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

(A joint stock company incorporated in the People's Republic of China with limited liability) Stock Code : 01359

Global Offering

Joint Sponsors

BofA Merrill Lynch | Credit Suisse | Goldman Sachs | Morgan Stanley

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

BofA Merrill Lynch | Goldman Sachs | UBS | BOC INTERNATIONAL | Morgan Stanley | Credit Suisse | 建银国际 CCB International

Joint Bookrunners and Joint Lead Managers

Standard Chartered | CICC 中金香港证券 | Jefferies | 信達國際證券有限公司 CINDA INTERNATIONAL SECURITIES LIMITED

ICBC 工银国际 | 農銀國際 ABC INTERNATIONAL | 招銀国际 CMB INTERNATIONAL | 中信証券國際 CITIC Securities International

交銀國際 BOCOM International | CMS 招商证券 | 安信國際 ESSENCE INTERNATIONAL

Sole Financial Advisor

信達國際融資有限公司 CINDA INTERNATIONAL CAPITAL LIMITED

* For identification purposes only

IMPORTANT: If you are in any doubt about this prospectus, you should obtain independent professional advice.

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)

GLOBAL OFFERING

Number of Offer Shares in the Global Offering	:	5,318,840,000 H shares (subject to the Over-allotment Option)
Number of Offer Shares in the International Offering	:	5,052,898,000 H shares (subject to adjustment and the Over-allotment Option)
Number of Hong Kong Offer Shares	:	265,942,000 H shares (subject to adjustment)
Maximum Offer Price	:	HK$3.58 per H share, plus 1% brokerage, SFC transaction levy of 0.003%, and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	RMB1.00 per H share
Stock Code	:	01359

Joint Sponsors

BofA Merrill Lynch, Credit Suisse, Goldman Sachs, Morgan Stanley

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Sole Financial Advisor

信達國際融資有限公司 CINDA INTERNATIONAL CAPITAL LIMITED

Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies" in Appendix VIII to this prospectus, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Hong Kong Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Thursday, December 5, 2013 (Hong Kong time) and, in any event, not later than Wednesday, December 11, 2013 (Hong Kong time). The Offer Price will be not more than HK$3.58 and is currently expected to be not less than HK$3.00 per Offer Share. If, for any reason, the Offer Price is not agreed by Wednesday, December 11, 2013 (Hong Kong time) between the Joint Global Coordinators (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

Applicants for Hong Kong Offer Shares are required to pay, on application, the maximum Offer Price of HK$3.58 for each Hong Kong Offer Share together with a brokerage fee of 1%, a SFC transaction levy of 0.003% and a Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK$3.58.

The Joint Global Coordinators, on behalf of the Underwriters, and with our consent may, where considered appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK$3.00 to HK$3.58) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of our Company at www.cinda.com.cn and on the website of the Hong Kong Stock Exchange at www.hkexnews.hk. Further details are set forth in the sections entitled "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

We are incorporated, and substantially all of our businesses are located, in the PRC. Potential investors should be aware of the differences in the legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investment in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the shares of the Company. Such differences and risk factors are set out in the sections entitled "Risk Factors", "Appendix V—Summary of Principal Legal and Regulatory Provisions" and "Appendix VI—Summary of Articles of Association" in this prospectus.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See the section entitled "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination" in this prospectus.

November 28, 2013

* *For identification purposes only.*

Latest time to complete electronic applications under **White Form eIPO** service through the designated website **www.eipo.com.hk**[2]	11:30 a.m. on Tuesday, December 3, 2013
Application lists open[3]	11:45 a.m. on Tuesday, December 3, 2013
Latest time to lodge **WHITE** and **YELLOW** Application Forms	12:00 noon on Tuesday, December 3, 2013
Latest time to give **electronic application instructions** to HKSCC[4]	12:00 noon on Tuesday, December 3, 2013
Latest time to complete payment of **White Form eIPO** applications by effecting Internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, December 3, 2013
Application lists close	12:00 noon on Tuesday, December 3, 2013
Expected Price Determination Date	Thursday, December 5, 2013
Announcement of: • Offer Price; • the level of applications in the Hong Kong Public Offering; • the level of indications of interest in the International Offering; and • the basis of allocation of the Hong Kong Offer Shares to be published (a) in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese); (b) on our website at **www.cinda.com.cn**[5] and the website of the Hong Kong Exchange and Clearing Limited at **www.hkexnews.hk**[6] on or before	Wednesday, December 11, 2013
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) to be available through a variety of channels (see section headed "How to Apply for Hong Kong Offer Shares—11. Publication of Results") from	Wednesday, December 11, 2013
Result of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) will be available at **www.iporesults.com.hk** with a "search by ID" function	Wednesday, December 11, 2013
H Share certificates in respect of wholly or partially successful applications to be dispatched or deposited into CCASS on or before[7]	Wednesday, December 11, 2013
White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be dispatched on or before[7][8][9]	Wednesday, December 11, 2013
Dealings in H Shares on the Hong Kong Stock Exchange expected to commence at 9:00 a.m. on	Thursday, December 12, 2013

