763

The Company had no held-to-maturity investments as at December 31, 2016 and 2015. Most held-to-maturity investments held by the Group are traded in interbank market and stock exchange. The fair values disclosed in note VI.76.1 are derived from quoted market prices.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

35. Properties held for sale

Group

	As at December 31	
	2016	2015
Completed properties	**6,115,827**	4,382,361
Properties under development	**38,580,157**	26,769,047
Others	**20,537**	25,996
Subtotal	**44,716,521**	31,177,404
Less: Allowance for impairment losses	**240,137**	92,097
Total	**44,476,384**	31,085,307
Including:		
Pledged for borrowings	**14,103,068**	12,286,077

As at December 31, 2016 and 2015, included in the properties held for sale were amounts of RMB32,629 million and RMB15,478 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 2016 and 2015.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

36. Investment properties

Group

	Year ended December 31	
	2016	2015
Cost		
At beginning of the year	**2,571,758**	2,280,030
Acquisition of subsidiaries	**298,535**	492,765
Additions during the year	**61,575**	6,004
Transfer in/(out)	**(211,049)**	13,168
Disposals	**(293,873)**	(210,671)
Disposal of subsidiaries	**(259,309)**	(9,538)
At end of the year	**2,167,637**	2,571,758
Accumulated depreciation		
At beginning of the year	**(668,738)**	(672,498)
Charge for the year	**(93,525)**	(65,497)
Transfer in/(out)	**21,716**	3,511
Disposals	**116,683**	64,830
Disposals of subsidiaries	**74,366**	916
At end of the year	**(549,498)**	(668,738)
Allowance for impairment losses		
At beginning of the year	**(1,235)**	(1,235)
At end of the year	**(1,235)**	(1,235)
Net book value		
At beginning of the year	**1,901,785**	1,606,297
At end of the year	**1,616,904**	1,901,785
Net book value of investment properties pledged for borrowings	**983,285**	1,507,658

(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	
	2016	2015
The net book value:		
– on long-term lease (over 50 years)	**18,358**	3,028
– on medium-term lease (10 to 50 years)	**1,407,489**	1,873,817
– on short-term lease (less than 10 years)	**191,057**	24,940
Total	**1,616,904**	1,901,785

As at December 31, 2016 and 2015, the Group's investment properties which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB1.00 million and RMB4.77 million, respectively.

Company

	Year ended December 31	
	2016	2015
Cost		
At beginning of the year	**438,758**	438,758
At end of the year	**438,758**	438,758
Accumulated depreciation		
At beginning of the year	**(87,074)**	(71,035)
Charge for the year	**(16,135)**	(16,039)
At end of the year	**(103,209)**	(87,074)
Net book value		
At beginning of the year	**351,684**	367,723
At end of the year	**335,549**	351,684

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

36. Investment properties (Continued)

Company (Continued)

The net book value of investment properties is analyzed based on the remaining terms of the leases as follows:

	As at December 31	
	2016	2015
The net book value:		
– on medium-term lease (10 to 50 years)	**335,549**	351,684

37. Interests in subsidiaries

Company

	As at December 31	
	2016	2015
At cost	**43,677,112**	25,806,293
Total	**43,677,112**	25,806,293

(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, 2016 (In '000)	Proportion of ownership held by the Group As at December 31 2016 %[1]	2015 %[1]	Proportion of voting rights held by the Group As at December 31 2016 %[1]	2015 %[1]	Principal activities
China CINDA (HK) Holdings Co., Ltd.*	Hong Kong, PRC	December 16, 1998	HKD24,975,487	**100.00**	100.00	**100.00**	100.00	Investment holding
Zhongrun Economic Development Co., Ltd.*	Beijing, PRC	May 8, 2000	RMB30,000	**100.00**	100.00	**100.00**	100.00	Investment management
CINDA Securities Co., Ltd.*	Beijing, PRC	September 4, 2007	RMB2,568,700	**99.33**	99.33	**99.33**	99.33	Securities brokerage
CINDA Investment Co., Ltd.*	Beijing, PRC	August 1, 2000	RMB2,000,000	**100.00**	100.00	**100.00**	100.00	Business investment
Happy Life Insurance Co., Ltd.* [2]	Beijing, PRC	November 5, 2007	RMB6,009,920	**51.00**	51.00	**51.00**	51.00	Life insurance
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
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 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
CINDA (China) Investment Co., Ltd.	Hong Kong, PRC	March 24, 1994	HKD10	**100.00**	100.00	**100.00**	100.00	Investment holding
China CINDA (Macau) Asset Management Co., Ltd.	Macao, PRC	May 28, 1999	MOP100	**100.00**	100.00	**100.00**	100.00	Asset management
Well Kent International Group Co., Ltd.	Hong Kong, PRC	May 27, 1993	HKD10	**100.00**	100.00	**100.00**	100.00	Investment holding
CINDA Financial Holdings Co., Limited	Hong Kong, PRC	August 11, 2015	USD1	**100.00**	100.00	**100.00**	100.00	Investment holding
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	October 5, 1995	RMB500,000	**99.33**	99.33	**100.00**	100.00	Futures and brokerage
Xinfeng Investment Management Co., Ltd.	Beijing, PRC	April 9, 2012	RMB200,000	**99.33**	99.33	**100.00**	100.00	Investment management
CINDA Innovation Investment Co., Ltd.	Beijing, PRC	August 20, 2013	RMB100,000	**99.33**	99.33	**100.00**	100.00	Investment management
First State CINDA Fund Management Co., Ltd.	Shenzhen, PRC	June 5, 2006	RMB100,000	**53.64**	53.64	**54.00**	54.00	Fund management
Hainan Jianxin Investment Management Co., Ltd.	Haikou, PRC	April 10, 1993	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. [1][3]	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	**65.30**	65.30	**70.30**	70.30	Property management
Henan Jinboda Investment Co., Ltd.	Zhengzhou, PRC	February 23, 1993	RMB100,000	**100.00**	100.00	**100.00**	100.00	Property leasing
CINDA Capital Management Co., Ltd.	Tianjin, PRC	December 16, 2008	RMB100,000	**100.00**	100.00	**100.00**	100.00	Investment holding
Wuhan Oriental Jianguo Hotel Co., Ltd.	Wuhan, PRC	December 15, 1995	RMB282,000	**90.25**	90.25	**90.25**	90.25	Hotel management
CINDA Real Estate Co., Ltd. [1]	Beijing, PRC	July 20, 1984	RMB1,524,260	**51.49**	52.96	**51.49**	52.96	Real estate development
CINDA Jianrun Real Estate Co., Ltd.	Beijing, PRC	December 28, 2007	RMB200,000	**70.00**	70.00	**70.00**	70.00	Real estate development
Dalian CINDA Zhonglian Investment Co., Ltd.	Dalian, PRC	March 3, 2010	RMB61,110	**55.00**	55.00	**55.00**	55.00	Project investment

(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, 2016	Proportion of ownership held by the Group As at December 31		Proportion of voting rights held by the Group As at December 31		Principal activities
			(In '000)	**2016**	2015	**2016**	2015	
				%[1]	%[1]	**%[1]**	%[1]	
Cinda International Holdings Limited [II]	Hong Kong, PRC	December 31, 2008	HKD64,121	**63.00**	63.00	**63.00**	63.00	Investment holding
Beijing CINDA Shiyuxin Investment Management Co., Ltd.	Beijing, PRC	May 11, 2015	RMB10,000	**51.49**	51.49	**100.00**	100.00	Asset management
CINDA Equity Investment (Tianjin) Co., Ltd. [4]	Tianjin, PRC	December 29, 2011	RMB790,000	**36.71**	36.71	**36.71**	36.71	Private fund
Nanyang Commercial Bank, Limited [III]	Hong Kong, PRC	February 2, 1948	HKD3,144,517	**100.00**	–	**100.00**	–	Commercial Bank
Hefei Asia-Pacific Science and Technology Development Co., Ltd. [III]	Hefei, PRC	September 30, 1999	RMB23,000	**51.49**	–	**100.00**	–	Real estate development
Hangzhou Saiyue Investment Management Co., Ltd. [III]	Hangzhou, PRC	February 17, 2016	RMB5,000	**51.49**	–	**100.00**	–	Business investment
Shenzhen Zhengxin Investment Management Co., Ltd. [IV]	Shenzhen, PRC	June 13, 2014	RMB7,233	**–**	41.02	**–**	100.00	Investment management
Xian Borun Taixing Investment Management Co., Ltd. [IV]	Xian, PRC	September 19, 2000	RMB14,500	**–**	100.00	**–**	100.00	Investment management
Guangzhou Licheng Investment Development Co., Ltd. [IV]	Guangzhou, PRC	October 31, 2006	RMB60,000	**–**	61.29	**–**	69.44	Property leasing
Shanghai Baolayuan Real Estate Co., Ltd. [IV]	Shanghai, PRC	December 6, 2002	RMB37,500	**–**	25.42	**–**	48.00	Real estate development

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.

(III) These subsidiaries were acquired in 2016.

(IV) These subsidiaries were disposed of in 2016.

(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 2016, the shareholders made an equal proportion of additional capital injection to this subsidiary. After the capital injection, the authorized capital of this subsidiary increased from RMB5,630,376.39 thousand to RMB6,009,920.25 thousand.

(3) The Group's shareholding in Shanghai Tongda Venture Capital Co., Ltd. ("Shanghai Tongda") is less than 50%, but the shareholding percentage of other shareholders is widely dispersed. Moreover, according to the corporate charter, the Board resolutions must be approved by more than half of all the directors, and the Group take three of the four seats of Shanghai Tongda's Board, with the exception of two independent directors. Therefore, Shanghai Tongda is accounted for as a subsidiary of the Company.

(4) The Group's shareholding in Cinda Equity Investment (Tianjin) Co., Ltd. ("Cinda Equity") is less than 50%. According to the corporate charter, the key persons in the Investment Committee, which is the operating decision-making institution of Cinda Equity, are all from the Group. So the Group can direct Cinda Equity's relevant activities, and it is therefore accounted for as a subsidiary of the Company.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

38. Non-controlling interests in the subsidiaries of the Group

CINDA Real Estate Co., Ltd., Happy Life Insurance Co., Ltd. and CINDA Property and Casualty Insurance Co., Ltd. are the subsidiaries which have significant influence on non-controlling interests in consolidated financial statements of the Group.

General information about these subsidiaries have been set out in note VI.37. Summarized financial information about the subsidiaries before intra-group eliminations are as follows:

CINDA Real Estate Co., Ltd.

	As at December 31	
	2016	2015
Current assets	**58,113,648**	47,666,505
Non-current assets	**7,011,088**	4,517,621
Current liabilities	**25,189,326**	24,344,807
Non-current liabilities	**30,617,598**	19,094,684
Total equity	**9,317,812**	8,744,635
Non-controlling interests of the subsidiary	**4,674,278**	4,272,249

	Year ended December 31	
	2016	2015
Total revenue	**11,570,682**	8,135,593
Profit before tax	**1,308,263**	1,062,187
Total comprehensive income	**700,856**	844,835
Profit attributable to non-controlling interests of the subsidiary during the year	**399,246**	357,188
Dividend distribution to non-controlling interests	**73,942**	92,401

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

38. Non-controlling interests in the subsidiaries of the Group (Continued)

CINDA Real Estate Co., Ltd. (Continued)

	Year ended December 31	
	2016	2015
Net cash flow from operating activities	**(1,491,139)**	(4,345,542)
Net cash flow from investing activities	**448,393**	(2,305,842)
Net cash flow from financing activities	**3,702,450**	10,069,392
Net increase in cash and cash equivalents	**2,659,704**	3,418,008

Happy Life Insurance Co., Ltd.

	As at December 31	
	2016	2015
Total assets	**67,023,023**	60,818,600
Total liabilities	**64,505,462**	56,603,884
Total equity	**2,517,561**	4,214,716
Non-controlling interests of the subsidiary	**1,233,605**	2,065,211

	Year ended December 31	
	2016	2015
Total revenue	**18,819,953**	14,259,693
Profit before tax	**23,296**	343,672
Total comprehensive income	**(2,285,448)**	17,321
Profit attributable to non-controlling interests of the subsidiary during the year	**8,828**	164,284
Dividend distribution to non-controlling interests	**–**	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

38. Non-controlling interests in the subsidiaries of the Group (Continued)

Happy Life Insurance Co., Ltd. (Continued)

	Year ended December 31	
	2016	2015
Net cash flow from operating activities	**7,993,130**	13,574,714
Net cash flow from investing activities	**(4,415,667)**	(17,739,811)
Net cash flow from financing activities	**(2,849,722)**	3,926,756
Net increase/(decrease) in cash and cash equivalents	**727,741**	(238,341)

CINDA Property and Casualty Insurance Co., Ltd.

	As at December 31	
	2016	2015
Total assets	**6,279,878**	6,376,667
Total liabilities	**3,629,929**	3,454,926
Total equity	**2,649,949**	2,921,741
Non-controlling interests of the subsidiary	**1,298,475**	1,431,653

	Year ended December 31	
	2016	2015
Total revenue	**3,336,375**	3,726,832
Profit before tax	**(230,815)**	23,276
Total comprehensive income	**(271,792)**	57,780
Profit attributable to non-controlling interests of the subsidiary during the year	**(113,116)**	11,407
Dividend distribution to non-controlling interests	**–**	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

38. Non-controlling interests in the subsidiaries of the Group (Continued)

CINDA Property and Casualty Insurance Co., Ltd. (Continued)

	Year ended December 31	
	2016	2015
Net cash flow from operating activities	**(642,069)**	(786,070)
Net cash flow from investing activities	**1,489,630**	1,346,158
Net cash flow from financing activities	**(67,383)**	(638,600)
Effect of foreign exchange changes	**306**	(809)
Net increase/(decrease) in cash and cash equivalents	**780,484**	(79,321)

39. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts, asset management plans. To determine whether control exists, the Group uses the following judgments:

(1) For the private equity funds, trusts and asset management plans, to 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 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 Group is a principal. The funds shall be consolidated if the Group acts in the role of principal.

(3) For the trusts or asset management plans where the Group 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 or asset management plans that is of such significance that it indicates that the Group is a principal. The trusts or asset management plans shall be consolidated if the Group acts in the role of principal.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

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 2016 (In RMB'000)	Proportion of interests held by the Group As at December 31 2016 (%)	2015 (%)	Principal activities
Cinda Sino-Rock Investment (Cayman) Limited Partnership	8,748,220	100	93.71	Investment management
Ningbo Datai Investment Partnership (Limited Partnership)	6,330,000	18.7	20.63	Investment management
Ningbo Meishan tariff-free zone Jusheng Jiada Investment Partnership (Limited Partnership)	6,002,000	81.67	–	Investment management
Shenzhen Cinda City Development Investment Partnership (Limited Partnership)	6,001,000	100	–	Investment management
Ningbo Juxin Tongda Investment Management Partnership (Limited Partnership)	5,526,000	2.46	2.46	Investment management
Shenzhen Xinting Investment Partnership (Limited Partnership)	5,210,000	99.81	–	Investment management
Ningbo Shoutai Hongxin Investment Partnership (Limited Partnership)	3,301,000	48.47	53.32	Investment management
Ningbo Baonengxin Investment Partnership (Limited Partnership)	2,801,000	100	100	Investment management
Ningbo Meishan tariff-free zone Xinheng Investment Partnership (Limited Partnership)	2,651,000	94.34	–	Investment management
Ningbo Jiayuan Investment Partnership (Limited Partnership)	2,301,000	71.75	–	Investment management
Ningbo Meishan tariff-free zone Huashi Investment Partnership (Limited Partnership)	2,050,000	87.8	–	Investment management
Wuhu Huaheng Investment Partnership (Limited Partnership)	1,803,960	99.78	99.84	Investment management
Ningbo Dongdaxin Investment Partnership (Limited Partnership)	1,800,000	100	100	Investment management
Shanghai Qixin Investment Partnership (Limited Partnership)	1,800,000	99.94	99.94	Investment management
Ningbo Chunhong Investment Management Partnership II (Limited Partnership)	1,798,800	3.51	3.36	Investment management
Hainan Shoutai Rongxin Equity Investment Partnership (Limited Partnership)	1,758,500	44.92	44.92	Investment management
Ningbo Hejian Guanlan Investment Partnership (Limited Partnership)	1,700,200	100	–	Investment management
Shanghai Yuxin Equity Investment Partnership (Limited Partnership)	1,646,367	77.06	75.69	Investment management
Wuhu Xinwen Investment Partnership (Limited Partnership)	1,600,000	100	–	Investment management
Ningbo Juxin Xizhao Investment Management Partnership (Limited Partnership)	1,550,000	100	50.02	Investment management
Ningbo Xintai Kaiyuan Equity Investment Partnership (Limited Partnership)	1,500,100	100	100	Investment management
Ningbo Cinda Longteng Investment Partnership (Limited Partnership)	1,500,000	100	100	Investment management
Xizang Yongjun Equity Investment Partnership (Limited Partnership)	1,466,200	99.96	–	Investment management
Ningbo Guoshou Cinda Investment Partnership (Limited Partnership)	1,125,000	33.33	64.7	Investment management
Ningbo Huajian Dingsheng Equity Investment Partnership (Limited Partnership)	1,101,000	99.91	99.91	Investment management
Cinda Chuangli Assets Management Plan No.[1]	5,976,725	17.92	16.44	Asset management plan
Cinda Security Targeted Assets Management Plan [2014] No.[053]	5,000,000	100	100	Asset management plan
Cinda Longxin Real Estate Assets Management Plan	1,800,000	100	–	Asset management plan
Cinda Xingrong Collective Assets Management Plan No.[4]	1,271,528	10	10.06	Asset management plan
Cinda Wuhan Technology Assets Management Plan	1,166,289	57.13	–	Asset management plan
Beijing Xinghuo Single Capital Trust [2014] No.[009]	4,971,023	100	100	Trust
Yunnan Shengyi Single Capital Trust	2,800,000	100	100	Trust
Xiamen Xiangshan Yacht Collective Capital Trust	1,197,795	29.86	29.86	Trust
Shanghai Trust Single Capital Trust	1,050,000	100	100	Trust

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

39. Interests in consolidated structured entities (Continued)

The financial impact of each of the private equity funds, trusts, asset management plans on the Group's financial position as at December 31, 2016 and 2015, and results and cash flows for the years ended December 31, 2016 and 2015, though consolidated, are not significant and therefore not disclosed separately.

Interests in all consolidated structured entities directly held by the Company amounted to RMB36,433.71 million and RMB16,297.03 million, at December 31, 2016 and 2015, 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.61.