Notes:

(1) All times refer to Hong Kong local time, except as otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set forth in the section headed "Structure of the Global Offering" in this prospectus.

(2) If you have already submitted your application through the designated website at **www.eipo.com.hk** and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. You will not be permitted to submit your application through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications.

(3) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, December 3, 2013, the application lists will not open on that day. See the "How to Apply for Hong Kong Offer Shares—10. Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(4) Applicants who apply for the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed "How to Apply for Hong Kong Offer Shares—6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS" in this prospectus.

(5) None of the website or any of the information contained on the website forms part of this prospectus.

(6) The announcement will be available for viewing on the Hong Kong Stock Exchange's website at **www.hkexnews.hk**.

(7) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all required information may collect refund cheques (where applicable) and H Share certificates (where applicable) in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, December 11, 2013. Applicants being individuals who opt for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who opt for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chop. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to Computershare Hong Kong Investor Services Limited. Uncollected refund cheques and H Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

(8) Applicants who apply through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to their application payment bank account, in the form of e-Refund payment instructions. Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions to the **White Form eIPO** Service Provider, in the form of refund cheques, by ordinary post at their own risk.

(9) Refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the Offer Price is less than the price payable on application.

The H Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement is terminated in accordance with its respective terms prior to 8:00 a.m. on the Listing Date. The Listing Date is expected to be on or about December 12, 2013. Investors who trade the H Shares on the basis of publicly available allocation details prior to the receipt of H Share certificates or prior to the H Share certificates becoming valid certificates of title do so entirely at their own risk.

IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by China Cinda Asset Management Co., Ltd. solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstance. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Joint Sponsors, the Underwriters, any of our or their respective directors, officers, employees, advisors, agents or representatives or any other person or party involved in the Global Offering. Information contained in our website, located at www.cinda.com.cn, does not form part of this prospectus.

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This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you. It should be read in conjunction with this prospectus to ensure its completeness. You should read the whole document including the appendices before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OUR BUSINESS

We are the leading AMC in China. We focus on distressed asset management and provide customized financial solutions and differentiated asset management services to our clients through the synergistic operation of our diversified business platforms.

Our principal business segments include our (i) distressed asset management business, (ii) financial investment and asset management business and (iii) financial services business. The table below sets forth a breakdown of the major business lines and operating entities of each principal business segment.

	Distressed Asset Management	Financial Investment and Asset Management	Financial Services
Business Lines	• Distressed debt asset management • Management of DES Assets • Custody, liquidation and restructuring services for Distressed Entities	• Principal investment • Asset management (Private equity funds) • Others	• Securities and futures • Trust • Financial leasing • Fund management • Insurance
Operating Entities	• Company	• Company • Cinda Investment (Cinda Capital) • Well Kent International • Zhongrun Development	• Cinda Securities • Cinda International • Jingu Trust • Cinda Leasing • First State Cinda Fund • Cinda P&C • Happy Life

Distressed asset management is our core business. We acquire distressed debt assets from financial institutions and non-financial enterprises and conduct the management and disposal of such assets through a variety of means. The ultimate goal of our acquisition, management and disposal is to realize value appreciation of the assets and maximize cash recovery. There are two primary ways in which we conduct our distressed asset management business: (i) acquiring distressed assets at a discount to Original Value and subsequently disposing of the acquired assets to maximize cash recovery, which we refer to as the traditional distressed asset management model (the "Traditional Model"), and (ii) entering into restructuring agreements at the time of acquiring the distressed assets, which we refer to as the acquisition of distressed assets through restructuring model (the "Restructuring Model").