40. Interests in associates and joint ventures

Group

	As at December 31	
	2016	2015
Interests in associates		
Carrying amount of unlisted companies	**4,554,619**	7,585,619
Carrying amount of listed companies	**10,231,791**	5,100,674
Allowance for impairment losses	**(60,413)**	(60,413)
Net carrying amounts of associates	**14,725,997**	12,625,880
Interests in joint ventures		
Carrying amount of unlisted companies	**4,837,603**	644,296
Net carrying amounts of joint ventures	**4,837,603**	644,296
Net carrying amounts	**19,563,600**	13,270,176

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

40. Interests in associates and joint ventures (Continued)

Company

	As at December 31	
	2016	2015
Interests in associates		
Carrying amount of unlisted companies	**533,018**	551,112
Carrying amount of listed companies	**8,801,251**	4,228,961
Net carrying amounts of associates	**9,334,269**	4,780,073
Interests in joint ventures		
Carrying amount of unlisted companies	**2,919,426**	627,740
Net carrying amounts of joint ventures	**2,919,426**	627,740
Net carrying amounts	**12,253,695**	5,407,813

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

40. Interests in associates and joint ventures (Continued)

Name of entity	Place of incorporation/ establishment principal activities	Authorized/ paid-in capital As at December 31	Book value As at December 31		Proportion of equity interests held by the Group As at December 31		Proportion of voting power held by the Group As at December 31		Principal activities
		2016	2016	2015	2016	2015	2016	2015	
		(In'000)	(In'000)	(In'000)	%	%	%	%	
China Nuclear Industry Construction Co., Ltd.(1)	Beijing, PRC	RMB2,625,000	**3,405,304**	–	**11.88**	–	**11.88**	–	Construction
Qinghai Salt Lake Industry Co., Ltd.(2)	Ge'ermu, PRC	RMB1,857,394	**3,270,966**	3,252,935	**6.23**	6.23	**6.23**	6.23	Chemical materials and products
Zhongyin Cinda (Wuhu) Investment Partnership (Limited Partnership)(3)	Wuhu, PRC	RMB5,554,350	**2,471,720**	–	**51.00**	–	**33.33**	–	Investment holding
Shenzhen Wanxin II Investment Partnership (Limited Partnership)(3)	Shenzhen, PRC	RMB1,606,000	**1,248,081**	–	**49.81**	–	**50.00**	–	Investment holding
Ningxia West Venture Industrial Co., Ltd.(4)	Ningxia, PRC	RMB1,458,375	**1,152,992**	–	**15.93**	–	**15.93**	–	Railway development, construction and management
Liaoning Hongyang Energy Resource Invest Co., Ltd.(5)	Shenyang, PRC	RMB1,331,409	**971,989**	976,026	**10.79**	10.83	**10.79**	10.83	Electric and heating power generation
Silver Grant International Industries Ltd.	Hong Kong, PRC	HKD800,000	**929,040**	871,713	**19.54**	19.54	**19.54**	19.54	Asset management
Cinda Sino-Rock Global Asset Allocation Limited Partnership I(3)	Cayman Islands	N/A	**604,133**	–	**49.00**	–	**50.00**	–	Investment holding
Ningbo Cinda Dangdaigongying Equity Investment Partnership (Limited Partnership)	Ningbo, PRC	RMB258,600	**501,500**	–	**19.37**	–	**19.37**	–	Real estate
Shenzhen Fumin Hejian Investment Ltd.	Shenzhen, PRC	RMB100,000	**407,722**	–	**49.00**	–	**49.00**	–	Investment holding
Cinda Plunkett Absolute Return Fund	Cayman Islands	USD50,000	**401,178**	442,715	**46.00**	46.00	**46.00**	46.00	Investment holding
Zhongxin Boda (Wuhu) Investment Partnership (Limited Partnership)(3)	Wuhu, PRC	RMB1,784,010	**387,020**	–	**74.50**	–	**33.33**	–	Investment holding
Shenzhen Xincheng Jianyuan Investment Development Partnership (Limited Partnership)(3)	Shenzhen, PRC	RMB813,800	**346,966**	–	**93.76**	–	**50.00**	–	Investment holding
Cinda Guocui (Shanghai) Equity Investment Fund Partnership (Limited Partnership)	Shanghai, PRC	RMB454,281	**286,206**	298,002	**27.13**	32.09	**27.13**	32.09	Investment holding
Shenzhen Yidacheng Investment Ltd.	Shenzhen, PRC	RMB100,000	**267,320**	–	**40.00**	–	**40.00**	–	Investment holding

VI. EXPLANATORY NOTES (Continued)

40. Interests in associates and joint venture (Continued)

The above table lists the principal associates and joint ventures of the Group. To give details of other associates and joint ventures would, in the opinion of the management, result in particulars of excessive length. The directors consider the associates' and joint ventures' results and net assets are insignificant to the Group individually and therefore do not disclose them separately.

(1) On June 6, 2016, China Nuclear Industry Construction Co., Ltd. was listed in Shanghai Stock Exchange. The Company holds 11.88% of interests in China Nuclear Industry, and nominates one out of a total of nine directors to the Board, thus can exercise significant influence on financial and operating policy decision of this company. The Group accounts for this investment by equity method as an associate.

(2) The Company holds 6.23% of interests in Qinghai Salt Lake Industry Co., Ltd. ("Qinghai Salt Lake"), thus can exercise significant influence on the financial and operating policy decision of Qinghai Salt Lake by nominating a director to its board of directors. The Group accounts for this investment by equity method as an associate.

(3) The Group holds part of interests in the partnership, and has joint control on the financial and operating policy decision of the partnership with other parties under the contractual agreement. The Group accounts for this investment by equity method as a joint venture.

(4) On January 21, 2016, the Company acquired 15.93% of shares of Ningxia West Venture Industrial Co., Ltd. (formerly known as "Guangxia (Yinchuan) Industrial Co., Ltd.") by private placement of shares. The Company nominates one out of a total of nine directors to the Board, thus can exercise significant influence on financial and operating policy decision of this company. The Group accounts for this investment by equity method as an associate.

(5) During the year, the shares held by the Company of Liaoning Hongyang Energy Resource Invest Co., Ltd. have decreased from 10.83% to 10.79%. However, the Company is still the second largest shareholder and nominates one director. Therefore, the Group has significant influence on this company. The Group accounts for this investment by equity method as an associate.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

41. Interests in unconsolidated structured entities

The Group is principally involved with structured entities through financial investments. These structured entities generally purchase assets through financing. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them. Whether control exists is determined by the manner described in note VI 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, 2016, 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, 2016		December 31, 2015	
	Carrying amount	**Maximum exposure to loss**	Carrying amount	Maximum exposure to loss
Financial assets at fair value through profit or loss	**10,646,626**	**10,646,626**	7,643,601	7,643,601
Financial assets classified as receivables	**9,567,733**	**9,567,733**	7,334,300	7,334,300
Available-for-sale financial assets	**83,407,470**	**83,407,470**	29,622,327	29,622,327
Interests in associates and joint ventures	**5,351,794**	**5,351,794**	1,091,352	1,091,352

In 2016, the Group obtained management fee, commission and performance fee amounting to RMB446.33 million (in 2015: RMB587.59 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, 2016	3,592,710	262,204	667,321	334,856	916,169	5,773,260
Acquisition of subsidiaries	5,706,383	98,879	61,352	26,454	5,024	5,898,092
Additions	643,094	42,459	108,293	24,830	255,481	1,074,157
Disposal of subsidiaries	–	–	(192)	(659)	–	(851)
Disposals	(137,690)	(74,063)	(66,000)	(26,714)	(271)	(304,738)
Construction in progress transfer in/(out)	710,653	228,983	25,410	10	(989,838)	(24,782)
Transfer in	262,913	–	–	–	–	262,913
Assets classified as held for sale	–	(53,391)	(43,981)	(53,971)	(2,040)	(153,383)
As at December 31, 2016	10,778,063	505,071	752,203	304,806	184,525	12,524,668
Accumulated depreciation						
As at January 1, 2016	(948,716)	(152,895)	(481,721)	(230,829)	–	(1,814,161)
Acquisition of subsidiaries	–	(74,627)	(45,191)	(19,623)	–	(139,441)
Charge for the year	(248,637)	(48,897)	(70,656)	(33,227)	–	(401,417)
Disposal of subsidiaries	–	–	155	591	–	746
Disposals	4,385	28,021	45,187	15,812	–	93,405
Transfer in	(21,716)	–	–	–	–	(21,716)
Assets classified as held for sale	–	55,588	14,583	42,999	–	113,170
As at December 31, 2016	(1,214,684)	(192,810)	(537,643)	(224,277)	–	(2,169,414)
Allowance for impairment losses						
As at January 1, 2016	(22,640)	(17,277)	–	(464)	(484)	(40,865)
Disposals	21,027	17,261	–	118	–	38,406
As at December 31, 2016	(1,613)	(16)	–	(346)	(484)	(2,459)
Net book value						
As at January 1, 2016	2,621,354	92,032	185,600	103,563	915,685	3,918,234
As at December 31, 2016	9,561,766	312,245	214,560	80,183	184,041	10,352,795
Including:						
Net book value of assets pledged as at December 31, 2016	533,011	–	–	–	–	533,011

(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, 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)
Construction in progress transfer in/(out)	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)

As at December 31, 2016 and 2015, the original cost of the fully depreciated property and equipment that were still in use amounted to RM331.33 million and RMB281.87 million, respectively.

As at December 31, 2016 and 2015, the Group's property and equipment which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB649.62 million and RMB663.21 million, respectively.

The net book values of buildings located on land with the following remaining lease terms are as follows:

	As at December 31	
	2016	2015
The net book value:		
– on long-term lease (over 50 years)	**3,576,492**	–
– on medium-term lease (10 to 50 years)	**5,970,428**	2,619,029
– on short-term lease (less than 10 years)	**14,846**	2,325
Total	**9,561,766**	2,621,354

(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, 2016	202,274	649	218,798	109,061	930,951	1,461,733
Additions	44,654	2	39,319	10,643	25,153	119,771
Construction in progress transfer in/(out)	702,215	228,479	25,410	–	(956,104)	–
Disposals	–	(9)	(39,498)	(10,872)	–	(50,379)
As at December 31, 2016	949,143	229,121	244,029	108,832	–	1,531,125
Accumulated depreciation						
As at January 1, 2016	(13,791)	(473)	(169,376)	(74,323)	–	(257,963)
Charge for the year	(6,889)	(43)	(22,727)	(9,928)	–	(39,587)
Disposals	–	9	24,698	2,325	–	27,032
As at December 31, 2016	(20,680)	(507)	(167,405)	(81,926)	–	(270,518)
Net book value						
As at January 1, 2016	188,483	176	49,422	34,738	930,951	1,203,770
As at December 31, 2016	928,463	228,614	76,624	26,906	–	1,260,607

(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, 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

As at December 31, 2016 and 2015, the original cost of the fully depreciated property and equipment that were still in use amounted to RMB197.11 million and RMB189.69 million, respectively.

The net book values of buildings located on land with the following remaining lease terms are as follows:

	As at December 31 **2016**	2015
The net book value:		
– on medium-term lease (10 to 50 years)	**928,463**	188,483

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

43. Goodwill

Group

	As at December 31	
	2016	2015
Carrying amount		
At beginning of the year	**1,513,734**	1,444,908
Disposal of subsidiaries	**–**	(14,160)
Acquisitions of subsidiaries	**21,799,290**	90,663
Exchange differences	**1,331,794**	(7,677)
At end of the year	**24,644,818**	1,513,734
Allowance for impairment losses		
At beginning of the year	**(1,120,799)**	(1,120,799)
At end of the year	**(1,120,799)**	(1,120,799)
Net book value		
At beginning of the year	**392,935**	324,109
At end of the year	**23,524,019**	392,935

On May 30, 2016, the acquisition of NCB by the Group was completed. The goodwill arising from the acquisition was RMB21,799 million, which was accounted for the majority portion of the Group's goodwill as at 31 December, 2016. Please refer to note VI.78 Acquisition of subsidiaries.

Goodwill acquired through the business combination of NCB is allocated to NCB cash-generating units for impairment testing. The recoverable amount of the NCB cash-generating units has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a 5-year period approved by senior management. The growth rate used to extrapolate the cash flows of NCB cash-generating units beyond the 5-year period does not exceed the long-term average growth rate of the banking industry. The pre-tax discount rates applied to the cash flow projections are 11% (Hong Kong) and 15% (Mainland China).

Assumptions were used in the value in use calculation of the NCB cash-generating units for December 31, 2016, including budgeted gross margins and discount rates. The values of the key assumptions on market development of banking industry and discount rates are consistent with external information sources.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

44. Other intangible assets

Group

	Trading rights	Computer software systems and others	Trade names	Core deposits intangible	Credit card customer relationships	Total
Cost						
As at January 1, 2016	23,744	402,125	–	–	–	425,869
Increase arising on acquisition of subsidiaries[1]	–	–	582,675	3,556,215	7,589	4,146,479
Additions	–	157,868	–	–	–	157,868
Written off	–	(4,499)	–	–	–	(4,499)
Exchange differences	182	317	35,376	215,909	461	252,245
Assets classified as held for sale	–	(99,755)	–	–	–	(99,755)
As at December 31, 2016	23,926	456,056	618,051	3,772,124	8,050	4,878,207
Accumulated amortization						
As at January 1, 2016	–	(235,461)	–	–	–	(235,461)
Charge for the year	–	(76,531)	–	(105,425)	(450)	(182,406)
Written off	–	4,210	–	–	–	4,210
Exchange differences	–	(358)	–	(4,595)	(20)	(4,973)
Assets classified as held for sale	–	51,507	–	–	–	51,507
As at December 31, 2016	–	(256,633)	–	(110,020)	(470)	(367,123)
Net book value						
As at January 1, 2016	23,744	166,664	–	–	–	190,408
As at December 31, 2016	23,926	199,423	618,051	3,662,104	7,580	4,511,084

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

44. Other intangible assets (Continued)

Group (Continued)

	Trading rights	Computer software systems and others	Trade names	Core deposits intangible	Credit card customer relationships	Total
Cost						
As at January 1, 2015	23,679	342,452	–	–	–	366,131
Additions	–	61,546	–	–	–	61,546
Written off	–	(1,873)	–	–	–	(1,873)
Exchange differences	65	–	–	–	–	65
As at December 31, 2015	23,744	402,125	–	–	–	425,869
Accumulated amortization						
As at January 1, 2015	–	(182,153)	–	–	–	(182,153)
Disposal of subsidiaries	–	137	–	–	–	137
Charge for the year	–	(53,475)	–	–	–	(53,475)
Written off	–	30	–	–	–	30
As at December 31, 2015	–	(235,461)	–	–	–	(235,461)
Net book value						
As at January 1, 2015	23,679	160,299	–	–	–	183,978
As at December 31, 2015	23,744	166,664	–	–	–	190,408

(1) The intangible assets which the group recognized due to the acquisition of NCB amounted to RMB4,146.48 million in 2016. Please refer to note VI.78(1).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

44. Other intangible assets (Continued)

Company

	Computer software systems and others	Total
Cost		
As at January 1, 2016	**46,922**	**46,922**
Additions	**10,552**	**10,552**
As at December 31, 2016	**57,474**	**57,474**
Accumulated amortization		
As at January 1, 2016	**(35,606)**	**(35,606)**
Charge for the year	**(7,980)**	**(7,980)**
As at December 31, 2016	**(43,586)**	**(43,586)**
Net book value		
As at January 1, 2016	**11,316**	**11,316**
As at December 31, 2016	**13,888**	**13,888**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

44. Other intangible assets (Continued)

Company (Continued)

	Computer software systems and others	Total
Cost		
As at January 1, 2015	41,150	41,150
Additions	5,772	5,772
As at December 31, 2015	46,922	46,922
Accumulated amortization		
As at January 1, 2015	(25,541)	(25,541)
Charge for the year	(10,065)	(10,065)
As at December 31, 2015	(35,606)	(35,606)
Net book value		
As at January 1, 2015	15,609	15,609
As at December 31, 2015	11,316	11,316

45. 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	
	2016	2015
Deferred tax assets	**5,877,907**	5,029,152
Deferred tax liabilities	**(2,272,446)**	(886,161)
Deferred taxation	**3,605,461**	4,142,991

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

45. Deferred taxation (Continued)

Group (Continued)

(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	Fair value adjustment in business combination	Accrued but not paid staff costs	Interest capitalized on properties held for sale	Tax losses	Provisions	Fair value of financial assets at FVTPL	Available-for-sale financial assets	Temporary differences related the cost of associates[i]	Temporary differences associated with subsidiary held for sale	Others	Total
January 1, 2016	3,667,251	13,800	22,253	161,610	(175,260)	–	555,738	372,446	72,234	116,713	51,885	(678,874)	–	–	(36,805)	4,142,991
Credit/(charge) to profit or loss	810,000	(13,800)	48,281	221,676	12,443	17,469	125,120	107,870	(48,415)	1,266	68,553	–	(1,000,070)	107,533	(33,813)	424,113
Charge to other comprehensive income	64	–	–	–	–	–	–	–	–	–	–	378,627	–	–	(14,656)	364,035
Acquisitions of subsidiaries	68,880	–	–	–	(852,296)	(694,741)	–	–	–	–	–	–	–	–	148,131	(1,330,026)
Others	4,169	–	–	–	(37,037)	(41,418)	162	–	–	–	(3,034)	10,011	–	–	71,495	4,348
December 31, 2016	4,550,364	–	70,534	383,286	(1,052,150)	(718,690)	681,020	480,316	23,819	117,979	117,404	(290,236)	(1,000,070)	107,533	134,352	3,605,461
January 1, 2015	2,681,329	39,315	14,335	93,341	(175,260)	–	581,578	283,588	88,373	63,341	(62,685)	(835,885)	–	–	6,765	2,778,135
Credit/(charge) to profit or loss	683,951	(25,515)	7,918	68,269	–	–	(25,840)	88,858	(16,139)	53,372	114,570	–	–	–	(6,079)	943,365
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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

45. 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	
	2016	2015
Unused tax losses	**4,486,213**	4,368,584
Deductible temporary differences	**3,229,669**	686,910
	7,715,882	5,055,494

As at December 31, 2016, the above unused tax loses would expire from 2017 to 2021 (December 31, 2015: from 2016 to 2020).

Company

	As at December 31	
	2016	2015
Deferred tax assets	**2,752,404**	2,946,723
Deferred tax liabilities	**–**	–
Deferred taxation	**2,752,404**	2,946,723

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

45. 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	Temporary differences related the cost of associates[(i)]	Total
January 1, 2016	**2,726,674**	**13,800**	**219,719**	**97,889**	**254,711**	**(366,070)**	**–**	**2,946,723**
Credit/(charge) to profit or loss	**330,323**	**(13,800)**	**164,726**	**8,826**	**(26,605)**	**–**	**(838,207)**	**(374,737)**
Charge to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**180,418**	**–**	**180,418**
December 31, 2016	**3,056,997**	**–**	**384,445**	**106,715**	**228,106**	**(185,652)**	**(838,207)**	**2,752,404**
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

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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

46. Other assets

Group

	As at December 31	
	2016	2015
Other receivables [(1)]	**7,886,922**	9,471,538
Prepayments	**867,744**	6,678,861
Interest receivable	**3,951,600**	2,538,967
Assets in satisfaction of debts [(2)]	**2,686,779**	1,772,141
Statutory deposits [(3)]	**1,126,075**	1,726,075
Dividends receivable	**2,182,429**	1,316,581
Prepaid taxes	**696,553**	420,963
Land use rights [(4)]	**80,729**	124,870
Long-term prepaid expenses	**256,380**	141,829
Notes receivable	**222,100**	57,005
Precious metals	**206,599**	–
Assets with continuing involvement (Note VI.72)	**2,573,671**	–
Others	**910,479**	581,017
Total	**23,648,060**	24,829,847

Company

	As at December 31	
	2016	2015
Other receivables [(1)]	**1,335,031**	1,067,177
Prepayments	**195,122**	7,269
Interest receivable	**366,303**	101,342
Assets in satisfaction of debts [(2)]	**2,627,458**	1,711,355
Dividends receivable	**2,187,253**	1,130,973
Land use rights [(4)]	**44,458**	45,759
Long-term prepaid expenses	**18,055**	32,368
Notes receivable	**202,300**	56,000
Assets with continuing involvement (Note VI.72)	**2,573,671**	–
Others	**197**	1,490
Total	**9,549,848**	4,153,733

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

46. Other assets (Continued)

(1) Other receivables

Group

	As at December 31	
	2016	2015
Other receivables	**8,710,492**	10,182,752
Less: Allowance for impairment losses	**823,570**	711,214
Net book value	**7,886,922**	9,471,538

Company

	As at December 31	
	2016	2015
Other receivables	**1,395,185**	1,070,013
Less: Allowance for impairment losses	**60,154**	2,836
Net book value	**1,335,031**	1,067,177

Other receivables mainly include guarantee deposits and accounts receivable relating to assets disposal within one year.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

46. Other assets (Continued)

(2) 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	
	2016	2015
Buildings	**2,478,244**	1,667,661
Land use rights	**189,560**	127,937
Others	**120,943**	87,661
Subtotal	**2,788,747**	1,883,259
Less: Allowance for impairment losses	**101,968**	111,118
Net book value	**2,686,779**	1,772,141

Company

	As at December 31	
	2016	2015
Buildings	**2,478,244**	1,606,875
Land use rights	**189,560**	127,937
Others	**58,157**	87,661
Subtotal	**2,725,961**	1,822,473
Less: Allowance for impairment losses	**98,503**	111,118
Net book value	**2,627,458**	1,711,355

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

46. Other assets (Continued)

(3) 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. Statutory deposits outlined above are only allowed to be used in paying off debts during the liquidation by insurance companies.

(4) Land use rights

The carrying amounts of land use rights analyzed by remaining lease term are as follows:

Group

	As at December 31	
	2016	2015
The carrying amounts:		
– on medium-term lease (10 to 50 years)	**80,729**	124,870

Company

	As at December 31	
	2016	2015
The carrying amounts:		
– on medium-term lease (10 to 50 years)	**44,458**	45,759

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

47. Borrowings from central bank

Group and Company

	As at December 31	
	2016	2015
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, 2016, the loans principal has been repaid in full, and the outstanding balance represents interest payable to central bank.

48. Accounts payable to brokerage clients

Group

	As at December 31	
	2016	2015
Personal customers	**13,236,319**	18,696,936
Corporate customers	**3,035,776**	2,836,245
Total	**16,272,095**	21,533,181

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group, and the portion relating to securities brokerage clients amounting to RMB13,475.99 million at December 31, 2016 (December 31, 2015: RMB18,551.80 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

48. Accounts payable to brokerage clients (Continued)

Group (Continued)

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, 2016 and 2015, included in the Group's accounts payable to brokerage clients were cash collateral of approximately RMB1,335.80 million and RMB2,003.59 million received from clients for margin financing and securities lending arrangement.

The Company had no accounts payable to brokerage clients at the end of 2016 and 2015.

49. Financial liabilities at fair value through profit or loss

Group

	As at December 31	
	2016	2015
Derivative financial liabilities (Note VI27.(1))	**853,277**	–
Short positions in exchange fund bills and notes	**2,883,414**	–
Forward payment plan	**2,775,000**	2,775,000
Income guarantee and repurchase commitment	**–**	4,923
Total	**6,511,691**	2,779,923

Company

	As at December 31	
	2016	2015
Forward payment plan	**2,775,000**	2,775,000
Income guarantee and repurchase commitment	**469,454**	832,386
Total	**3,244,454**	3,607,386

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

50. Financial assets sold under repurchase agreements

Group

	As at December 31	
	2016	2015
By collateral type:		
Debt securities	**7,072,213**	6,897,945
Finance lease receivables	**–**	441,500
Loans to margin clients	**800,000**	3,610,000
Total	**7,872,213**	10,949,445

The Company had no financial assets sold under repurchase agreements as at December 31, 2016 and 2015.

51. Placements from banks and financial institutions

Group

	As at December 31	
	2016	2015
Placements from banks	**18,482,558**	230,000
Placements from financial institutions	**5,098,623**	1,577,000
Total	**23,581,181**	1,807,000

Company

	As at December 31	
	2016	2015
Placement from banks	**1,900,000**	–
Total	**1,900,000**	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

52. Borrowings

Group

	As at December 31	
	2016	2015
Banks and other financial institutions borrowings		
Unsecured loans	**419,988,483**	284,441,044
Loans secured by properties	**10,935,181**	8,046,127
Other secured loans	**19,591,099**	24,583,479
Total	**450,514,763**	317,070,650

Loans secured by properties were collateralized by property and equipment, investment properties, properties held for sale at an aggregate carrying amount of RMB15,619 million as at December 31, 2016 (December 31, 2015: RMB14,129 million).

Other secured loans were collateralized by deposits with banks and financial institutions, financial assets at fair value through profit or loss, available-for-sale financial assets, and finance lease receivables at an aggregate carrying amount of RMB6,348 million as at December 31, 2016 (December 31, 2015: RMB9,262 million).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

52. Borrowings (Continued)

Group (Continued)

	As at December 31	
	2016	2015
Carrying amount repayable*:		
Within one year	**287,886,868**	206,775,830
More than one year, but not exceeding two years	**92,278,098**	51,276,320
More than two years, but not exceeding five years	**33,858,511**	57,052,036
More than five years	**536,706**	327,624
Subtotal	**414,560,183**	315,431,810
Carrying amount of borrowings that contain a repayment on demand clause repayable*:		
Within one year	**89,528**	768,593
More than one year, but not exceeding two years	**–**	840,231
More than two years, but not exceeding five years	**13,136,482**	–
More than five years	**22,728,570**	30,016
Subtotal	**35,954,580**	1,638,840
Total	**450,514,763**	317,070,650

* 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)

52. 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	
	2016	2015
Fixed-rate borrowings:		
Within one year	**276,418,584**	189,226,013
More than one year, but not exceeding two years	**68,314,366**	43,604,733
More than two years, but not exceeding five years	**45,546,611**	31,205,996
More than five years	**22,728,570**	–
Total	**413,008,131**	264,036,742

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	
	2016	2015
Effective interest rate		
Fixed-rate borrowings	**1.67% – 9.00%**	1.12% – 10.00%
Variable-rate borrowings	**1.35% – 8.83%**	1.05% – 7.80%

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

52. Borrowings (Continued)

Company

	As at December 31	
	2016	2015
Bank borrowings		
Unsecured loans	**349,563,000**	245,839,500
Carrying amount repayable*:		
Within one year	**246,063,000**	154,476,500
More than one year, but not exceeding two years	**81,500,000**	42,363,000
More than two years, but not exceeding five years	**22,000,000**	49,000,000
Total	**349,563,000**	245,839,500

* 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	
	2016	2015
Fixed-rate borrowings:		
Within one year	**244,063,000**	144,409,500
More than one year, but not exceeding two years	**60,500,000**	40,363,000
More than two years, but not exceeding five years	**22,000,000**	28,000,000
	326,563,000	212,772,500

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)

52. 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	
	2016	2015
Effective interest rate		
Fixed-rate borrowings	**3.30% – 7.10%**	2.80% – 7.20%
Variable-rate borrowings	**4.75% – 4.85%**	4.75% – 5.81%

53. Due to customers

Group

	As at December 31	
	2016	2015
Demand deposits		
Corporate	**39,055,785**	–
Personal	**38,973,172**	–
Time deposits		
Corporate	**72,207,707**	–
Personal	**44,987,910**	–
Guarantee deposits	**9,404,465**	–
Total	**204,629,039**	–

The Company had no due to customers at the end of 2016 and 2015.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

54. Deposits from banks and financial institutions

Group

	As at December 31	
	2016	2015
Banks	**10,775,715**	–
Other financial institutions	**2,529,077**	–
Total	**13,304,792**	–

The Company had no deposits from banks and financial institutions at the end of 2016 and 2015.

55. Accounts payable

Group

	As at December 31	
	2016	2015
Accounts payable associated with real estate business (1)	**2,651,360**	1,769,448
Asset purchase payable	**2,681**	1,281,877
Reinsurance premium payable	**6,470**	991,957
Others	**393,349**	927,493
Total	**3,053,860**	4,970,775

Company

	As at December 31	
	2016	2015
Asset purchase payable	**1,701**	1,281,877
Total	**1,701**	1,281,877

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

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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

56. Investment contract liabilities for policyholders

Group

	Year ended December 31	
	2016	2015
At beginning of the year	**20,057,746**	6,251,226
Deposits received	**14,681,693**	19,358,879
Deposits withdrawn	**(7,545,561)**	(5,549,941)
Others	**(699)**	(2,418)
At end of the year	**27,193,179**	20,057,746

The Company had no investment contract liabilities for policyholders at the end of 2016 and 2015.

57. Tax payable

Group

	As at December 31	
	2016	2015
PRC Enterprise income tax	**1,808,377**	2,273,795
PRC Land appreciation tax	**384,933**	84,860
Hong Kong profits tax	**197,902**	14,439
Total	**2,391,212**	2,373,094

Company

	As at December 31	
	2016	2015
PRC Enterprise income tax	**388,879**	891,378
Total	**388,879**	891,378

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

58. Insurance contract liabilities

Group

	January 1, 2016	Increase	Decrease	December 31, 2016
Short-term insurance contracts				
– Unearned premium reserves	**1,205,686**	**1,316,644**	**(2,436,206)**	**86,124**
– Outstanding claim reserves	**1,018,250**	**2,005,412**	**(2,923,771)**	**99,891**
Long-term life insurance contracts	**26,051,238**	**13,089,286**	**(8,140,512)**	**31,000,012**
Total	**28,275,174**	**16,411,342**	**(13,500,489)**	**31,186,027**

	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

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

	As at December 31, 2016			As at December 31, 2015		
	Within 1 year	**Over 1 year**	**Total**	Within 1 year	Over 1 year	Total
Short-term insurance contracts						
– Unearned premium reserves	**74,684**	**11,440**	**86,124**	1,114,891	90,795	1,205,686
– Outstanding claim reserves	**99,891**	**–**	**99,891**	1,015,765	2,485	1,018,250
Long-term life insurance contracts	**8,526**	**30,991,486**	**31,000,012**	38,330	26,012,908	26,051,238
Total	**183,101**	**31,002,926**	**31,186,027**	2,168,986	26,106,188	28,275,174

The Company had no insurance contract liabilities at the end of 2016 and 2015.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

59. Assets and liabilities classified as held for sale

In 2016, the second extraordinary general meeting for 2016 approved the Company for the undertaking of the disposal of interests in Cinda Property and Casualty Insurance Co., Ltd., a direct owned subsidiary of the Company. The Company entered into the Sale and Purchase Agreement with Shenzhen Investment Holding Co., Ltd. in relation to the proposed sale of 41% of the issued shares of Cinda Property and Casualty Insurance Co., Ltd. The Company classifies all the assets and liabilities of Cinda Property and Casualty Insurance Co., Ltd., as assets and liabilities held for sale.

The major classes of assets and liabilities classified as held for sale as at December 31, 2016 are as follows:

Group

	As at December 31, 2016
Assets classified as held for sale	
Deposits with banks and financial institutions	**328,982**
Financial assets at fair value through profit or loss	**123,447**
Financial assets held under resale agreements	**579,925**
Available-for-sale financial assets	**2,645,056**
Financial assets classified as receivables	**620,000**
Accounts receivables	**246,052**
Statutory deposit	**600,000**
Other receivables	**499,712**
Other assets	**375,720**
Total	**6,018,894**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

59. Assets and liabilities classified as held for sale (Continued)

Group (Continued)

	As at December 31, 2016
Liabilities classified as held for sale	
Financial assets sold under repurchase agreements	**380,500**
Insurance contract liabilities	**2,431,102**
Staff costs payable	**149,910**
Other payables	**297,759**
Other liabilities	**369,342**
Total	**3,628,613**
Cumulative income recognized in other comprehensive income relating to assets classified as held for sale	**12,835**

As at December 31, 2015, the carrying amount of assets classified as held for sale of the Group was RMB2,245.58 million. The Group 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 21% of interests in Bank of Xi'an Co., Ltd.. The transaction was completed in 2016.

Company

As at December 31, 2016, the carrying amount of assets classified as held for sale of the Company was RMB1,878.13 million. The Company signed a sale agreement of shares with Shenzhen Investment Holding Co., Ltd. in December 2016 to dispose 41% of the issued shares of Cinda Property and Casualty Insurance Co., Ltd..

As at December 31, 2015, the carrying amount of the assets classified as held for sale of the Company was RMB2,245.58 million. The Company signed an irrevocable sale agreement of shares with Tang West Market in September 2014 to dispose 21% of interests in Bank of Xi'an Co., Ltd.. The transaction was completed in 2016.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

60. Bonds issued

Group

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at December 31 2016	2015
2012 Financial Bonds (5-year)	*(1)*	**5,000,000**	**RMB**	**2012/11**	**2017/11**	4.65%	**5,034,288**	5,029,991
2014 Financial Bonds (3-year)	*(1)*	**10,000,000**	**RMB**	**2014/5**	**2017/5**	5.20%	**10,298,140**	10,282,074
2014 Financial Bonds (5-year)	*(1)*	**10,000,000**	**RMB**	**2014/5**	**2019/5**	5.35%	**10,282,844**	10,276,441
2015 Financial Bonds (3-year)	*(1)*	**10,000,000**	**RMB**	**2015/5**	**2018/5**	4.10%	**10,229,840**	10,216,111
2015 Financial Bonds (5-year)	*(1)*	**10,000,000**	**RMB**	**2015/5**	**2020/5**	4.30%	**10,232,672**	10,224,648
2015-II Financial Bonds (3-year)	*(1)*	**2,000,000**	**RMB**	**2015/9**	**2018/9**	3.50%	**2,017,205**	2,016,541
2015-II Financial Bonds (5-year)	*(1)*	**4,000,000**	**RMB**	**2015/9**	**2020/9**	3.75%	**4,036,427**	4,035,764
2015-II Financial Bonds (10-year)	*(1)*	**10,000,000**	**RMB**	**2015/9**	**2025/9**	4.60%	**10,111,802**	10,111,113
2016 Tier-II Capital Bonds (10-year)	*(2)*	**10,000,000**	**RMB**	**2016/6**	**2026/6**	3.70%	**10,170,374**	–
Subordinate Bonds	*(3)*	**495,000**	**RMB**	**2011/9**	**2021/9**	7.20%	**–**	504,207
2015 Capital Supplement Bonds	*(4)*	**3,000,000**	**RMB**	**2015/12**	**2025/12**	4.00%	**3,001,018**	3,001,000
2015-I subordinate bonds	*(5)*	**3,000,000**	**RMB**	**2015/2**	**2018/2**	5.90%	**3,156,633**	3,156,148
2015-II subordinate bonds	*(5)*	**3,000,000**	**RMB**	**2015/4**	**2018/4**	6.00%	**3,124,767**	3,124,274
Beneficiary Certificates-II	*(5)*	**1,000,000**	**RMB**	**2015/6**	**2017/6**	6.50%	**1,100,389**	1,034,306
Beneficiary Certificates-III	*(5)*	**101,710**	**RMB**	**2015/7**	**2016/12**	6.25%	**–**	104,835
Beneficiary Certificates-IV	*(5)*	**400,000**	**RMB**	**2016/11**	**2017/3**	3.40%	**401,639**	–
Beneficiary Certificates-V	*(5)*	**500,000**	**RMB**	**2016/12**	**2017/3**	3.75%	**501,541**	–
Beneficiary Certificates-VI	*(5)*	**1,000,000**	**RMB**	**2016/12**	**2017/5**	4.32%	**1,002,722**	–
2015 Corporation Bonds	*(6)*	**3,000,000**	**RMB**	**2015/12**	**2023/12**	3.80%	**3,046,125**	2,984,457
2016-I Corporation bonds (8-year)	*(6)*	**2,000,000**	**RMB**	**2016/1**	**2024/1**	3.70%	**2,023,555**	–
2016-I Corporation bonds (5-year)	*(7)*	**3,000,000**	**RMB**	**2016/5**	**2021/5**	4.70%	**3,008,699**	–
2016-II Corporation bonds (5-year)	*(7)*	**5,000,000**	**RMB**	**2016/8**	**2021/8**	4.00%	**5,059,490**	–
2015-I mid-term notes	*(8)*	**1,500,000**	**RMB**	**2015/6**	**2020/6**	5.80%	**1,549,726**	1,599,783
2015-II mid-term notes	*(8)*	**1,400,000**	**RMB**	**2015/8**	**2020/8**	5.50%	**1,426,375**	1,453,779
2015-III mid-term notes	*(8)*	**100,000**	**RMB**	**2015/12**	**2020/12**	5.50%	**100,181**	100,510
2016-I Corporation bonds (5-year)	*(9)*	**2,500,000**	**RMB**	**2016/3**	**2021/2**	3.80%	**2,575,570**	–
2016-II Corporation bonds (5-year)	*(9)*	**500,000**	**RMB**	**2016/3**	**2021/3**	3.50%	**513,147**	–
2016-I Corporation bonds (3-year)	*(10)*	**3,000,000**	**RMB**	**2016/5**	**2019/5**	5.56%	**3,098,113**	–
2016-II Corporation bonds (3-year)	*(10)*	**3,000,000**	**RMB**	**2016/8**	**2019/8**	4.50%	**3,047,076**	–
2016-I Financial Bonds (3-year)	*(11)*	**2,000,000**	**RMB**	**2016/6**	**2019/6**	3.81%	**2,040,802**	–
2016-II Financial Bonds (3-year)	*(11)*	**3,000,000**	**RMB**	**2016/8**	**2019/8**	3.15%	**3,033,801**	–
HKD Bonds	*(12)*	**20,000**	**HKD**	**2013/9**	**2018/9**	4.00%	**18,818**	16,756
HKD Bonds	*(12)*	**4,000**	**HKD**	**2013/10**	**2018/10**	4.00%	**3,751**	3,351
HKD Bonds	*(12)*	**10,000**	**HKD**	**2013/12**	**2018/12**	4.00%	**9,332**	8,378
HKD Bonds	*(12)*	**20,000**	**HKD**	**2014/7**	**2019/7**	4.00%	**18,934**	16,756
HKD Bonds	*(12)*	**12,000**	**HKD**	**2014/9**	**2019/9**	4.00%	**11,295**	10,054
HKD Bonds	*(12)*	**10,000**	**HKD**	**2014/10**	**2019/9**	4.00%	**9,366**	8,378
HKD Bonds	*(12)*	**10,000**	**HKD**	**2016/3**	**2021/3**	4.00%	**9,228**	–
USD Guaranteed Senior Notes	*(13)*	**1,000,000**	**USD**	**2014/5**	**2019/5**	4.00%	**6,917,650**	6,470,407
USD Guaranteed Senior Notes	*(13)*	**500,000**	**USD**	**2014/5**	**2024/5**	5.625%	**3,455,465**	3,239,862
USD Guaranteed Senior Notes	*(14)*	**230,000**	**USD**	**2014/12**	**2029/12**	5.20%	**1,584,999**	1,483,171
USD Guaranteed Senior Notes	*(14)*	**90,000**	**USD**	**2015/2**	**2029/12**	5.20%	**628,413**	586,060
USD Guaranteed Senior Notes	*(14)*	**1,300,000**	**USD**	**2015/4**	**2020/4**	3.125%	**9,053,838**	8,439,165
USD Guaranteed Senior Notes	*(14)*	**1,700,000**	**USD**	**2015/4**	**2025/4**	4.25%	**11,857,604**	11,055,792
USD Guaranteed Senior Notes	*(14)*	**100,000**	**USD**	**2015/2**	**2030/2**	5.20%	**702,083**	655,780
USD Guaranteed Senior Notes	*(14)*	**80,000**	**USD**	**2015/3**	**2022/3**	4.45%	**560,068**	523,480
2016 Corporation bonds (5-year)	*(15)*	**600,000**	**RMB**	**2016/4**	**2021/4**	4.60%	**617,558**	–
2016 Corporation bonds (4-year)	*(16)*	**800,000**	**RMB**	**2016/4**	**2020/4**	4.98%	**826,623**	–
2016-I Financial Bonds	*(17)*	**500,000**	**RMB**	**2016/12**	**2021/12**	4.67%	**500,768**	–
16 NCB China CD001	*(18)*	**500,000**	**RMB**	**2016/11**	**2017/11**	3.25%	**486,806**	–
Total							**152,497,560**	111,773,372

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

60. Bonds issued (Continued)

Company

							As at December 31	
Bond Name	*Note*	**Face Value**	**Currency**	**Issue Date**	**Maturity Date**	**Bond Rate**	**2016**	2015
2012 Financial Bonds (5-year)	*(1)*	**5,000,000**	**RMB**	**2012/11**	**2017/11**	4.65%	**5,031,321**	5,023,593
2014 Financial Bonds (3-year)	*(1)*	**10,000,000**	**RMB**	**2014/5**	**2017/5**	5.20%	**10,294,916**	10,271,057
2014 Financial Bonds (5-year)	*(1)*	**10,000,000**	**RMB**	**2014/5**	**2019/5**	5.35%	**10,279,614**	10,265,409
2015 Financial Bonds (3-year)	*(1)*	**10,000,000**	**RMB**	**2015/5**	**2018/5**	4.10%	**10,217,189**	10,194,632
2015 Financial Bonds (5-year)	*(1)*	**10,000,000**	**RMB**	**2015/5**	**2020/5**	4.30%	**10,214,339**	10,201,090
2015-II Financial Bonds (3-year)	*(1)*	**2,000,000**	**RMB**	**2015/9**	**2018/9**	3.50%	**2,010,748**	2,006,502
2015-II Financial Bonds (5-year)	*(1)*	**4,000,000**	**RMB**	**2015/9**	**2020/9**	3.75%	**4,019,685**	4,014,870
2015-II Financial Bonds (10-year)	*(1)*	**10,000,000**	**RMB**	**2015/9**	**2025/9**	4.60%	**10,062,618**	10,057,339
2016 Tier-II Capital Bonds (10-year)	*(2)*	**10,000,000**	**RMB**	**2016/6**	**2026/6**	3.70%	**10,138,777**	–
Total							**72,269,207**	62,034,492

(1) The financial bonds issued by the Company have fixed coupon rates, payable annually.