- For the distressed debt assets acquired and disposed of under the Traditional Model ("Traditional Distressed Assets"), we analyze and classify the assets based on their characteristics and tailor our management strategies according to the special features of different assets. We utilize various disposal methods to increase asset value and maximize cash recovery.
- For the distressed debt assets acquired and disposed of under the Restructuring Model ("Restructured Distressed Assets"), we acquire these debts from the creditors and

concurrently enter into restructuring agreements with the debtors. We aim to maximize risk-adjusted return through the implementation of various risk management techniques.

We possess leading capabilities in sourcing, managing and disposing of distressed assets. Our distressed asset management business has achieved a Pre-Tax ROAE of 43.0%, 44.5%, 31.4% and 30.4% (annualized) in 2010, 2011 and 2012 and the six months ended June 30, 2013 respectively. During the Track Record Period, we disposed of DES Assets with a total cost of RMB9,906 million and realized a net disposal gain of RMB13,043 million. Proceeds from disposals of DES Assets were 2.32 times their costs. According to a value report issued by American Appraisal China Limited, an independent valuation specialist, as of June 30, 2013, the Calculated Value of our top 20 Unlisted DES Assets in terms of book value was RMB62,300 million, compared with a book value of RMB27,689 million. As at June 30, 2013, the top 20 Unlisted DES Assets in terms of book value and included in the calculated value report accounted for 80.5% of the total book value of our Unlisted DES Assets. Such Calculated Value is not fair value appraised in accordance with IFRS and you should not place undue reliance on it. We plan to use our reasonable efforts to make meaningful disclosure of the calculated results of the available-for-sale unlisted equity investments on an annual basis after Listing and publish such results via announcement on the website of the Hong Kong Stock Exchange or other appropriate means. The annual disclosure will cover the same top 20 Unlisted DES Assets disclosed in this prospectus so long as such investments are recorded as available-for-sale unlisted equity investments at cost in our Company's financial statements and are not otherwise disposed of in the course of our Company's business.

In arriving at the resulting calculated values, American Appraisal has considered the following principal factors:

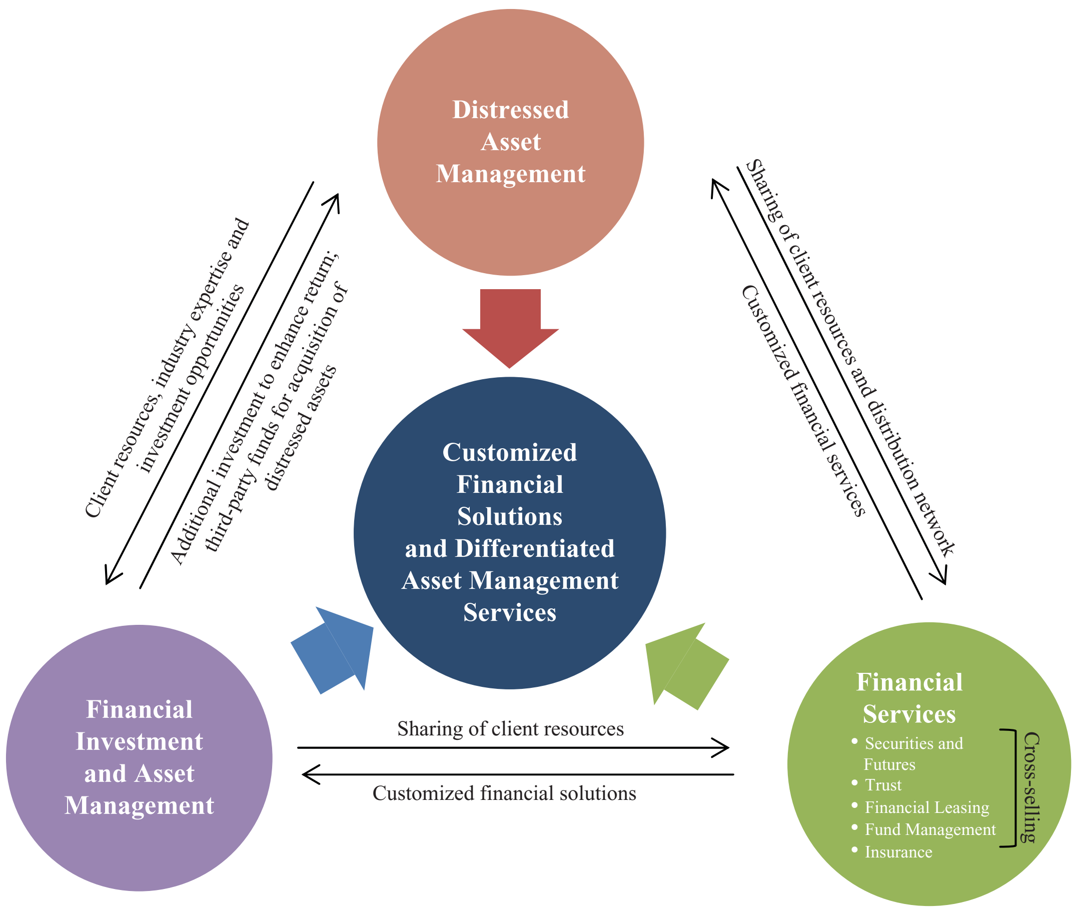
- the stage of development of the top 20 unlisted DES Companies;
- the historical costs and current financial conditions of the top 20 unlisted DES Companies;
- the economic outlook for China and specific competitive environments affecting the industries in which the top 20 unlisted DES Companies operate;
- the legal and regulatory issues of the industries in which the top 20 unlisted DES Companies operate and other specific legal opinions relevant to the top 20 unlisted DES Companies;
- the transaction prices of comparable companies;
- the risks of the top 20 unlisted DES Companies; and
- the experience of the management team of the top 20 unlisted DES Companies.

Due to the changing environments in which the top 20 unlisted DES Companies are operating, a number of assumptions have to be made in arriving at the calculated value. The key assumptions adopted in this calculation engagement are: (1) no major changes are expected in the political, legal and economic conditions in China; (2) the regulatory environment and market conditions for industries in which the top 20 unlisted DES Companies operate will develop according to prevailing market expectations; (3) there will be no major changes in the current taxation law in China; (4) the top 20 unlisted DES Companies will not be constrained by the availability of financing; (5) the future movement of exchange rates and interest rates will not differ materially from prevailing market expectations; and (6) the top 20 unlisted DES Companies will retain competent management, key personnel and technical staff to support their ongoing operations.

For details of risks involved in relying on the Calculated Value, see the section titled "Risk Factors" in this prospectus.

The structural transformation and development of China's economy provides significant opportunities for our distressed asset management business, including an increasing supply of distressed assets from both financial institutions and non-financial enterprises, more active corporate and industry-related M&A and restructuring opportunities and more segmented financial markets and services. We have developed diversified business platforms covering businesses such as securities and futures, trust, financial leasing, fund management, insurance, investment and real estate. Operating synergistically across our diversified business platforms is one of our most important strategies and has become an integral part of our culture embodied in our "One Cinda" principle. As of June 30, 2013, we had established 31 Company Branches in 30 provinces and formed a nation-wide business network. Under the unified management of the Group, our diversified business platforms share the business network, providing a solid base for both the independent business development of each subsidiary and joint business development across subsidiaries.

The diagram below illustrates the synergies between our three principal business segments. For more information on the synergy of our businesses, see the section entitled "Business—Our Principal Businesses" in this prospectus.



Policy Distressed Assets refers to the distressed assets acquired by the Four AMCs at the very beginning of their establishment (from 1999 to 2000) and as directed by the PRC government on a policy basis. The features of Policy Distressed Assets are (x) price for and financing of these distressed asset acquisitions were determined or arranged by the government; (y) the Four AMCs managed and disposed of these distressed assets in accordance with evaluation benchmarks determined by the MOF; and (z) losses incurred by the Four AMCs from acquisition and disposal of Policy Distressed Assets were handled in a manner as proposed by the MOF and approved by the State Council. In accordance with the decision made by the State Council, the Four AMCs, namely Cinda, Great Wall, Orient and Huarong, were established to acquire, manage and dispose of additional Policy Distressed Assets from CCB and CDB, ABC, BOC, and ICBC, respectively. After such acquisitions and as a result of their transition to commercial operations, the Four AMCs have not acquired any Policy Distressed Assets but disposed of the original Policy Distressed Assets that had been acquired. We started the commercial acquisition of Distressed Assets in 2004 and became the first among the Four AMCs to meet the MOF's performance evaluation benchmarks on the disposal of Policy Distressed Assets as at the end of 2005, finishing ahead of schedule and surpassing the MOF's performance benchmarks.