(2) The tier-II capital bonds issued by the Company have a fixed coupon rate, payable annually, conditionally redeemable on the last day of the fifth year. The Company has the right to early redeem the bonds at face value in full subject to the approval of the China Banking Regulatory Commission.

(3) The subordinate bonds issued by Happy Life Insurance Co., Ltd., a subsidiary of the Company, had a fixed coupon rate, payable annually. The subsidiary had an option to redeem the bonds, in whole or in part, at face value in September 2016. If the subsidiary did not exercise this option, the coupon rate of the bonds would be increased to 9.2% per annum from September 2016 onwards. The subsidiary exercised the option to redeem the subordinate bonds in whole in September 2016.

(4) The capital supplement bonds issued by Happy Life Insurance Co., Ltd., a subsidiary of the Company, have a fixed coupon rate, payable annually. The subsidiary has an option to redeem the bonds in December 2020. If the subsidiary does not exercise this option, the coupon rate of the bonds will be increased to 5% per annum from January 2021 onwards.

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

(6) The corporation bonds issued by Cinda Investment, a subsidiary of the Company, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the fifth year.

(7) The corporation bonds issued by Cinda Investment, a subsidiary of the Company, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the third year.

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

VI. EXPLANATORY NOTES (Continued)

60. Bonds issued (Continued)

(9) The corporation bonds issued by Cinda Real Estate Co., Ltd., a subsidiary of the Cinda Investment, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the third year.

(10) The corporation bonds issued by Cinda Real Estate Co., Ltd., a subsidiary of the Cinda Investment, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the second year.

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

(12) The HKD bonds issued by Cinda International holdings limited, a subsidiary of China Cinda Hong Kong Holdings Company Limited ("Cinda Hong Kong"), have fixed coupon rates, payable semi-annually.

(13) The USD Guaranteed Senior Notes (USD Notes) issued by China Cinda Finance Limited, a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable semi-annually. At any time prior to the date of maturity of the USD Notes, the issuer or Cinda Hong Kong may redeem the USD Notes, in whole or in part, at a redemption price equal to the greater of i) 100% of the principal amount of the USD Notes redeemed or ii) the sum of the present value of the remaining scheduled payments of principal and interest on the USD Notes redeemed (not including interest accrued to the date of redemption), discounted at the US treasury bond rate plus 40 basis points in the case of the 5-year USD Notes and 50 basis points in the case of the 10-year USD Notes, plus any accrued and unpaid interest.

(14) The USD Guaranteed Senior Notes (USD Notes) issued by China Cinda Finance Limited, a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable semi-annually. There is no early redemption option in accordance with relevant subscription agreement.

(15) The corporation bonds issued by Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the third year.

(16) The corporation bonds issued by Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the second year.

(17) The financial bonds issued by Nanyang Commercial Bank (China) Limited ("NCB China"), a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually.

(18) The deposit certificates were issued by NCB China.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

61. Other liabilities

Group

	As at December 31	
	2016	2015
Payables to interest holders of consolidated structured entities (Note VI.39)	**31,318,185**	45,079,078
Other payables	**15,215,302**	10,512,282
Receipts in advance from property sales	**11,847,013**	7,314,973
Risk deposit	**5,748,064**	5,964,340
Staff costs payable(1)	**4,393,873**	3,595,353
Liabilities related to insurance business	**1,668,646**	1,695,456
Interest payable	**2,518,900**	1,501,691
Deferred income related to leasing business	**966,769**	1,237,303
Long-term payable	**1,206,365**	1,002,675
Sundry taxes payable	**588,930**	585,671
Provisions(2)	**620,004**	498,522
Receipts in advance associated with disposal of distressed assets	**411,208**	52,907
Dividends payable	**6,772**	35,081
Items in the process of clearance and settlement	**683,336**	–
Liabilities with continuing involvement (Note VI.72)	**2,573,671**	–
Others	**849,135**	542,835
Total	**80,616,173**	79,618,167

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

61. Other liabilities (Continued)

Group (Continued)

(1) Staff costs payable

	2016			
	As at January 1	**Increase in the current year**	**Decrease in the current year**	**As at December 31**
Wages or salaries, bonuses, allowances and subsidies	**3,102,527**	**5,261,853**	**(4,432,596)**	**3,931,784**
Social insurance	**43,051**	**220,796**	**(198,133)**	**65,714**
Defined contribution plans	**191,134**	**414,844**	**(579,755)**	**26,223**
Defined benefit plans[(i)]	**–**	**97,441**	**(2,122)**	**95,319**
Housing funds	**5,489**	**286,098**	**(285,603)**	**5,984**
Labor union fees and staff education expenses	**230,157**	**151,753**	**(116,418)**	**265,492**
Others	**22,995**	**290,278**	**(309,916)**	**3,357**
Total	**3,595,353**	**6,723,063**	**(5,924,543)**	**4,393,873**

	2015			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	2,472,985	4,223,546	(3,594,004)	3,102,527
Social insurance	30,045	207,798	(194,792)	43,051
Defined contribution plans	73,716	508,601	(391,183)	191,134
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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

61. Other liabilities (Continued)

Group (Continued)

(1) Staff costs payable (Continued)

(i) Defined benefit plans

Movements of retirement benefit of the Group due to acquisition of NCB are as follows:

	2016
At beginning of the year	**–**
Acquisition of subsidiaries	**91,535**
Current service cost	**2,717**
Interest cost	**1,731**
Actuarial losses on remeasurement	**1,457**
Benefit paid	**(2,379)**
Exchange differences	**258**
At end of the year	**95,319**

Principal actuarial assumptions used are as follows:

	As at December 31 2016
Discount rate	**2.2%**
Expected rate of medical insurance cost increases	**6%**
Expected rate of social entertainment cost increases	**0%**
Expected rate of retirement souvenir cost increases	**0%**
Expected rate of rental increases	**3%**
Expected rate of withdrawal	**3%-18%**
Expected death rate	**Hong Kong Life Tables 2012**

(2) Movements of provisions

	Year ended December 31	
	2016	2015
At beginning of the year	**498,522**	284,987
Provided for the year	**219,466**	254,166
Settled/Reversed	**(97,984)**	(40,631)
At end of the year	**620,004**	498,522

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

61. Other liabilities (Continued)

Company

	As at December 31	
	2016	2015
Other payables	**7,700,787**	6,500,505
Staff costs payable(1)	**1,805,476**	1,178,374
Interest payable	**913,819**	1,158,504
Sundry taxes payable	**176,889**	189,936
Provisions(2)	**455,439**	422,439
Receipts in advance associated with disposal of distressed assets	**411,208**	52,907
Liabilities with continuing involvement (Note VI.72)	**2,573,671**	–
Others	**292,177**	175,668
Total	**14,329,466**	9,678,333

(1) Staff costs payable

	2016			
	As at January 1	**Increase in the current year**	**Decrease in the current year**	**As at December 31**
Wages or salaries, bonuses, allowances and subsidies	**1,087,743**	**1,424,911**	**(848,827)**	**1,663,827**
Social insurance	**19,756**	**92,129**	**(70,557)**	**41,328**
Defined contribution plans	**2,657**	**131,017**	**(131,012)**	**2,662**
Housing funds	**85**	**67,064**	**(66,695)**	**454**
Labor union fees and staff education expenses	**66,052**	**64,121**	**(34,294)**	**95,879**
Others	**2,081**	**43,044**	**(43,799)**	**1,326**
Total	**1,178,374**	**1,822,286**	**(1,195,184)**	**1,805,476**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

61. Other liabilities (Continued)

Company (Continued)

(1) Staff costs payable (Continued)

	2015			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	916,878	977,607	(806,742)	1,087,743
Social insurance	11,951	69,024	(61,219)	19,756
Defined contribution plans	2,072	119,486	(118,901)	2,657
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

(2) Movements of provisions

	Year ended December 31	
	2016	2015
At beginning of the year	**422,439**	253,615
Provided for the year	**70,000**	202,670
Settled/Reversed	**(37,000)**	(33,846)
At end of the year	**455,439**	422,439

62. Share capital

Group and Company

	Year ended December 31	
	2016	2015
Authorized, issued and fully paid:		
At beginning of the year	**36,256,690**	36,256,690
Issue of shares	**1,907,845**	–
At end of the year	**38,164,535**	36,256,690

VI. EXPLANATORY NOTES (Continued)

62. Share capital (Continued)

Group and Company (Continued)

A summary of the movements of the Company's issued shares (in thousands of shares) during the year is as follows:

	2016			
	As at January 1	**Issuance**	**Transfer**	**As at December 31**
Domestic shares				
– MOF	**24,596,932**	**–**	**–**	**24,596,932**
H shares	**11,659,758**	**1,907,845**	**–**	**13,567,603**
Total	**36,256,690**	**1,907,845**	**–**	**38,164,535**

	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

As at December 31, 2016, there were 1,907,845 thousand shares subject to lock-up restriction of the Group, and the restricted stock trade period is 12 months (As at December 31, 2015, no shares were subject to lock-up restriction).

On December 29, 2016, the Company completed the issuance of 1,907,845 thousand new H shares under general mandate at RMB2.88 per Share and the price is to be paid in Hong Kong dollars. It had been verified by Ernst & Young Hua Ming LLP with verification report Ernst & Young Hua Ming (2016) Yan Zi No.60933398_A01.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

63. Other Equity Instruments

Group and Company

For the year ended December 31, 2016, the movements of the Company's other equity instruments were as follows:

	As at 1 January 2016		Increase		Decrease		As at December 31, 2016	
	Quantity (shares) *(In '000)*	Carrying Amount *(In '000)*	Quantity (shares) *(In '000)*	Carrying Amount *(In '000)*	Quantity (shares) *(In '000)*	Carrying Amount *(In '000)*	Quantity (shares) *(In '000)*	Carrying Amount *(In '000)*
Preference Shares – 2016 Offshore Preference Shares	–	–	160,000	21,281,215	–	–	160,000	21,281,215
Total	–	–	160,000	21,281,215	–	–	160,000	21,281,215

(1) Pursuant to the approvals by domestic and overseas relevant authorities, the Company issued the U.S. dollar settled Non-Cumulative Perpetual Offshore Preference Shares (the "Offshore Preference Shares") on September 30, 2016. The Offshore Preference Shares have a par value of RMB100 each and are issued as fully paid-up capital in U.S. dollar so that the total issuance price of the Offshore Preference Shares is USD20 each. The total number of the Offshore Preference Shares that have been issued is 160,000,000, and the total proceeds raised is USD3.2 billion. The Offshore Preference Shares will accrue dividends on their liquidation preference during the period from and including the issue date to but excluding the first reset date, at the rate of 4.45% per annum, and thereafter at the relevant reset dividend rate.

VI. EXPLANATORY NOTES (Continued)

63. Other Equity Instruments (Continued)

Group and Company (Continued)

(2) The Offshore Preference Shares are perpetual and have no maturity date. The Offshore Preference Shares are not redeemable at the option of the offshore preference shareholders, and the offshore preference shareholders do not have the right to put back the Offshore Preference Shares to the Company. However, the Company may, subject to the approval from the China Banking Regulatory Commission (the "CBRC") and compliance with the preconditions to the distribution of dividends and redemption set out in the terms and conditions, redeem all or part of the Offshore Preference Shares on the first reset date and on any dividend payment date thereafter. The redemption price for each Offshore Preference Share so redeemed shall be the aggregate of an amount equal to its liquidation preference plus any accrued but unpaid dividends in respect of the period from (and including) the immediately preceding dividend payment date to (but excluding) the date scheduled for redemption.

(3) Save for such dividend at the agreed dividend payout ratio, the offshore preference shareholders shall not be entitled to the distribution of the remaining profits of the Company together with the holders of the ordinary shares. The dividends on preference shares are non-cumulative. The Company shall be entitled to cancel any dividend on the preference shares, and such cancellation shall not be deemed a default. However, if the Company should cancel all or part of the dividends on the Offshore Preference Shares, the Company shall not distribute profits to the holders of ordinary shares since the next day of resolution of shareholder's general meeting till resumption of full payment of dividends on the preference shares. Upon the occurrence of a trigger event for the compulsory conversion of preference shares into ordinary shares per agreement, the Company shall report to the CBRC for review and determination, and the Company is entitled to, without the consent of the offshore preference shareholders, convert the issued and outstanding preference shares into ordinary shares per agreement.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

63. Other Equity Instruments (Continued)

Group and Company (Continued)

(4) The Offshore Preference Shares are classified as other equity instruments and presented as an equity item on statements of financial position. Capital raised from the issuance of the Offshore Preference Shares, after deduction of the commission and the expenses relating to the issuance, would be wholly used to replenish the Company's additional tier 1 capital to support business development.

64. Capital reserve

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

65. Other comprehensive income

Group

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

	Year ended December 31	
	2016	2015
At beginning of the year	**1,109,321**	3,561,773
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	**(1,540,264)**	696,710
Amounts reclassified to profit or loss upon disposal	**(45,743)**	(3,525,858)
Amounts reclassified to profit or loss upon impairment	**(10,415)**	2,163
Income tax effect	**335,271**	452,537
	(1,261,151)	(2,374,448)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

65. Other comprehensive income (Continued)

Group (Continued)

	Year ended December 31 **2016**	2015
Effective portion of changes in fair value of hedging instruments arising during the year	**57,665**	–
Income tax effect	**(14,416)**	–
	43,249	–
Exchange differences arising on translation of foreign operations	**726,599**	(69,110)
Share of other comprehensive income of associates and joint ventures	**(60,015)**	(8,894)
	(551,318)	(2,452,452)
Items not to be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	**1,457**	–
Income tax effect	**(240)**	–
	1,217	–
Subtotal	**(550,101)**	(2,452,452)
At end of the year	**559,220**	1,109,321

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

65. Other comprehensive income (Continued)

Company

	Year ended December 31	
	2016	2015
At beginning of the year	**1,548,215**	2,573,161
Fair value changes on available-for-sale financial assets		
Fair value changes arising during the year	**(1,251,504)**	193,859
Amounts reclassified to profit or loss upon disposal	**464,751**	(1,549,091)
Amounts reclassified to profit or loss upon impairment	**65,080**	1,745
Income tax effect	**180,418**	338,372
Share of other comprehensive income of associates and joint ventures	**(95,506)**	(9,831)
Subtotal	**(636,761)**	(1,024,946)
At end of the year	**911,454**	1,548,215

66. Surplus reserve

Under the PRC Laws, the Company and its domestic subsidiaries are required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital of the entity.

67. General reserve

For the years ended December 31, 2016 and 2015, as approved by the general meetings of the Company and the board of directors meetings of its subsidiaries, the Group transferred a total of RMB3,004.67 million and RMB2,278.20 million, respectively to general reserve pursuant to the regulatory requirements in the PRC, among which, the Company transferred RMB899.95 million and RMB1,689.91 million, respectively to general reserve.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

68. Retained earnings

During the years ended December 31, 2016 and 2015, the retained earnings of the Company were as follows:

Company

	Year ended December 31	
	2016	2015
At beginning of the year	**24,395,959**	21,574,412
Profit for the year	**12,558,607**	8,980,825
Appropriation to surplus reserve	**(1,255,861)**	(898,082)
Appropriation to general reserve	**(899,951)**	(1,689,912)
Dividends recognized as distribution	**(4,209,402)**	(3,571,284)
At end of the year	**30,589,352**	24,395,959

69. Cash and cash equivalents

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

	As at December 31	
	2016	2015
Cash	**505,840**	44,464
Balances with central banks	**3,928,102**	2,330
Deposits with banks and financial institutions	**37,758,793**	33,817,224
Placements with financial institutions	**3,000,000**	300,000
Financial assets held under resale agreements	**37,371,357**	25,098,341
Available-for-sale financial assets	**1,543,557**	3,840,322
Cash and cash equivalents	**84,107,649**	63,102,681

VI. EXPLANATORY NOTES (Continued)

70. Major non-cash transaction

As part of its distressed asset management business, the Group entered into transactions of equity swap with counterparties in the ordinary courses of business during the year. For the year ended December 31, 2016, equity instruments amounting to RMB1,152.99 million (December 31, 2015: RMB1,176.03 million) were swapped with equity instruments held by the Group with carrying value of RMB468.24 million (December 31, 2015: RMB413.77 million).

71. 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, 2016 and 2015, total claim amounts of pending litigations were RMB1,608.41 million and RMB1,845.03 million for the Group and RMB416.87 million and RMB514.27 million for the Company respectively, and provisions of RMB90.51 million and RMB93.90 million for the Group and RMB88.90 million and RMB93.90 million for the Company respectively were made based on court judgments or the advice of legal counsels. The directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group and the Company.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

71. Contingent liabilities and commitments (Continued)

(2) Commitments other than operating lease commitments

Group

	As at December 31	
	2016	2015
Contracted but not provided for		
Commitments for the acquisition of property and equipment	**18,081**	814
Commitments for the acquisition of investments	**62,544**	57,581,040
Total	**80,625**	57,581,854

Company

	As at December 31	
	2016	2015
Contracted but not provided for		
Commitments for the acquisition of property and equipment	**5,833**	814
Total	**5,833**	814

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

71. Contingent liabilities and commitments (Continued)

(3) Operating lease commitments

At the end of 2016 and 2015, 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	
	2016	2015
Within 1 year	**407,544**	232,868
1 to 2 years	**307,838**	120,270
2 to 3 years	**212,392**	72,054
3 to 5 years	**252,562**	30,329
Over 5 years	**66,885**	17,700
Total	**1,247,221**	473,221

Company

	As at December 31	
	2016	2015
Within 1 year	**141,254**	149,272
1 to 2 years	**119,910**	33,083
2 to 3 years	**107,865**	16,290
3 to 5 years	**–**	5,541
Total	**369,029**	204,186

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

71. Contingent liabilities and commitments (Continued)

(4) Credit commitments

	As at December 31	
	2016	2015
Bank bill acceptance	**20,638,657**	–
Loan commitments[(i)]	**9,034,301**	–
Letters of guarantee issued	**3,623,068**	–
Letters of credit issued	**704,809**	–
Undrawn credit card commitments	**2,919,985**	–
Others	**4,313,640**	–
Total	**41,234,460**	–

These credit commitments mainly arise from the banking business of the Group.

(i) Loan commitments represent undrawn loan facilities agreed and granted to customers. Unconditionally revocable loan commitments are not included in loan commitments. As at December 31, 2016, the unconditionally revocable loan commitments of the Group amounted to RMB72,496 million (December 31, 2015: Nil).

(5) Other commitments provided by the Group

As a result of the purchase commitments and guarantees provided by the Group, the Group has the ability to use its power over the structured entities to affect their returns and is exposed to significant variable returns and the structured entities. These structured entities have been consolidated into the Group's financial statements. Please refer to note VI.39.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

72. Transfers of financial assets

(1) Repurchase agreements

The Group entered into sales agreements with certain counterparties on its financial assets, in which the Group was subject to simultaneous agreements with commitments to repurchase these financial assets at specified future dates and prices. As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these financial assets to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these financial assets during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore these financial assets have not been derecognized from the financial statements but regarded as "collateral" for the secured lending from the counterparties. Normally, the counterparties could only claim from the collateral when there is an event of default on the secured lending.

	Carrying amount of pledged assets December 31		Related liabilities December 31	
	2016	2015	**2016**	2015
Held-for-trading debt securities	**130,916**	3,218,605	**120,000**	3,140,591
Available-for-sale debt securities	**7,457,377**	2,474,415	**6,952,213**	2,091,354
Held-to-maturity debt securities	**–**	1,706,436	**–**	1,666,000
Finance lease receivables	**–**	616,430	**–**	441,500
Loans to margin clients	**811,000**	4,045,604	**800,000**	3,610,000
Total	**8,399,293**	12,061,490	**7,872,213**	10,949,445

VI. EXPLANATORY NOTES (Continued)

72. Transfers of financial assets (Continued)

(2) Transfers of rights to distressed debt assets

The Group enters into transactions by which it transfers the rights to distressed debt assets to structured entities. Under such circumstance, the Group partially retains risks and rewards on the transferred distressed assets by holding tranches of the structured entities. The Group will assess whether to derecognize relevant distressed assets or not based on the extent of risks and rewards retained. If the Group neither transfers nor retains substantially all the risks and rewards of the ownership of certain transferred assets and retains the control on the transferred assets, the Group will recognize the assets on the statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the distressed assets. As at December 31, 2016, the carrying amount of continuing involvement assets and liabilities recognized by the Group were both RMB2,573.67 million respectively (As at December 31, 2015: Nil), which are recognized in other assets and other liabilities respectively. The fair value and the maximum risk exposure approximate their carrying amount.

73. 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 and certain of its subsidiaries, 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.

VI. EXPLANATORY NOTES (Continued)

73. Segment information (Continued)

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.

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

The Group adjusted the method of preparation of segment information to be in line with the Group's development plan and the shift in the positions and internal management of subsidiaries. The basis of identifying operating segments in the current year was changed from the major businesses of the Company and its subsidiaries to the nature of the business activities of engagements. The comparable information of the corresponding items in the segment information for the prior year has been restated.

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

Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

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

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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

73. Segment information (Continued)

	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Year ended December 31, 2016					
Income from distressed debt assets classified as receivables	15,656,958	–	–	(117,713)	15,539,245
Fair value changes on distressed debt assets	5,856,710	–	–	(140,482)	5,716,228
Fair value changes on other financial instruments	1,007,394	987,514	665,741	(4,378)	2,656,271
Investment income	7,107,654	6,084,726	5,833,433	(1,034,476)	17,991,337
Net insurance premiums earned	–	–	16,637,847	(2,094)	16,635,753
Interest income	959,152	6,490,818	7,193,625	(137,098)	14,506,497
Revenue from sales of inventories	–	10,954,587	–	–	10,954,587
Commission and fee income	41,615	660,633	3,415,886	(270,063)	3,848,071
Net gains on disposal of subsidiaries, associates and joint ventures	414,005	582,967	–	–	996,972
Other income and other net gains or losses	1,025,825	1,541,647	418,557	(173,763)	2,812,266
Total	32,069,313	27,302,892	34,165,089	(1,880,067)	91,657,227
Interest expense	(13,108,261)	(5,591,234)	(5,042,494)	518,146	(23,223,843)
Insurance costs	–	–	(17,549,048)	–	(17,549,048)
Employee benefits	(1,875,147)	(704,972)	(3,529,532)	–	(6,109,651)
Purchases and changes in inventories	–	(8,478,280)	–	22,495	(8,455,785)
Commission and fee expense	(151,376)	(82,503)	(1,910,352)	21,869	(2,122,362)
Taxes and surcharges	(389,563)	(709,956)	(203,106)	–	(1,302,625)
Depreciation and amortization expenses	(59,991)	(367,297)	(280,834)	(32,303)	(740,425)
Other expenses	(450,470)	(1,762,221)	(2,154,080)	326,503	(4,040,268)
Impairment losses on assets	(1,796,508)	(1,879,142)	(1,086,891)	(51,156)	(4,813,697)
Total	(17,831,316)	(19,575,605)	(31,756,337)	805,554	(68,357,704)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

73. Segment information (Continued)

	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	–	(2,024,497)	(307,246)	–	(2,331,743)
Profit before share of results of associates and joint ventures and tax	14,237,997	5,702,790	2,101,506	(1,074,513)	20,967,780
Share of results of associates and joint ventures	186,808	606,111	4,803	–	797,722
Profit before tax	14,424,805	6,308,901	2,106,309	(1,074,513)	21,765,502
Income tax expense					(5,783,491)
Profit for the year					15,982,011
Capital expenditure	133,710	753,958	436,515	–	1,324,183
As at December 31, 2016					
Segment assets	457,606,682	269,186,552	493,780,081	(51,970,299)	1,168,603,016
Including: Interests in associates and joint ventures	11,977,454	7,281,798	304,348	–	19,563,600
Unallocated assets					5,877,907
Total assets					1,174,480,923
Segment liabilities	381,219,458	218,506,768	465,934,054	(43,428,103)	1,022,232,177
Unallocated liabilities					4,278,725
Total liabilities					1,026,510,902

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

73. Segment information (Continued)

	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Year ended December 31, 2015 (Restated)					
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	6,934,130	2,849,419	4,625,737	(857,057)	13,552,229
Net insurance premiums earned	–	–	12,916,940	(4,748)	12,912,192
Interest income	1,600,655	6,772,578	5,344,034	(200,803)	13,516,464
Revenue from sales of inventories	–	7,637,046	–	–	7,637,046
Commission and fee income	209,412	308,123	4,285,688	(473,714)	4,329,509
Net gains on disposal of subsidiaries, associates and joint ventures	86,284	176,454	148	–	262,886
Other income and other net gains or losses	72,408	1,281,480	77,037	(172,306)	1,258,619
Total	32,552,206	19,274,180	28,971,689	(2,053,936)	78,744,139
Interest expense	(14,868,921)	(3,047,182)	(2,706,452)	437,239	(20,185,316)
Insurance costs	–	–	(13,766,891)	–	(13,766,891)
Employee benefits	(1,360,432)	(720,216)	(3,111,651)	–	(5,192,299)
Purchases and changes in inventories	–	(5,608,570)	–	21,515	(5,587,055)
Commission and fee expense	(4,164)	(52,643)	(1,417,194)	2,153	(1,471,848)
Taxes and surcharges	(1,023,104)	(951,013)	(832,649)	–	(2,806,766)
Depreciation and amortization expenses	(66,826)	(158,409)	(150,749)	(32,303)	(408,287)
Other expenses	(1,097,308)	(1,054,480)	(1,763,668)	509,049	(3,406,407)
Impairment losses on assets	(2,085,126)	(1,855,929)	(435,489)	–	(4,376,544)
Total	(20,505,881)	(13,448,442)	(24,184,743)	937,653	(57,201,413)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

73. Segment information (Continued)

	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
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 joint ventures and tax	12,046,325	3,678,230	4,243,823	(982,653)	18,985,725
Share of results of associates and joint ventures	79,393	211,505	21,277	–	312,175
Profit before tax	12,125,718	3,889,735	4,265,100	(982,653)	19,297,900
Income tax expense					(4,594,014)
Profit for the year					14,703,886
Capital expenditure	404,816	516,944	155,376	–	1,077,136
As at December 31, 2015					
Segment assets	393,186,266	154,734,612	176,834,276	(15,809,631)	708,945,523
Including: Interests in associates and joint ventures	3,914,549	8,105,179	1,250,448	–	13,270,176
Unallocated assets					5,029,152
Total assets					713,974,675
Segment liabilities	336,352,592	123,806,589	150,772,563	(11,025,393)	599,906,351
Unallocated liabilities					3,174,395
Total liabilities					603,080,746

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

74. Related party transactions

(1) The MOF

Group

As at December 31, 2016, the MOF directly owned 64.45% (December 31, 2015: 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	
	2016	2015
Financial assets at fair value through profit or loss	**1,038,680**	–
Available-for-sale financial assets	**1,569,559**	80,627
Held-to-maturity investments	**1,247,255**	117,700
Accounts receivable	**–**	1,597
Interest receivable	**9,834**	32,791

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

	Year ended December 31	
	2016	2015
Interest income	**128,296**	30,203
Interest expense	**–**	163,368

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

74. Related party transactions (Continued)

(1) The MOF (Continued)

Company

The Company had the following balances with the MOF:

	As at December 31	
	2016	2015
Accounts receivable	**–**	1,597

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

	Year ended December 31	
	2016	2015
Interest expense	**–**	163,368

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at December 31	
	2016	2015
Financial assets at fair value through profit or loss	**1,402,521**	1,346,362
Financial assets classified as receivables	**–**	2,267,189
Property and equipment	**18,000**	18,000
Amounts due from subsidiaries	**30,533,368**	282,735
Bonds issued	**144,384**	158,192
Other payables	**191,344**	99,066
Payments received in advance	**323**	71,217
Accounts payable	**–**	5,800

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

74. Related party transactions (Continued)

(2) Subsidiaries (Continued)

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

	Year ended December 31	
	2016	2015
Interest income	**61,559**	6,999
Rental income	**23,331**	29,384
Investment income	**53,709**	39,371
Gains on disposal of distressed debt assets	**153,093**	303,182
Fair value changes on other financial assets	**105,102**	42,127
Dividend income	**2,027,911**	297,878
Commission and fee income	**7,455**	2,245
Commission and fee expense	**1,458**	–
Business and management fees	**253,980**	243,761

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

74. Related party transactions (Continued)

(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	
	2016	2015
Loans and advances to customers	**2,436,572**	2,165,924
Interest receivable	**60,117**	26,187
Accounts receivable	**110,000**	49,500
Prepayment	**–**	171,592
Dividend receivable	**197,256**	3,185
Other receivables	**35,100**	408,862
Risk deposit	**40,000**	40,000
Deferred income related to leasing business	**3,941**	7,431
Other payables	**2,726,203**	141,765

The Group has entered into the following transactions with its associates:

	Year ended December 31	
	2016	2015
Interest income	**336,520**	227,667
Commission and fee income	**17,500**	–
Dividend income	**5,446**	213,406
Net insurance premiums income	**6,362**	11,460
Rental income	**–**	60
Interest expense	**–**	67,955

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

74. Related party transactions (Continued)

(3) Associates (Continued)

Company

The Company has entered into the following transactions with its associates:

	Year ended December 31	
	2016	2015
Dividend income	**5,446**	9,950

(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.

(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	
	2016	2015
Contribution to Defined Contribution Plan	**94,541**	233,872

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

74. Related party transactions (Continued)

(5) Defined Contribution Plan (Continued)

Company

The Company has the following transactions with the Defined Contribution Plan:

	Year ended December 31	
	2016	2015
Contribution to Defined Contribution Plan	**47,917**	44,981

(6) Defined benefit plans

Group

Movements of retirement benefit of the Group due to its subsidiary NCB:

	Year ended December 31	
	2016	2015
Current service cost	**2,717**	–

(7) During the year, the Group did not conduct any connected transactions or continuing connected transactions required to be reported, announced or approved by independent shareholders under Chapter 14A "Connected Transactions" of the Listing Rules.

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management

Overview

The Group's primary objectives of risk management are to ensure (1) the prudent operation and sound business development of the Group; (2) the execution of significant decisions to achieve business targets and ensure operational efficiency; and (3) that risks are managed within a range consistent with our strategies and business targets. Based on this, the Group has designed a series of risk management policies and set up controls to identify, analyze, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews and revises its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The most significant types of risks to the Group are credit risk, market risk and liquidity risk. Market risk includes interest rate risk, currency risk and other price risk.

Risk Management Framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk strategy and risk management policies and evaluating the Group's overall risk exposures regularly.

Within this framework, the Group's senior management has overall responsibility for managing all aspects of risks, including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures relating to risk management. The Risk Management Department and other relevant functional units are responsible for monitoring financial risks.

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management

75.1 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.75.4.

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)

75. Financial risk management (Continued)

75.1 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)

75. Financial risk management (Continued)

75.1 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)

75. Financial risk management (Continued)

75.1 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	
	2016	2015
Balances with central banks	**16,862,125**	2,330
Deposits with banks and financial institutions	**75,801,266**	64,590,885
Deposits with exchanges and others	**2,047,567**	1,364,230
Placements with banks and financial institutions	**26,277,582**	300,000
Financial assets at fair value through profit or loss	**20,765,833**	20,808,493
Financial assets held under resale agreements	**41,973,962**	30,982,266
Available-for-sale financial assets	**104,613,182**	35,499,574
Financial assets classified as receivables	**198,787,226**	181,058,288
Loans and advance to customers	**294,936,591**	104,738,490
Accounts receivables	**3,522,114**	3,434,791
Held-to-maturity investments	**12,635,621**	6,703,763
Other assets	**9,089,830**	4,322,047
Subtotal	**807,312,899**	453,805,157
Off-balance sheet		
Bank bill acceptance	**20,638,657**	–
Loan commitments	**9,034,301**	–
Letters of guarantee issued and other credit commitments	**11,561,502**	–
Subtotal	**41,234,460**	–
Total	**848,547,359**	453,805,157

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.1 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	
	2016	2015
Balances with central banks	**2,347**	2,330
Deposits with banks and financial institutions	**17,325,021**	9,635,986
Placements with banks and financial institutions	**3,000,000**	300,000
Financial assets at fair value through profit or loss	**572,050**	–
Financial assets held under resale agreements	**32,916,015**	21,909,260
Available-for-sale financial assets	**19,870,140**	12,281,523
Financial assets classified as receivables	**187,003,286**	174,862,734
Accounts receivable	**2,077,047**	1,234,057
Amounts due from subsidiaries	**26,050,316**	282,735
Other assets	**3,337,396**	157,342
Total	**292,153,618**	220,665,967

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.1 Credit Risk (Continued)

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

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.75.4. The carrying amounts of distressed debt assets designated as at fair value through profit or loss were RMB94,458.59 million and RMB84,620.66 million for the Group and RMB93,763,78 million and RMB83,264.25 million for the Company as at December 31, 2016 and 2015, respectively.

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)

75. Financial risk management (Continued)

75.1 Credit Risk (Continued)

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

Group

	As at December 31 **2016**	2015
Distressed debt assets classified as receivables	**191,440,447**	169,479,460
Loans and advances to customers	**300,467,358**	108,766,981
Subtotal	**491,907,805**	278,246,441
Allowance for impairment losses		
Distressed debt assets classified as receivables	**(6,993,472)**	(6,334,588)
Loans and advances to customers	**(5,530,767)**	(4,028,491)
Subtotal	**(12,524,239)**	(10,363,079)
Net carrying amounts		
Distressed debt assets classified as receivables	**184,446,975**	163,144,872
Loans and advances to customers	**294,936,591**	104,738,490
Total	**479,383,566**	267,883,362

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.1 Credit Risk (Continued)

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

Company

	As at December 31	
	2016	2015
Distressed debt assets classified as receivables	**191,483,667**	171,189,560
Allowance for impairment losses	**(7,009,873)**	(6,385,431)
Net carrying amounts	**184,473,794**	164,804,129

By geographical area

Group

	As at December 31			
	2016		2015	
Area	**Gross amount**	**%**	Gross amount	%
Overseas	**117,174,711**	**23.8**	2,820,509	1.1
Pearl River Delta	**87,610,925**	**17.8**	55,487,812	19.9
Central Region	**71,222,457**	**14.5**	57,780,355	20.8
Bohai Rim	**71,076,247**	**14.4**	58,712,726	21.1
Yangtze River Delta	**67,898,353**	**13.8**	25,109,766	9.0
Western Region	**65,452,172**	**13.3**	63,532,874	22.8
Northeastern Region	**11,472,940**	**2.4**	14,802,399	5.3
Total	**491,907,805**	**100.0**	278,246,441	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.1 Credit Risk (Continued)

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

By geographical area (Continued)

Company

	As at December 31			
	2016		2015	
Area	**Gross amount**	**%**	Gross amount	%
Central Region	**50,581,184**	**26.4**	38,229,894	22.3
Bohai Rim	**42,157,608**	**22.0**	39,448,602	23.0
Pearl River Delta	**34,905,606**	**18.2**	36,753,676	21.5
Western Region	**31,586,599**	**16.5**	35,429,408	20.7
Yangtze River Delta	**28,910,756**	**15.1**	13,676,294	8.0
Northeastern Region	**3,341,914**	**1.8**	7,651,686	4.5
Total	**191,483,667**	**100.0**	171,189,560	100.0

Notes:

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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.1 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			
	2016		2015	
Industry	**Gross amount**	**%**	Gross amount	%
Corporate business				
Real estate	**208,258,573**	**42.3**	132,091,345	47.5
Manufacturing	**68,349,309**	**13.9**	37,913,951	13.6
Leasing and commercial services	**28,667,429**	**5.8**	6,950,616	2.5
Mining	**27,492,723**	**5.6**	11,009,764	4.0
Wholesale and retail trade	**21,020,811**	**4.3**	13,816,304	4.9
Transportation, logistics and postal services	**19,597,158**	**4.0**	11,314,553	4.1
Finance	**16,807,815**	**3.4**	7,898,254	2.8
Construction	**13,621,145**	**2.8**	10,180,001	3.7
Others	**46,238,722**	**9.4**	38,133,500	13.7
Subtotal	**450,053,685**	**91.5**	269,308,288	96.8
Personal business				
Mortgage	**24,840,116**	**5.0**	–	–
Personal consumption loans	**9,358,059**	**1.9**	–	–
Subtotal	**34,198,175**	**6.9**	–	–
Loans to margin clients	**7,655,945**	**1.6**	8,938,153	3.2
Total	**491,907,805**	**100.0**	278,246,441	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.1 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			
	2016		2015	
Industry	**Gross amount**	**%**	Gross amount	%
Real estate	**100,315,723**	**52.4**	92,820,616	54.2
Manufacturing	**24,560,050**	**12.8**	17,142,248	10.0
Mining	**21,218,346**	**11.1**	4,770,972	2.8
Wholesale and retail trade	**10,734,016**	**5.6**	13,142,585	7.7
Transportation, logistics and postal services	**8,514,307**	**4.4**	6,827,502	4.0
Construction	**5,974,001**	**3.1**	6,204,886	3.6
Leasing and commercial services	**4,734,797**	**2.5**	5,280,277	3.1
Others	**15,432,427**	**8.1**	25,000,474	14.6
Total	**191,483,667**	**100.0**	171,189,560	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.1 Credit Risk (Continued)