Before we completed the conversion into a joint-stock company in 2010, Cinda Corporation, our predecessor, had substantively disposed of its Policy Distressed Assets and the losses incurred from the acquisition and disposal of such assets were handled in a manner proposed by the MOF and approved by the State Council in 2010. We acquired from the MOF all the remaining Policy Distressed Assets of Cinda Corporation on commercial basis based on an independent valuation at a consideration of approximately RMB48.6 billion. The nature of those assets purchased in this transaction was changed from Policy Distressed Assets to Commercial Distressed Assets because (x) the purchase by us of those assets was commercial in nature and the price was independently determined, rather than as determined by the PRC government and (y) after this acquisition, we managed and assumed losses from those assets on an independent basis, rather than as directed by the PRC government. As a result, after our conversion into a joint-stock company in 2010, as a matter of the nature of business and assets, there were no more Policy Distressed Assets on our balance sheet. Also, during the Track Record Period, we derived all of our revenue and profit related to distressed asset management from the management and disposal of Commercial Distressed Assets. We expect that all of the distressed assets we will acquire going forward will be Commercial Distressed Assets. For further information with respect to the history of our Policy Distressed Assets and its relationship with our business during the Track Record Period, please see "Our History and Corporate Structure." We plan to continue focusing on the PRC market in order to fully capitalize on our strengths and currently do not have significant overseas expansion plans.

SUMMARY OF FINANCIAL INFORMATION AND OPERATION DATA

You should read the summary of historical consolidated financial statements set forth below in conjunction with our consolidated financial statements included in the Accountants' Report set forth in "Appendix I—Accountants' Report" to this prospectus, together with the accompanying notes, which have been prepared in accordance with IFRS. The summary of audited historical consolidated income statements for the years ended December 31, 2010, 2011 and 2012 and six months ended June 30, 2013, unaudited historical consolidated income statement for the six months ended June 30, 2012 and the consolidated statements of financial position as of December 31, 2010, 2011 and 2012 and June 30, 2013 set forth below are derived from our consolidated financial statements, including the notes thereto, which are set forth in "Appendix I—Accountants' Report."

Summary of Historical Consolidated Income Statement Data

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
	(in millions of RMB)				
Income from distressed debt assets classified as receivables[(1)]	—	180.9	3,518.4	1,087.0	4,244.5
Fair value changes on distressed debt assets	5,850.9	4,463.1	3,878.3	1,889.1	1,967.9
Investment income[(2)]	4,834.8	5,779.3	6,528.8	2,701.0	3,908.7
Other income	13,574.7	13,958.8	18,409.7	6,532.5	8,548.3
Total	24,260.4	24,382.1	32,335.2	12,209.6	18,669.4
Costs and other expenses	(12,940.6)	(13,683.2)	(14,901.5)	(6,113.1)	(6,922.4)
Impairment losses on assets[(3)]	(495.7)	(536.5)	(4,601.0)	(952.8)	(3,475.9)
Interest expense	(1,366.3)	(1,807.0)	(3,697.6)	(1,558.4)	(3,155.1)
Total	(14,802.6)	(16,026.7)	(23,200.1)	(8,624.3)	(13,553.4)
Profit before tax	9,956.4	9,058.2	9,595.9	3,883.2	5,137.4
Income tax expense	(2,453.8)	(2,271.9)	(2,378.7)	(901.7)	(1,120.4)
Net profit for the year/period	**7,502.6**	**6,786.3**	**7,217.2**	**2,981.5**	**4,017.0**
Profit attributable to					
Equity holders of the Company	7,399.0	6,762.8	7,306.3	2,985.3	4,064.8
Non-controlling interests	103.6	23.5	(89.1)	(3.8)	(47.8)