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

By security type

Group

	As at December 31			
	2016		2015	
	Gross amount	**%**	Gross amount	%
Unsecured	**110,450,282**	**22.5**	8,302,746	3.0
Guaranteed	**85,886,057**	**17.4**	79,894,103	28.7
Mortgaged	**215,446,716**	**43.8**	135,533,079	48.7
Pledged	**80,124,750**	**16.3**	54,516,513	19.6
Total	**491,907,805**	**100.0**	278,246,441	100.0

Company

	As at December 31			
	2016		2015	
	Gross amount	**%**	Gross amount	%
Unsecured	**7,483,270**	**3.9**	1,135,335	0.7
Guaranteed	**37,735,083**	**19.7**	45,909,249	26.8
Mortgaged	**119,046,864**	**62.2**	99,584,459	58.2
Pledged	**27,218,450**	**14.2**	24,560,517	14.3
Total	**191,483,667**	**100.0**	171,189,560	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.1 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, 2016					Gross amount as at December 31, 2015				
	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	**1,708,491**	**2,998,870**	**1,550,769**	**364,612**	**6,622,742**	1,317,810	2,301,345	1,190,668	284,520	5,094,343
Loans and advances to customers	**1,030,161**	**1,694,632**	**4,924,974**	**49,810**	**7,699,577**	1,013,698	2,788,190	1,642,647	124,923	5,569,458
Total	**2,738,652**	**4,693,502**	**6,475,743**	**414,422**	**14,322,319**	2,331,508	5,089,535	2,833,315	409,443	10,663,801

Company

	Gross amount as at December 31, 2016					Gross amount as at December 31, 2015				
	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	**1,708,491**	**3,010,263**	**1,555,115**	**364,612**	**6,638,481**	1,317,810	1,744,256	1,206,408	284,520	4,552,994

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.1 Credit Risk (Continued)

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

Group

	As at December 31	
	2016	2015
Neither past due nor impaired	**477,564,367**	267,582,640
Past due but not impaired[(1)]	**6,234,340**	3,473,386
Impaired[(2)]	**8,109,098**	7,190,415
Subtotal	**491,907,805**	278,246,441
Allowance for impairment losses	**(12,524,239)**	(10,363,079)
Net carrying amount	**479,383,566**	267,883,362

Company

	As at December 31	
	2016	2015
Neither past due nor impaired	**184,845,186**	166,636,566
Past due but not impaired[(1)]	**3,222,697**	1,512,623
Impaired[(2)]	**3,415,784**	3,040,371
Subtotal	**191,483,667**	171,189,560
Allowance for impairment losses	**(7,009,873)**	(6,385,431)
Net carrying amount	**184,473,794**	164,804,129

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.1 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, 2016					Gross amount as at December 31, 2015				
	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	**1,703,812**	**1,303,790**	**20,095**	**195,000**	**3,222,697**	970,840	1,096,633	2,238	–	2,069,711
Loans and advances to customers	**1,011,394**	**1,178,497**	**803,662**	**18,090**	**3,011,643**	1,013,698	389,099	878	–	1,403,675
Total	**2,715,206**	**2,482,287**	**823,757**	**213,090**	**6,234,340**	1,984,538	1,485,732	3,116	–	3,473,386

Company

	Gross amount as at December 31, 2016					Gross amount as at December 31, 2015				
	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	**1,703,812**	**1,303,790**	**20,095**	**195,000**	**3,222,697**	970,840	539,545	2,238	–	1,512,623

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.1 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, 2016			As at December 31, 2015		
	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	**3,400,045**	**(1,615,224)**	**1,784,821**	3,024,632	(1,285,448)	1,739,184
Loans and advances to customers						
– Individually assessed	**4,696,559**	**(2,066,194)**	**2,630,365**	4,165,783	(1,985,674)	2,180,109
– Collectively assessed	**12,494**	**(375)**	**12,119**	–	–	–
Total	**8,109,098**	**(3,681,793)**	**4,427,305**	7,190,415	(3,271,122)	3,919,293

Company

	As at December 31, 2016			As at December 31, 2015		
	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	**3,415,784**	**(1,630,963)**	**1,784,821**	3,040,371	(1,285,448)	1,754,923

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.1 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	
	2016	2015
Distressed debt assets classified as receivables		
Individually assessed and impaired	**3,400,045**	3,024,632
Individually assessed and impaired as a % of total distressed debt assets classified as receivables	**1.8**	1.8
Fair value of collateral	**7,042,226**	10,268,008

	2016	2015
Loans and advances to customers		
Individually assessed and impaired	**4,696,559**	4,165,783
Individually assessed and impaired as a % of total loans and advances to customers	**1.6**	3.8
Fair value of collateral	**3,134,042**	2,180,252

Company

	As at December 31	
	2016	2015
Distressed debt assets classified as receivables		
Individually assessed and impaired	**3,415,784**	3,040,371
Individually assessed and impaired as a % of total distressed debt assets classified as receivables	**1.8**	1.8
Fair value of collateral	**7,343,917**	10,268,008

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.1 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			
	2016		2015	
Area	**Gross amount**	**%**	Gross amount	%
Pearl River Delta	**1,486,432**	**43.7**	425,849	14.1
Western Region	**733,388**	**21.6**	1,017,193	33.6
Central Region	**485,385**	**14.3**	432,861	14.3
Yangtze River Delta	**427,208**	**12.6**	722,529	23.9
Bohai Rim	**184,512**	**5.4**	347,759	11.5
Northeastern Region	**83,120**	**2.4**	78,441	2.6
Total	**3,400,045**	**100.0**	3,024,632	100.0

Company

	As at December 31			
	2016		2015	
Area	**Gross amount**	**%**	Gross amount	%
Pearl River Delta	**1,486,432**	**43.6**	425,849	14.0
Western Region	**744,781**	**21.8**	1,017,193	33.5
Central Region	**488,331**	**14.3**	432,861	14.2
Yangtze River Delta	**428,608**	**12.5**	738,268	24.3
Bohai Rim	**184,512**	**5.4**	347,759	11.4
Northeastern Region	**83,120**	**2.4**	78,441	2.6
Total	**3,415,784**	**100.0**	3,040,371	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.1 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			
	2016		2015	
Area	**Gross amount**	**%**	Gross amount	%
Western Region	**2,232,005**	**47.4**	2,046,533	49.1
Central Region	**611,290**	**13.0**	966,291	23.2
Pearl River Delta	**533,370**	**11.3**	171,797	4.2
Northeastern Region	**531,889**	**11.2**	509,103	12.2
Yangtze River Delta	**466,435**	**9.9**	191,695	4.6
Bohai Rim	**203,851**	**4.4**	280,364	6.7
Overseas	**130,213**	**2.8**	–	–
Total	**4,709,053**	**100.0**	4,165,783	100.0

(3) Debt restructuring

As at December 31, 2016, the Group's balances of restructured distressed debt assets classified as receivables were RMB1,206 million (December 31, 2015: RMB3,654 million).

As at December 31, 2016, the Group's net carrying amounts of loans and advances to customer were RMB2 million (December 31, 2015: Nil).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.1 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	
	2016	2015
Neither past due nor impaired(1)	**145,908,012**	78,389,002
Past due but not impaired(2)	**–**	–
Impaired(3)	**8,375,046**	3,373,303
Subtotal	**154,283,058**	81,762,305
Allowance for impairment losses	**(1,928,170)**	(837,059)
Net carrying amounts	**152,354,888**	80,925,246

Company

	As at December 31	
	2016	2015
Neither past due nor impaired(1)	**22,510,266**	22,340,128
Past due but not impaired(2)	**–**	–
Impaired(3)	**606,406**	–
Subtotal	**23,116,672**	22,340,128
Allowance for impairment losses	**(144,991)**	–
Net carrying amounts	**22,971,681**	22,340,128

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.1 Credit Risk (Continued)

(vii) Credit quality of investment products (Continued)

(1) Investment products neither past due nor impaired

Group

	As at December 31, 2016					As at December 31, 2015				
	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	**4,606,825**	**14,148,459**	**6,185,527**	**–**	**24,940,811**	149,604	80,627	117,700	–	347,931
Public sector and quasi-government bonds	**1,688,552**	**10,258,889**	**4,655,865**	**–**	**16,603,306**	2,019,729	4,617,214	4,204,904	–	10,841,847
Financial institution bonds	**–**	**16,639,182**	**1,009,626**	**1,109,478**	**18,758,286**	–	1,566,626	1,371,585	–	2,938,211
Corporate bonds	**8,552,309**	**12,472,526**	**784,603**	**–**	**21,809,438**	12,504,036	3,824,121	1,009,574	–	17,337,731
Trust products and rights to trust assets	**–**	**14,399,875**	**–**	**6,765,733**	**21,165,608**	–	8,423,297	–	3,640,485	12,063,782
Wealth management products	**3,984,868**	**6,500,000**	**–**	**–**	**10,484,868**	5,882,728	1,702,930	–	–	7,585,658
Certificates of deposit	**–**	**14,235,718**	**–**	**–**	**14,235,718**	–	3,840,322	–	–	3,840,322
Asset management plans	**–**	**10,660,300**	**–**	**2,182,000**	**12,842,300**	–	8,507,045	–	3,985,500	12,492,545
Asset-backed securities	**58,004**	**1,066,322**	**–**	**–**	**1,124,326**	–	629,974	–	–	629,974
Structured debt arrangements	**–**	**–**	**–**	**1,231,955**	**1,231,955**	–	–	–	10,058,605	10,058,605
Derivative financial assets	**820,826**	**–**	**–**	**–**	**820,826**	252,396	–	–	–	252,396
Embedded derivatives bonds	**171,691**	**–**	**–**	**–**	**171,691**	–	–	–	–	–
Others	**882,758**	**–**	**–**	**836,121**	**1,718,879**	–	–	–	–	–
Subtotal	**20,765,833**	**100,381,271**	**12,635,621**	**12,125,287**	**145,908,012**	20,808,493	33,192,156	6,703,763	17,684,590	78,389,002
Allowance for impairment losses	**–**	**(4,997)**	**–**	**(23,709)**	**(28,706)**	–	–	–	–	–
Total	**20,765,833**	**100,376,274**	**12,635,621**	**12,101,578**	**145,879,306**	20,808,493	33,192,156	6,703,763	17,684,590	78,389,002

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.1 Credit Risk (Continued)

(vii) Credit quality of investment products (Continued)

(1) Investment products neither past due nor impaired (Continued)

Company

	As at December 31, 2016					As at December 31, 2015				
	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
Public sector and quasi-government bonds	–	1,316,070	–	–	1,316,070	–	1,381,299	–	–	1,381,299
Financial institution bonds	–	99,077	–	–	99,077	–	100,809	–	–	100,809
Trust plans and rights to trust assets	–	11,208,629	–	–	11,208,629	–	4,752,445	–	–	4,752,445
Certificates of deposit	–	1,543,557	–	–	1,543,557	–	3,840,322	–	–	3,840,322
Asset management plans	–	4,813,057	–	–	4,813,057	–	1,600,674	–	–	1,600,674
Asset-backed securities	–	889,750	–	–	889,750	–	605,974	–	–	605,974
Structured debt arrangements	–	–	–	1,231,955	1,231,955	–	–	–	10,058,605	10,058,605
Others	572,050	–	–	836,121	1,408,171	–	–	–	–	–
Subtotal	572,050	19,870,140	–	2,068,076	22,510,266	–	12,281,523	–	10,058,605	22,340,128
Allowance for impairment losses	–	–	–	(23,709)	(23,709)	–	–	–	–	–
Total	572,050	19,870,140	–	2,044,367	22,486,557	–	12,281,523	–	10,058,605	22,340,128

(2) Financial assets classified as receivables past due but not impaired

Investment products past due but not impaired of the Group were nil at December 31, 2016 and 2015.

(3) Impaired investment products

The impaired investment products for the Group were corporate bonds, trust products and asset management plans etc. with gross amounts of RMB8,375.05 million and RMB3,373.30 million as at December 31, 2016 and 2015. The Group made allowances for impairment losses of RMB1,899.46 million and RMB837.06 million as at December 31, 2016 and 2015, respectively.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.1 Credit Risk (Continued)

(viii) Investment products analyzed by credit rating from reputable rating agencies

Group

	As at December 31, 2016						As at December 31, 2015					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Government bonds	6,264,381	13,815,336	104,876	–	4,756,218	24,940,811	117,700	29,313	–	–	200,918	347,931
Public sector and quasi-government bonds	1,996,778	2,212,477	–	–	12,394,051	16,603,306	8,591,099	910,541	–	–	1,340,207	10,841,847
Financial institution bonds	3,044,365	409,312	13,536,376	1,531,438	236,795	18,758,286	2,837,401	–	–	–	100,810	2,938,211
Corporate bonds	8,137,816	5,760,682	2,549,192	3,650,947	1,801,476	21,900,113	5,195,299	9,046,323	80,465	1,194,902	1,838,574	17,355,563
Trust products and rights to trust assets	–	–	–	–	23,364,791	23,364,791	1,400,000	5,856,700	–	–	7,325,494	14,582,194
Wealth management products	–	–	–	–	10,484,868	10,484,868	–	–	–	–	7,585,658	7,585,658
Certificates of deposit	1,543,557	–	6,465,226	5,239,220	987,715	14,235,718	–	–	–	–	3,840,322	3,840,322
Asset management plans	–	–	–	–	16,542,899	16,542,899	–	6,903,336	–	–	5,589,209	12,492,545
Asset-backed securities	131,442	34,800	–	–	953,087	1,119,329	–	–	–	–	629,974	629,974
Structured debt arrangements	–	–	–	–	1,231,955	1,231,955	–	–	–	–	10,058,605	10,058,605
Derivative financial assets	–	–	–	–	820,826	820,826	–	–	–	–	252,396	252,396
Embedded derivatives bonds	–	–	–	–	171,691	171,691	–	–	–	–	–	–
Others	–	–	–	–	2,180,295	2,180,295	–	–	–	–	–	–
Total	21,118,339	22,232,607	22,655,670	10,421,605	75,926,667	152,354,888	18,141,499	22,746,213	80,465	1,194,902	38,762,167	80,925,246

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.1 Credit Risk (Continued)

(viii) Investment products analyzed by credit rating from reputable rating agencies (Continued)

Company

	As at December 31, 2016						As at December 31, 2015					
	AAA	**AA**	**A**	**Below A**	**Unrated**	**Total**	AAA	AA	A	Below A	Unrated	Total
Public sector and quasi-government bonds	**–**	**–**	**–**	**–**	**1,316,070**	**1,316,070**	41,091	–	–	–	1,340,208	1,381,299
Financial institution bonds	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	100,809	100,809
Corporate bonds	**99,077**	**–**	**–**	**–**	**–**	**99,077**	–	–	–	–	–	–
Trust products and rights to trust assets	**–**	**–**	**–**	**–**	**11,208,629**	**11,208,629**	–	–	–	–	4,752,445	4,752,445
Certificates of deposit	**1,543,557**	**–**	**–**	**–**	**–**	**1,543,557**	–	–	–	–	3,840,322	3,840,322
Asset management plans	**–**	**–**	**–**	**–**	**4,813,057**	**4,813,057**	–	–	–	–	1,600,674	1,600,674
Asset-backed securities	**131,442**	**34,800**	**–**	**–**	**723,508**	**889,750**	–	–	–	–	605,974	605,974
Structured debt arrangements	**–**	**–**	**–**	**–**	**1,231,955**	**1,231,955**	–	–	–	–	10,058,605	10,058,605
Others	**–**	**–**	**–**	**–**	**1,869,586**	**1,869,586**	–	–	–	–	–	–
Total	**1,774,076**	**34,800**	**–**	**–**	**21,162,805**	**22,971,681**	41,091	–	–	–	22,299,037	22,340,128

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.2 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)

75. Financial risk management (Continued)

75.2 Market risk (Continued)

Interest rate risk (Continued)

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

Group

	As at December 31, 2016						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	14,553,479	–	–	–	–	2,814,486	17,367,965
Deposits with banks and financial institutions	47,641,532	18,298,245	9,753,989	107,500	–	–	75,801,266
Placements with banks and financial institutions	17,716,177	2,407,863	6,054,542	99,000	–	–	26,277,582
Deposits with exchanges and others	804,301	–	–	–	–	1,243,266	2,047,567
Financial assets at fair value through profit or loss	1,753,078	2,053,392	1,406,929	8,496,950	2,683,506	132,651,641	149,045,496
Financial assets classified as receivables	12,424,486	11,359,222	59,864,417	114,939,101	200,000	–	198,787,226
Loans and advances to customers	161,506,423	27,999,794	43,168,254	61,180,374	1,036,828	44,918	294,936,591
Accounts receivable	112,239	2,688	2,481,025	–	–	926,162	3,522,114
Financial assets held under resale agreements	37,231,096	867,046	1,665,048	2,210,772	–	–	41,973,962
Available-for-sale financial assets	13,984,960	13,639,622	19,154,083	53,582,197	9,245,342	102,889,682	212,495,886
Held-to-maturity investments	–	303,752	843,358	7,587,792	3,900,719	–	12,635,621
Other financial assets	611,899	26,394	664,427	632,475	–	7,154,635	9,089,830
Total financial assets	308,339,670	76,958,018	145,056,072	248,836,161	17,066,395	247,724,790	1,043,981,106
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Accounts payable to brokerage clients	(13,475,987)	–	–	–	–	(2,796,108)	(16,272,095)
Due to customers	(132,829,681)	(34,782,072)	(35,900,009)	(1,117,277)	–	–	(204,629,039)
Deposits from banks and financial institutions	(10,804,792)	–	(2,500,000)	–	–	–	(13,304,792)
Placements from banks and financial institutions	(7,734,871)	(6,922,015)	(8,924,295)	–	–	–	(23,581,181)
Financial liabilities at fair value through profit or loss	(1,682,125)	(730,081)	(471,208)	–	–	(3,628,277)	(6,511,691)
Financial assets sold under repurchase agreements	(7,072,213)	(800,000)	–	–	–	–	(7,872,213)
Investment contract liabilities for policyholders	(27,193,179)	–	–	–	–	–	(27,193,179)
Borrowings	(3,521,675)	(17,260,831)	(273,714,378)	(132,363,658)	(23,654,221)	–	(450,514,763)
Bonds issued	–	(900,000)	(17,571,303)	(102,521,252)	(28,671,856)	(2,833,149)	(152,497,560)
Accounts payable	(345,610)	(162)	–	–	–	(2,708,088)	(3,053,860)
Other financial liabilities	–	–	(1,000,000)	(499,275)	(4,902,757)	(21,643,784)	(28,045,816)
Total financial liabilities	(204,660,133)	(61,395,161)	(340,081,193)	(236,501,462)	(57,228,834)	(34,595,464)	(934,462,247)
Interest rate gap	103,679,537	15,562,857	(195,025,121)	12,334,699	(40,162,439)	213,129,326	109,518,859

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.2 Market risk (Continued

Interest rate risk (Continued)

Group (Continued)

	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 balances with central banks	2,330	–	–	–	–	44,464	46,794
Deposits with banks and financial institutions	55,270,449	5,406,598	2,018,338	1,895,500	–	–	64,590,885
Placements with banks and financial institutions	300,000	–	–	–	–	–	300,000
Deposits with exchanges and others	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)

75. Financial risk management (Continued)

75.2 Market risk (Continued)

Interest rate risk (Continued)

Company

	As at December 31, 2016						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	2,347	–	–	–	–	542	2,889
Deposits with banks and financial institutions	12,325,021	5,000,000	–	–	–	–	17,325,021
Placements with banks and financial institutions	3,000,000	–	–	–	–	–	3,000,000
Financial assets at fair value through profit or loss	–	–	–	–	–	95,135,859	95,135,859
Financial assets classified as receivables	12,212,534	11,156,596	56,626,034	107,008,122	–	–	187,003,286
Accounts receivable	–	–	1,988,471	–	–	88,576	2,077,047
Financial assets held under resale agreements	32,125,015	791,000	–	–	–	–	32,916,015
Available-for-sale financial assets	1,672,597	–	100,000	22,109,550	2,861,400	62,249,584	88,993,131
Amounts due from subsidiaries	12,663,846	9,761,187	3,468,500	–	–	156,783	26,050,316
Other financial assets	–	–	–	–	–	3,337,396	3,337,396
Total financial assets	74,001,360	26,708,783	62,183,005	129,117,672	2,861,400	160,968,740	455,840,960
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Placements from banks and financial institutions	–	(1,900,000)	–	–	–	–	(1,900,000)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(3,244,454)	(3,244,454)
Borrowings	–	(10,000,000)	(242,063,000)	(97,500,000)	–	–	(349,563,000)
Bonds issued	–	–	(14,980,928)	(45,790,764)	(9,939,111)	(1,558,404)	(72,269,207)
Accounts payable	–	–	–	–	–	(1,701)	(1,701)
Other financial liabilities	–	–	–	–	–	(4,190,875)	(4,190,875)
Total financial liabilities	–	(11,900,000)	(257,043,928)	(143,290,764)	(9,939,111)	(9,981,492)	(432,155,295)
Interest rate gap	74,001,360	14,808,783	(194,860,923)	(14,173,092)	(7,077,711)	150,987,248	23,685,665

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.2 Market risk (Continued)

Interest rate risk (Continued)

Company (Continued)

	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 balances with central banks	2,329	–	–	–	–	544	2,873
Deposits with banks and financial institutions	7,233,971	2,122,016	280,000	–	–	–	9,635,987
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

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)

75. Financial risk management (Continued)

75.2 Market risk (Continued)

Interest rate risk (Continued)

Interest rate sensitivity analysis

Group

	As at December 31			
	2016		2015	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
+ 100 basis points	**391,942**	**(686,988)**	507,606	(434,880)
- 100 basis points	**(391,942)**	**721,250**	(507,606)	465,749

Company

	As at December 31			
	2016		2015	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
+ 100 basis points	**101,858**	**(63,759)**	111,015	(79,425)
- 100 basis points	**(101,858)**	**67,882**	(111,015)	85,247

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)

75. Financial risk management (Continued)

75.2 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:

<u>Group</u>

	As at December 31, 2016				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central banks	14,646,591	1,391,013	1,311,746	18,615	17,367,965
Deposits with banks and financial institutions	46,561,075	22,908,395	5,939,136	392,660	75,801,266
Placements with banks and financial institutions	6,572,517	16,840,455	2,325,726	538,884	26,277,582
Deposits with exchanges and others	2,035,526	1,873	10,168	–	2,047,567
Financial assets at fair value through profit or loss	120,471,248	18,995,456	9,578,792	–	149,045,496
Financial assets classified as receivables	198,787,226	–	–	–	198,787,226
Loans and advances to customers	168,103,431	50,069,410	73,919,266	2,844,484	294,936,591
Accounts receivable	3,223,299	145,765	153,044	6	3,522,114
Financial assets held under resale agreements	41,973,962	–	–	–	41,973,962
Available-for-sale financial assets	166,842,839	17,191,453	24,563,602	3,897,992	212,495,886
Held-to-maturity investments	12,116,326	330,400	–	188,895	12,635,621
Other financial assets	8,191,106	301,033	560,257	37,434	9,089,830
Total financial assets	789,525,146	128,175,253	118,361,737	7,918,970	1,043,981,106
Borrowings from central bank	(986,058)	–	–	–	(986,058)
Accounts payable to brokerage clients	(16,116,459)	(115,914)	(39,722)	–	(16,272,095)
Due to customers	(72,336,868)	(37,637,210)	(89,453,757)	(5,201,204)	(204,629,039)
Deposits from banks and financial institutions	(12,175,447)	(490,145)	(639,194)	(6)	(13,304,792)
Placements from banks and financial institutions	(12,240,565)	(7,749,627)	(2,692,475)	(898,514)	(23,581,181)
Financial liabilities at fair value through profit or loss	(3,501,963)	(6,737)	(3,002,991)	–	(6,511,691)
Financial assets sold under repurchase agreements	(7,872,213)	–	–	–	(7,872,213)
Investment contract liabilities for policy holders	(27,193,179)	–	–	–	(27,193,179)
Borrowings	(411,203,222)	(4,573,716)	(33,296,131)	(1,441,694)	(450,514,763)
Bonds issued	(117,656,716)	(34,760,120)	(80,724)	–	(152,497,560)
Accounts payable	(2,857,002)	(156,233)	(39,863)	(762)	(3,053,860)
Other financial liabilities	(26,241,688)	(871,572)	(916,342)	(16,214)	(28,045,816)
Total financial liabilities	(710,381,380)	(86,361,274)	(130,161,199)	(7,558,394)	(934,462,247)
Net exposure	79,143,766	41,813,979	(11,799,462)	360,576	109,518,859

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.2 Market risk (Continued)

Foreign exchange risk (Continued)

Group (Continued)

	As at December 31, 2015				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central banks	46,718	60	16	–	46,794
Deposits with banks and financial institutions	54,577,557	7,983,538	2,029,445	345	64,590,885
Deposits with exchanges and others	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

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.2 Market risk (Continued)

Foreign exchange risk (Continued)

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	
	2016	2015
5% appreciation	**(1,518,755)**	594,179
5% depreciation	**1,518,755**	(594,179)

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 profit before tax and equity.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.2 Market risk (Continued)

Price risk (Continued)

Group

	As at December 31			
	2016		2015	
	Profit before tax	**Equity**	Profit before tax	Equity
+1 percent	**1,490,455**	**1,707,094**	1,172,874	1,945,857
-1 percent	**(1,490,455)**	**(1,707,094)**	(1,172,874)	(1,945,857)

75.3 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)

75. Financial risk management (Continued)

75.3 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, 2016							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	12,934,023	3,451,887	14,750	59,260	908,045	–	–	17,367,965
Deposits with banks and financial institutions	16,023,682	11,709,129	19,926,476	18,358,107	9,775,833	107,951	–	75,901,178
Placements with banks and financial institutions	–	–	17,754,307	2,428,011	6,155,932	108,457	–	26,446,707
Deposits with exchanges and others	2,047,567	–	–	–	–	–	–	2,047,567
Financial assets at fair value through profit or loss	123,718,809	9,134,863	1,474,197	2,300,332	2,059,183	11,927,254	3,151,675	153,766,313
Financial assets classified as receivables	9,347,123	–	5,488,734	12,140,256	67,149,728	147,753,000	522,325	242,401,166
Loans and advances to customers	8,693,452	7,105,843	9,032,019	21,228,256	69,101,370	188,878,324	45,250,879	349,290,143
Accounts receivable	891,794	168,658	84,512	2,688	2,518,037	–	–	3,665,689
Financial assets held under resale agreements	–	–	37,323,040	876,910	1,872,334	2,539,382	–	42,611,666
Available-for-sale financial assets	75,598,996	2,250,404	12,679,581	14,283,236	27,462,908	91,277,898	8,692,504	232,245,527
Held-to-maturity investments	–	–	–	303,752	2,382,656	8,918,999	4,033,399	15,638,806
Other financial assets	5,543	306,767	196,458	26,408	1,013,919	3,487,547	513,247	5,549,889
Total financial assets	249,260,989	34,127,551	103,974,074	72,007,216	190,399,945	454,998,812	62,164,029	1,166,932,616

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.3 Liquidity risk (Continued)

Group (Continued)

	As at December 31, 2016							
	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	–	(16,273,387)	–	–	–	–	–	(16,273,387)
Due to customers	–	(88,442,091)	(44,425,177)	(34,888,694)	(36,515,670)	(1,187,019)	–	(205,458,651)
Deposits from banks and financial institutions	–	(10,804,792)	–	–	(2,515,851)	–	–	(13,320,643)
Placements from banks and financial Vinstitutions	–	(48,291)	(7,752,425)	(6,983,685)	(9,014,220)	–	–	(23,798,621)
Financial liabilities at fair value through profit or loss	–	(99,249)	(1,709,191)	(854,714)	(952,531)	(2,899,175)	–	(6,514,860)
Financial assets sold under repurchase agreements	–	–	(7,110,096)	(810,098)	–	–	–	(7,920,194)
Investment contract liabilities for policy holders	–	–	–	–	(101)	(6,490)	(27,186,588)	(27,193,179)
Borrowings	–	–	(2,574,095)	(21,743,722)	(280,763,911)	(153,150,446)	(27,318,744)	(485,550,918)
Bonds issued	–	–	(358)	(1,597,879)	(23,741,687)	(98,197,442)	(54,862,370)	(178,399,736)
Accounts payable	(2,677,382)	(183,047)	(193,269)	(162)	–	–	–	(3,053,860)
Other financial liabilities	(172,110)	(8,321,086)	(880,719)	(34,746)	(3,694,806)	(7,422,324)	(5,047,337)	(25,573,128)
Total financial liabilities	(3,835,550)	(124,171,943)	(64,645,330)	(66,913,700)	(357,198,777)	(262,862,896)	(114,415,039)	(994,043,235)
Net position	245,425,439	(90,044,392)	39,328,744	5,093,516	(166,798,832)	192,135,916	(52,251,010)	172,889,381

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.3 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
Cash and balances with central banks	–	46,794	–	–	–	–	–	46,794
Deposits with banks and financial institutions	–	52,445,206	2,839,395	5,448,278	2,101,294	1,995,625	–	64,829,798
Deposits with exchanges and others	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)

75. Financial risk management (Continued)

75.3 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)

75. Financial risk management (Continued)

75.3 Liquidity risk (Continued)

Company

	As at December 31, 2016							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5years	Over 5 years	Total
Cash and balances with central banks	–	2,889	–	–	–	–	–	2,889
Deposits with banks and financial institutions	–	11,825,021	500,894	5,030,441	–	–	–	17,356,356
Placements with banks and financial institutions	–	–	3,006,822	–	–	–	–	3,006,822
Financial assets at fair value through profit or loss	95,135,859	–	–	–	–	–	–	95,135,859
Financial assets classified as receivables	9,052,863	–	5,388,676	11,777,733	65,795,604	139,727,797	–	231,742,673
Accounts receivable	164,642	13,826	–	–	2,015,194	–	–	2,193,662
Financial assets held under resale agreements	–	–	32,197,099	795,467	–	–	–	32,992,566
Available-for-sale financial assets	46,060,535	–	2,605,382	247,695	1,292,501	40,048,549	4,570,547	94,825,209
Amounts due from subsidiaries	–	8,653,429	4,172,551	9,773,653	3,470,254	–	–	26,069,887
Other financial assets	–	160,602	35,520	–	201,300	2,573,671	–	2,971,093
Total financial assets	150,413,899	20,655,767	47,906,944	27,624,989	72,774,853	182,350,017	4,570,547	506,297,016
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Placements from banks and financial institutions	–	–	–	(1,917,191)	–	–	–	(1,917,191)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(3,244,454)	–	(3,244,454)
Borrowings	–	–	–	(13,369,271)	(244,415,216)	(109,015,528)	–	(366,800,015)
Bonds issued	–	–	–	–	(18,177,500)	(42,610,000)	(23,690,000)	(84,477,500)
Accounts payable	(1,701)	–	–	–	–	–	–	(1,701)
Other financial liabilities	–	(703,385)	–	–	–	(2,573,671)	–	(3,277,056)
Total financial liabilities	(987,759)	(703,385)	–	(15,286,462)	(262,592,716)	(157,443,653)	(23,690,000)	(460,703,975)
Net position	149,426,140	19,952,382	47,906,944	12,338,527	(189,817,863)	24,906,364	(19,119,453)	45,593,041

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.3 Liquidity risk (Continued)

Company (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
Cash and balances with central banks	–	2,873	–	–	–	–	–	2,873
Deposits with banks and financial institutions	–	7,233,971	–	2,141,331	284,654	–	–	9,659,956
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)

75. Financial risk management (Continued)

75.3 Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and financial liabilities

Group

	As at December 31, 2016							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	12,934,023	3,451,887	14,750	59,260	908,045	–	–	17,367,965
Deposits with banks and financial institutions	16,023,682	11,702,902	19,914,948	18,298,245	9,753,989	107,500	–	75,801,266
Placements with banks and financial institutions	–	–	17,716,177	2,407,863	6,054,542	99,000	–	26,277,582
Deposits with exchanges and others	2,047,567	–	–	–	–	–	–	2,047,567
Financial assets at fair value through profit or loss	123,498,473	9,134,863	1,454,441	2,174,964	1,560,953	8,303,682	2,918,120	149,045,496
Financial assets classified as receivables	7,243,928	–	5,180,558	11,375,482	60,648,156	113,839,102	500,000	198,787,226
Loans and advances to customers	6,690,331	6,426,130	8,295,385	18,091,968	57,710,645	160,115,833	37,606,299	294,936,591
Accounts receivable	775,462	168,658	84,512	2,688	2,490,794	–	–	3,522,114
Financial assets held under resale agreements	–	–	37,231,096	867,046	1,665,048	2,210,772	–	41,973,962
Available-for-sale financial assets	75,579,791	2,250,404	12,503,870	13,907,607	23,038,958	77,451,799	7,763,457	212,495,886
Held-to-maturity investments	–	–	–	303,752	843,358	7,587,792	3,900,719	12,635,621
Other financial assets	230,882	342,050	990,337	763,416	2,259,474	3,902,015	601,656	9,089,830
Total financial assets	245,024,139	33,476,894	103,386,074	68,252,291	166,933,962	373,617,495	53,290,251	1,043,981,106

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.3 Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (Continued)

Group (Continued)

	As at December 31, 2016							
	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	–	(16,272,095)	–	–	–	–	–	(16,272,095)
Due to customers	–	(88,442,091)	(44,387,589)	(34,782,072)	(35,900,010)	(1,117,277)	–	(204,629,039)
Deposits from banks and financial institutions	–	(10,804,792)	–	–	(2,500,000)	–	–	(13,304,792)
Placements from banks and financial institutions	–	(47,858)	(7,687,013)	(6,922,015)	(8,924,295)	–	–	(23,581,181)
Financial liabilities at fair value through profit or loss	–	(99,249)	(1,708,742)	(853,981)	(950,544)	(2,899,175)	–	(6,511,691)
Financial assets sold under repurchase agreements	–	–	(7,072,213)	(800,000)	–	–	–	(7,872,213)
Investment contract liabilities for policyholders	–	–	–	–	(101)	(6,490)	(27,186,588)	(27,193,179)
Borrowings	–	–	(2,180,955)	(17,072,831)	(268,303,778)	(139,302,978)	(23,654,221)	(450,514,763)
Bonds issued	–	–	(33,888)	(1,187,577)	(19,983,066)	(84,729,346)	(46,563,683)	(152,497,560)
Accounts payable	(2,677,382)	(183,047)	(193,269)	(162)	–	–	–	(3,053,860)
Other financial liabilities	(172,110)	(8,310,795)	(1,337,720)	(1,097,735)	(4,588,053)	(7,492,066)	(5,047,337)	(28,045,816)
Total financial liabilities	(3,835,550)	(124,159,927)	(64,601,389)	(62,716,373)	(341,149,847)	(235,547,332)	(102,451,829)	(934,462,247)
Net position	241,188,589	(90,683,033)	38,784,685	5,535,918	(174,215,885)	138,070,163	(49,161,578)	109,518,859

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.3 Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (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
Cash and balances with central banks	–	46,794	–	–	–	–	–	46,794
Deposits with banks and financial institutions	–	52,434,874	2,835,575	5,406,598	2,018,338	1,895,500	–	64,590,885
Deposits with exchanges and others	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)

75. Financial risk management (Continued)

75.3 Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (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)

75. Financial risk management (Continued)

75.3 Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (Continued)

Company

	As at December 31, 2016							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,889	–	–	–	–	–	2,889
Deposits with banks and financial institutions	–	11,825,021	500,000	5,000,000	–	–	–	17,325,021
Placements with banks and financial institutions	–	–	3,000,000	–	–	–	–	3,000,000
Financial assets at fair value through profit or loss	95,135,859	–	–	–	–	–	–	95,135,859
Financial assets classified as receivables	7,131,669	–	5,080,865	11,156,596	56,626,034	107,008,122	–	187,003,286
Accounts receivable	74,750	13,826	–	–	1,988,471	–	–	2,077,047
Financial assets held under resale agreements	–	–	32,125,015	791,000	–	–	–	32,916,015
Available-for-sale financial assets	46,060,535	–	2,472,597	–	246,842	35,827,245	4,385,912	88,993,131
Amounts due from subsidiaries	–	8,653,429	4,167,200	9,761,187	3,468,500	–	–	26,050,316
Other financial assets	52,070	160,602	230,440	76,022	244,591	2,573,671	–	3,337,396
Total financial assets	148,454,883	20,655,767	47,576,117	26,784,805	62,574,438	145,409,038	4,385,912	455,840,960
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Placements from banks and financial institutions	–	–	–	(1,900,000)	–	–	–	(1,900,000)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(3,244,454)	–	(3,244,454)
Borrowings	–	–	–	(10,000,000)	(236,063,000)	(103,500,000)	–	(349,563,000)
Bonds issued	–	–	–	–	(16,539,332)	(35,852,699)	(19,877,176)	(72,269,207)
Accounts payable	(1,701)	–	–	–	–	–	–	(1,701)
Other financial liabilities	–	(703,385)	–	(675,621)	(238,198)	(2,573,671)	–	(4,190,875)
Total financial liabilities	(987,759)	(703,385)	–	(12,575,621)	(252,840,530)	(145,170,824)	(19,877,176)	(432,155,295)
Net position	147,467,124	19,952,382	47,576,117	14,209,184	(190,266,092)	238,214	(15,491,264)	23,685,665

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.3 Liquidity risk (Continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (Continued)

Company (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
Cash and balances with central banks	–	2,873	–	–	–	–	–	2,873
Deposits with banks and financial institutions	–	7,233,971	–	2,122,016	280,000	–	–	9,635,987
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

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.4 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)

75. Financial risk management (Continued)

75.4 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)

75. Financial risk management (Continued)

75.4 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)

75. Financial risk management (Continued)

75.4 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)

75. Financial risk management (Continued)

75.4 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)

75. Financial risk management (Continued)

75.4 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.75.1.

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.