(1) Our income from distressed assets, which is classified as different accounting items based on the nature of the assets, includes (i) income from distressed debt assets classified as receivables, which is also known as income from debt restructuring, (ii) fair value changes on distressed debt assets, including realized gains or losses from disposal of distressed debt assets designated as at fair value and unrealized fair value changes on such assets, (iii) 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 (iv) net gains on disposal of assets in satisfaction of debt.
(2) Our investment income includes (i) net realized gains from disposal of available-for-sale financial assets, (ii) interest income from investment securities which consist of available-for-sale financial assets, debt securities classified as receivables and held-to-maturity financial assets, and (iii) dividend income from available-for-sale financial assets.
(3) The following table sets forth, for the years and periods indicated, the breakdown of our impairment losses on assets.

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Distressed debt assets classified as receivables	—	(20.0)	(1,471.7)	(514.6)	(745.7)
Debt securities classified as receivables	—	—	(17.9)	—	—
Available-for-sale financial assets	(454.5)	(246.0)	(3,340.2)	(234.1)	(2,473.7)
Loans and advances to customers	(15.7)	(155.9)	(266.9)	(56.9)	(224.1)
Accounts receivable	34.1	(3.6)	835.4	0.1	(7.3)
Investment properties	—	(12.0)	(1.8)	—	—
Property and equipment	—	(5.0)	(13.2)	—	—
Others	(59.6)	(94.0)	(324.7)	(147.3)	(25.1)
Total	**(495.7)**	**(536.5)**	**(4,601.0)**	**(952.8)**	**(3,475.9)**

Our impairment losses on assets significantly increased from RMB536.5 million in 2011 to RMB4,601.0 million in 2012 and RMB3,475.9 million for the six months ended June 30, 2013, primarily due to the increases in provisions for impairment losses we made on our listed DES Assets, including Chalco.

Summary of Historical Consolidated Statements of Financial Position Data

	As at December 31,			As at June 30, 2013
	2010	2011	2012	
	(in millions of RMB)			
Assets				
Cash and bank balances	33,772.6	27,187.2	42,726.3	29,730.9
Financial assets at fair value through profit or loss	10,101.9	13,402.1	16,923.0	16,689.8
Available-for-sale financial assets	62,155.8	64,382.3	64,376.6	62,673.1
Financial assets classified as receivables	—	12,149.8	51,195.1	80,429.7
Properties held for sale	11,537.2	13,091.8	13,815.4	14,638.7
Other assets	33,133.9	42,910.8	65,578.0	79,390.8
Total assets	**150,701.4**	**173,124.0**	**254,614.4**	**283,553.0**
Liabilities				
Borrowings from central bank	16,464.6	11,310.7	7,053.4	6,872.7
Accounts payable to brokerage clients	13,677.5	8,150.5	6,629.5	6,773.8
Borrowings	7,826.2	25,178.9	76,099.2	104,100.8
Accounts payable	47,219.5	47,994.9	39,539.4	34,425.3
Other liabilities	23,012.0	37,646.3	64,408.1	68,635.1
Total liabilities	**108,199.8**	**130,281.3**	**193,729.6**	**220,807.7**
Equity				
Equity attributable to equity holders of the Company	37,025.4	37,813.1	54,773.6	56,362.6
Non-controlling interests	5,476.2	5,029.6	6,111.2	6,382.7
Total equity	42,501.6	42,842.7	60,884.8	62,745.3
Total equity and liabilities	**150,701.4**	**173,124.0**	**254,614.4**	**283,553.0**

Major Financial Ratios

	For the year ended December 31,			For the six months ended June 30,
	2010	2011	2012	2013[4]
Return on average shareholders' equity[1]	25.5%	18.1%	15.8%	14.6%
Return on average assets[2]	6.3%	4.2%	3.4%	3.0%
Cost-to-income ratio[3]	30.8%	35.2%	29.7%	24.3%

(1) Represents the percentage of profit attributable to the equity holders of the Company 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) For convenience only, the ratios of return on average shareholders' equity and return on average assets for the six months ended June 30, 2013 presented above are annualized amounts derived by multiplying by two the actual ratios for the six months ended June 30, 2013, are not intended to be representative of what the ratios would be for the twelve months ending December 31, 2013 and are not comparable to the ratios in the twelve months ended December 31, 2010, 2011 or 2012.