75.5 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)

75. Financial risk management (Continued)

75.5 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)

75. Financial risk management (Continued)

75.5 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)

75. Financial risk management (Continued)

75.5 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)

75. Financial risk management (Continued)

75.5 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			
	2016		2015	
	Amount	**%**	Amount	%
Life insurance	**13,632,654**	**80.8**	10,743,164	77.5
Motor vehicle insurance contract	**2,761,469**	**16.3**	2,657,991	19.2
General property insurance	**158,288**	**0.9**	164,727	1.2
Others	**338,978**	**2.0**	288,288	2.1
Total	**16,891,389**	**100.0**	13,854,170	100.0

2.2 The table below summarizes the Group's major type of insurance contract liability:

	Year ended December 31			
	2016		2015	
	Amount	**%**	Amount	%
Life insurance	**30,893,150**	**99.0**	26,023,314	92.0
Motor vehicle commercial insurance	**–**	**0.0**	1,968,813	7.0
Health insurance contract	**237,005**	**0.8**	136,471	0.5
Others	**55,872**	**0.2**	146,576	0.5
Total	**31,186,027**	**100.0**	28,275,174	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

75.5 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			
	2016		2015	
	Profit before tax	**Equity**	Profit before tax	Equity
+1%	**(95,763)**	**(95,763)**	(38,679)	(38,679)
-1%	**95,763**	**95,763**	38,679	38,679

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)

75. Financial risk management (Continued)

75.5 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			
	2016		2015	
	Profit before tax	**Equity**	Profit before tax	Equity
+10bps	**14,147**	**14,147**	13,389	13,389
-10bps	**(14,517)**	**(14,517)**	(13,731)	(13,731)

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			
	2016		2015	
	Profit before tax	**Equity**	Profit before tax	Equity
+10%	**(78,550)**	**(78,550)**	(45,861)	(45,861)
-10%	**78,550**	**78,550**	45,861	45,861

VI. EXPLANATORY NOTES (Continued)

75. Financial risk management (Continued)

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

VI. EXPLANATORY NOTES (Continued)

76. Fair values of financial instruments

Assets and liabilities measured at fair value are classified into the following three levels based on the degree of fair value observability:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly, including bond prices, equity and stock prices, interest rates, foreign exchange rates; and

- Level 3: The management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including discounted cash flow analysis, net asset value and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as level 3. The unobservable inputs which may have impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio, etc.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

76. Fair values of financial instruments (Continued)

76.1. 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			
	2016		2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Financial assets classified as receivables	**198,787,226**	**229,281,162**	181,058,288	190,645,167
Loans and advances to customers	**294,936,591**	**294,936,591**	104,738,490	104,738,490
Accounts receivable	**3,522,114**	**3,500,314**	3,434,791	3,447,781
Held-to-maturity investments	**12,635,621**	**12,764,477**	6,703,763	7,175,562
Total	**509,881,552**	**540,482,544**	295,935,332	306,007,000
Financial liabilities				
Borrowings	**(450,514,763)**	**(451,363,288)**	(317,070,650)	(310,669,924)
Bonds issued	**(152,497,560)**	**(151,872,628)**	(111,773,372)	(112,274,038)
Total	**(603,012,323)**	**(603,235,916)**	(428,844,022)	(422,943,962)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

76. Fair values of financial instruments (Continued)

76.1. Fair values of financial assets and financial liabilities that are not measured on a recurring basis (Continued)

Group

	As at December 31, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Accounts receivable	**–**	**–**	**3,500,314**	**3,500,314**
Financial assets classified as receivables	**–**	**309,459**	**228,971,703**	**229,281,162**
Loans and advances to customers	**–**	**–**	**294,936,591**	**294,936,591**
Held-to-maturity investments	**4,920,059**	**7,525,450**	**318,968**	**12,764,477**
Total	**4,920,059**	**7,834,909**	**527,727,576**	**540,482,544**
Borrowings	**–**	**–**	**(451,363,288)**	**(451,363,288)**
Bonds issued	**–**	**(114,599,975)**	**(37,272,653)**	**(151,872,628)**
Total	**–**	**(114,599,975)**	**(488,635,941)**	**(603,235,916)**

	As at December 31, 2015			
	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)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

76. Fair values of financial instruments (Continued)

76.2. 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 2016	2015	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	**28,478,875**	21,308,087				
Debt securities	**14,483,494**	14,605,346				
– Traded in stock exchange	**7,617,207**	6,404,861	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inter-bank market	**3,790,278**	8,200,485	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
– Traded over the counter	**3,076,009**	–	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Equity instruments listed or traded on exchanges	**8,720,033**	4,508,447				
– Unrestricted listed equity instruments	**8,004,425**	4,508,447	Level 1	• Quoted bid prices in an active market.	N/A	N/A
Manufacturing	**4,076,828**	1,776,525				
Finance	**1,160,798**	241,144				
Mining	**183,807**	116,820				
Production and supply of power, heat, gas and water	**37,936**	256,557				
Real estate	**855,496**	1,043,845				
Information transmission, software and information technology services	**263,761**	91,489				
others	**1,425,799**	982,067				
– Restricted listed equity instruments	**715,608**	–	Level 3	• Option pricing model	• Stock volatility	• The lower the stock volatility, the higher the fair value.
Real estate	**715,608**	–				

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

76. Fair values of financial instruments (Continued)

76.2. 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 2016	2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Mutual funds	**4,454,522**	1,941,898				
– Listed	**1,278,689**	325,706	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Quoted	**2,730,090**	1,616,192	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	445,743	–	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Derivatives[(1)]	**820,826**	252,396				
	308,318	–	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	512,508	–	Level 2	• Valuation techniques based on market data including interest rate and foreign exchange rate.	N/A	N/A
	–	252,396	Level 3	• Note (1)	• Note (1)	• Note (1)
2) Financial assets designated as at fair value through profit or loss	**120,566,621**	95,979,349				
Distressed debt assets	**94,458,586**	84,620,657	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts.	• The higher the recoverable amounts, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rates, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

76. Fair values of financial instruments (Continued)

76.2. 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 2016	2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Debt securities	**364,193**	68,023				
– Traded in stock exchange	**293,175**	18,037	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inactive market	**71,018**	49,986	Level 3	• Discounted cash flow for the debt component and binomial option pricing model for the option component.	• Discount rates that correspond to expected risk level.	• The lower the discount rates, the higher the fair value.
				• Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of counterparty.	• Risk-free rates that are specific to the market.	• The lower the risk-free rate, the higher the fair value.
					• Volatility rates that are in line with those of similar products.	• The lower the volatility rate, the higher the fair value.
Wealth management products issued by banks or other financial institutions	**3,553,188**	5,359,492	Level 2	• Calculated based on the quoted prices of bonds and equity instruments in which the wealth management products invested in.	N/A	N/A
	431,680	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)

76. Fair values of financial instruments (Continued)

76.2. 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 2016	Fair value as at December 31 2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity instruments	**20,646,522**	5,407,941				
– Equity investments in unlisted companies	**20,646,522**	5,407,941	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value.
Asset-backed securities	**58,004**	–	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value.
Embedded derivatives bonds	**171,691**	–	Level 3	• Discounted cash flow for the debt component and binomial option pricing model for the option component.	• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.
Others	**882,757**	–	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

76. Fair values of financial instruments (Continued)

76.2. 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 2016	2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
3) Available-for-sale financial assets	**170,709,358**	77,298,228				
Debt securities	**53,609,731**	10,106,420				
– Traded in stock exchange	**14,194,363**	3,276,488	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inter-bank market	**14,863,482**	6,829,932	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
– Traded over the counter	**24,551,886**	–	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Listed equity instruments	**4,572,322**	16,043,673	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Mining	**990,146**	1,090,603				
– Manufacturing	**1,155,312**	1,922,919				
– Financial service	**645,551**	3,341,098				
– Other industries	**1,781,313**	9,689,053				
Preference shares	**435,549**	400,000				
– Financial service	**435,549**	400,000	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
Restricted equity instruments	**1,295,325**	957,442				
– Mining	**818,594**	957,442	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Financial service	**476,731**	–	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

76. Fair values of financial instruments (Continued)

76.2. 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 2016	2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Certificates of deposit	**14,235,718**	3,840,322	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
Funds	**57,835,164**	22,294,508				
– Listed	**12,659,492**	9,609,427	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Quoted	**13,944,031**	8,207,162	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Investing in entrusted loans	**31,024,882**	4,277,919	Level 3	• Discounted cash flow with future cash flows 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.
– Investing in restricted equity instruments	**206,759**	200,000	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

76. Fair values of financial instruments (Continued)

76.2. 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 2016	2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Trust products and rights to trust assets	**16,486,799**	10,712,882				
– Investing in the underlying assets with open or active market quotations	**70,707**	231,530	Level 2	• Calculated based on the quoted prices of equity instruments on which the trust products invested in.	N/A	N/A
– Others	**16,416,092**	10,481,352	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • 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.
Assets management plans	**12,486,496**	8,507,045				
– Investing in the underlying assets with open or active quotations	**6,720,139**	1,920,972	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
– Investing in debt instruments	**5,766,357**	6,586,073	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

76. Fair values of financial instruments (Continued)

76.2. 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 2016	2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Wealth management products	**6,500,000**	1,702,930				
– Issued by banks or other financial institutions without quoted prices	**6,500,000**	1,702,930	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow.	• 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.
Asset-backed securities	**1,061,325**	629,974	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow.	• The higher the future cash flow, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

76. Fair values of financial instruments (Continued)

76.2. 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 2016	2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Others	**2,190,929**	2,103,032				
– issued by banks or other financial institutions	**587,683**	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. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
– Others	**1,603,246**	1,605,349	Level 2	• Calculated based on the quoted prices of bonds, equity instruments on which the asset portfolios invested in.	N/A	N/A
4) Financial liabilities at fair value through profit or loss	**(6,511,691)**	(2,779,923)				
Exchange-traded derivative financial liabilities	**(110,595)**	–	Level 1	• Quoted bid prices in an active market.	N/A	N/A
The OTC derivative financial liabilities	**(742,682)**	–	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market	N/A	N/A
Short positions in exchange fund bills and notes	**(2,883,414)**	–	Level 2	• Calculated based on quoted prices of bonds, equity instruments on which the asset portfolios invested in.	N/A	N/A

VI. EXPLANATORY NOTES (Continued)

76. Fair values of financial instruments (Continued)

76.2. 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 2016	2015	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Forward payment plan	**(2,775,000)**	(2,775,000)	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected payable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow.	• 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)	Level 3	• Note (1)	• Note (1)	• Note (1)

Note:

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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

76. Fair values of financial instruments (Continued)

76.2. 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, 2016			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	**20,231,904**	**11,377,726**	**117,435,866**	**149,045,496**
Available-for-sale financial assets	**45,370,208**	**62,480,727**	**62,858,423**	**170,709,358**
Total assets	**65,602,112**	**73,858,453**	**180,294,289**	**319,754,854**
Financial liabilities at fair value through profit or loss	**(110,595)**	**(3,626,096)**	**(2,775,000)**	**(6,511,691)**
Total liabilities	**(110,595)**	**(3,626,096)**	**(2,775,000)**	**(6,511,691)**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

76. Fair values of financial instruments (Continued)

76.2. 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, 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	37,136,750	14,828,105	25,333,373	77,298,228
Total assets	50,009,993	28,388,082	116,187,589	194,585,664
Financial liabilities at fair value through profit or loss	–	–	(2,779,923)	(2,779,923)
Total liabilities	–	–	(2,779,923)	(2,779,923)

There were no transfers between Level 1 and 2 during the 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)

76. Fair values of financial instruments (Continued)

76.3. 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, 2016	**90,854,216**	**23,828,685**	**(2,779,923)**
Recognized in profit or loss	**870,651**	**(165,582)**	**–**
Recognized in other comprehensive income	**–**	**407,833**	**–**
Purchases	**92,182,596**	**54,808,658**	**–**
Settlements/disposals at cost	**(66,471,597)**	**(16,021,171)**	**4,923**
As at December 31, 2016	**117,435,866**	**62,858,423**	**(2,775,000)**
Changes in unrealized gains or losses for the year included in profit or loss for assets held at the end of the year	**1,914,531**	**(98,332)**	**–**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

76. Fair values of financial instruments (Continued)

76.3. 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, 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)
Changes in unrealized gains for the year included in profit or loss for assets held at the end of the year	195,956	180,286	170,496

Total gains or losses for the years ended December 31, 2016 and 2015 included in the statement of profit or loss as well as total gains or losses included in the statement of profit or loss relating to financial instruments held as at December 31, 2016 and 2015 are presented in "unrealized gains are included in fair value changes on distressed debt assets", "fair value changes on other financial assets", "impairment losses on assets" depending on the nature or category of the related financial instruments.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

77. Disposal of subsidiaries

During the year, the Group disposed some of its 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	
	2016	2015
Cash received	**1,746,384**	35,173

Analysis of assets and liabilities of the subsidiaries disposed of:

	Year ended December 31	
	2016	2015
Current assets	**641,647**	860,105
Non-current assets	**833,008**	560,804
Current liabilities	**648,548**	813,155
Non-current liabilities	**19,000**	63,622

Net cash flows arising on disposal:

	Year ended December 31	
	2016	2015
Cash consideration received	**1,746,384**	35,173
Less: cash and cash equivalent balances disposed of	**123,419**	2,458
Net cash flows	**1,622,965**	32,715

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

78. Acquisition of subsidiaries

(1) NCB

To improve the Group's capabilities in providing comprehensive and differentiated financial services, enhance and optimise the Group's business model, and promote long-term and sustainable growth, on May 30, 2016, the Group acquired 100% of the issued share capital of NCB for a consideration of equivalent RMB57,345 million. This acquisition has been accounted for using the acquisition method. The amount of goodwill arising as a result of the acquisition was RMB21,799 million. NCB is a commercial bank with its principal operations and branches in Hong Kong and Mainland China. It offers a comprehensive range of personal and commercial banking services to its retail and corporate customers.

The relevant financial information of NCB as at the date of acquisition were as follows:

	As at May 30, 2016 (Carrying Amount)	As at May 30, 2016 (Fair Value)
Cash and bank balances with central banks	38,055,261	38,055,261
Deposits with banks and financial institutions	5,392,171	5,392,171
Loans and advances to customers	141,832,239	141,832,239
Intangible assets	–	4,146,479
Property and equipment	5,898,092	5,898,092
Investment properties	298,535	298,535
Financial assets at fair value through profit or loss	5,396,387	5,396,387
Available-for-sale financial assets	45,932,454	45,932,454
Held-to-maturity investments	2,080,866	2,144,940
Other assets	2,431,986	2,431,986
Less: Due to customers	181,525,077	181,525,077
Deferred tax liabilities	690,067	1,384,808
Financial liabilities at fair value through profit or loss	4,335,433	4,335,433
Other liabilities	28,737,436	28,737,436
Net assets	32,029,978	35,545,790

VI. EXPLANATORY NOTES (Continued)

78. Acquisition of subsidiaries (Continued)

(1) NCB (Continued)

The fair values of loans and advances to customers as at the date of acquisition amounted to RMB141,832.24 million. The gross contractual amounts of loans and advances to customers were RMB143,233.15 million, of which loans and advances to customers of RMB1,400.91 million are expected to be uncollectible.

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

Goodwill arose in the acquisition of NCB because the consideration paid for the acquisition effectively included amounts in relation to the benefit of expected revenue growth, future market development and the assembled workforce of the Group.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

78. Acquisition of subsidiaries (Continued)

(1) NCB (Continued)

Net cash outflow due to acquisition of NCB:

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

From the date of acquisition, the operating results and cash flow that NCB has contributed to the Group are shown as follows:

Revenue	**5,079,448**
Net profit	**1,406,875**
Net cash inflow	**31,075,799**

If the combination had taken place at the beginning of the year, the operating results of the Group during 2016 are shown as follows:

Revenue	**94,747,066**
Net profit	**16,712,190**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

78. Acquisition of subsidiaries (Continued)

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

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

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

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

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

Net cash outflow:

Consideration paid	**35,990**
Less: cash and cash equivalent balances acquired	**–**
Net cash outflow due to the acquisitions	**35,990**

VII. EVENTS AFTER THE REPORTING PERIOD

1. Pursuant to the meeting of the Board of Directors on March 30, 2017, the proposal of the profit appropriations of the Company for the year ended December 31, 2016 is set out as follows:

   (1) An appropriation of RMB1,255.86 million to the statutory surplus reserve;

   (2) An appropriation of RMB1,757.31 million to the general reserve; and

   (3) A dividend of RMB4,656.07 million in total in respect of the year.

   As at December 31, 2016, 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.

2. On 3 March 2017, China Cinda Finance (2017) I Limited, a wholly-owned subsidiary of Cinda Hong Kong, completed issuance of a series of aggregate principal amount of USD3 billion guaranteed senior notes. The notes are guaranteed by Cinda Hong Kong, a wholly-owned subsidiary of the Company, and supported by the Keepwell Deed and a deed of undertaking executed by the Company. Principal terms of each series of the notes as following:

   (1) USD300 million have a tenor of 3 years, with a fixed coupon rate of 3.00%, payable semi-annually;

   (2) USD1,300 million have a tenor of 5 years, with a fixed coupon rate of 3.65%, payable semi-annually;

   (3) USD700 million have a tenor of 7 years, with a fixed coupon rate of 4.10%, payable semi-annually;

   (4) USD700 million have a tenor of 10 years, with a fixed coupon rate of 4.40%, payable semi-annually.

3. Up to the date of the report, the transaction of disposal of 41% of the issued shares of Cinda Property and Casualty Insurance Co., Ltd. is still pending for approval from China Insurance Regulatory Commission.

VIII. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorized by the Board of Directors on March 30, 2017.

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Address: 11-12/F Cinda Building, 19 Fengxiang Road, Nanning, Guangxi Zhuang Autonomous Region
Postal code: 530025
Tel. No.: (0771) 5758678
Fax No.: (0771) 5758600

▲China Cinda Asset Management Co., Ltd. Hainan Branch
Address: 17-18/F, Xinheng Building, 123-8 Binhai Avenue, Longhua District,
Haikou, Hainan
Postal code: 570105
Tel. No.: (0898) 68623128
Fax No.: (0898) 68666962

▲China Cinda Asset Management Co., Ltd. Chongqing Branch
Address: 21&22/F, Block 1, 67 Huangshan Avenue Middle, Yubei District, Chongqing
Postal code: 401121
Tel. No.: (023) 63763613
Fax No.: (023) 63763600

▲China Cinda Asset Management Co., Ltd. Sichuan Branch
Address: 8/F, East Building, La Defense, 1480 North Tianfu Avenue, Chengdu High-tech Zone, Sichuan
Postal code:610042
Tel. No.: (028) 65009800
Fax No.: (028) 65009818

▲China Cinda Asset Management Co., Ltd. Guizhou Branch
Address: 13-14/F, Wengfu International Building, 57 Shinan Road, Nanming District, Guiyang, Guizhou
Postal code: 550002
Tel. No.: (0851) 85252839, 85254513
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
Fax No.: (0871) 63638666

▲China Cinda Asset Management Co., Ltd. Shaanxi Branch
Address: No. 10 Building, South Street, Beilin District, Xi'an, Shaanxi
Postal code: 710002
Tel. No.: (029) 87280910
Fax No.: (029) 87266917

▲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
Postal code: 750002
Tel. No.: (0951) 6029053
Fax No.: (0951) 6021407

▲China Cinda Asset Management Co., Ltd. Gansu Branch
Address: 25-26/F, Gansu Financial International Building, 555 Donggang West Road, Chengguan District, Lanzhou, Gansu
Postal code: 730030
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

▲Nanyang Commercial Bank, Limited
Address: 151 Des Voeux Road, Central, Hong Kong
Tel. No.: (00852) 28520888
Fax No.: (00852) 28153333
Website: http://www.ncb.com.hk

● Nanyang Commercial Bank (China) Limited
Address: Nanyang Commercial Bank Building, No.800 Century Avenue, Pudong New Area, Shanghai, China
Tel. No.: (021) 38566666
Fax No.: (021) 68879800
Postal code: 200120

▲Cinda Securities Co., Ltd.
Address: No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing
Postal code: 100031
National customer service hotline: 95321, 400-800-8899
Tel. No.: (010) 63081000
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: 8/F, Tower 1, Alibaba Building, No. 3331 of Keyuan South Road (Shenzhenwan Bay), Nanshan District, Shenzhen
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: 100033
Tel. No.: (010) 88086816, 88088223
Fax No.: (010) 88086546
Website: www.jingutrust.com

▲Cinda Financial Leasing Co., Ltd.
Address: 2/F, Tower B, East Gate Plaza, 29 Dongzhong Street, Dongcheng District, Beijing
Postal code: 100027
Tel. No.: (010) 64198100
Fax No.: (010) 64159400

▲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
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.
Address: Block A, Beijing International Building, A18 Zhongguancun South Street, Haidian District, Beijing
Postal code: 100081
Tel. No.: (010) 82190995
Fax No.: (010) 82190933

● Cinda Capital Management Co., Ltd.
Address: 5-6/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.