In 2010, 2011 and 2012, the return on average shareholders' equity was 25.5%, 18.1% and 15.8%, respectively, and return on average assets was 6.3%, 4.2% and 3.4%, respectively. Return on average shareholders' equity and return on average assets decreased from 2010 to 2011 mainly because: (i) the beginning balances of our total assets and total equity in 2010 were relatively low as such balances did not reflect the revaluation gain as a result of the appraisal made in connection with the restructuring and establishment of our Company as a joint stock company in 2010; and (ii) we completed the disposal of a portion of the distressed debt assets and DES Assets in 2010 through which we realized relatively high net gains on these Assets. Return on average shareholders' equity and return on average assets decreased from 2011 to 2012, mainly attributable to: (i) the equity dilution as a result of issuing new shares to strategic investors in 2012; (ii) the additional capital injections into our insurance business to improve its solvency ratio, which lowered overall returns; and (iii) the provisions we made in response to the downturn of the capital markets in 2012 and in accordance with accounting policy which lowered net profit growth, despite the significant increase of profit before impairment losses attributable to the rapid growth of revenue from distressed assets, rapid development of trusts and leasing businesses and our effective cost control.

For the six months ended June 30, 2013, our annualized return on average shareholders' equity and annualized return on average assets were 14.6% and 3.0%, respectively.

Segment Results of Operations

The table below sets out the income and profit before tax of each of our business segments during the Track Record Period.

	For the year ended December 31, 2010			
	Total income	% of total	Profit before tax	% of total
	(in millions of RMB, except percentages)			
Distressed asset management	9,812.6	40.4	7,464.9	75.0
Financial investment and asset management	7,042.8	29.0	2,332.8	23.4
Financial services	7,718.3	31.8	180.3	1.8
Elimination	(313.3)	(1.2)	(21.6)	(0.2)
Total	**24,260.4**	**100.0**	**9,956.4**	**100.0**

	For the year ended December 31, 2011			
	Total income	% of total	Profit before tax	% of total
	(in millions of RMB, except percentages)			
Distressed asset management	9,956.6	40.8	7,201.8	79.5
Financial investment and asset management	5,946.1	24.4	2,488.2	27.5
Financial services	9,230.9	37.9	(207.0)	(2.3)
Elimination	(751.5)	(3.1)	(424.8)	(4.7)
Total	**24,382.1**	**100.0**	**9,058.2**	**100.0**

Total income of our financial investment and asset management segment decreased by 15.6% to RMB5,946.1 million in 2011 as compared to RMB7,042.8 million in 2010, primarily due to decreases in revenue from sales of inventories as well as other income and other net gains or losses, which were partially offset by increases in net gains on disposal of subsidiaries and associates and investment income. The decrease in revenue from sales of inventories reflected a 18.5% decrease in revenue from sales of properties to RMB3,096.5 million in 2011 compared to RMB3,799.2 million in 2010, primarily due to the decrease in sales and delivery of properties developed by Cinda Real Estate in 2011, which was mainly because Cinda Real Estate slowed down the development of its projects to maintain steady operations in light of the macroeconomic control measures for the property market adopted by the PRC government. The decrease in other income and other net gains or losses was primarily as a result of a decrease in net gains on disposal of investment properties.

Our financial services segment had a loss before tax of RMB207.0 million in 2011 as compared to a profit before tax of RMB180.3 million in 2010, mainly reflecting (i) an increase in losses of Happy Life and Cinda P&C in 2011 and (ii) a decrease in profit before tax of the securities and futures business and First State Cinda Fund in 2011, which was partially offset by an increase in profit before tax of Jingu Trust and Cinda Leasing in 2011. The increase in loss of Cinda P&C in 2011 was mainly because (i) Cinda P&C was still in the early stage of its development and had not entered into the profitable phase of a P&C company. As a result, rapid growth of original premium income may lead to an increase in underwriting loss and (ii) it incurred additional costs as a result of branch network expansion. Original premium income of Cinda P&C increased by 246.6% from RMB350.8 million in 2010 to RMB1,215.9 million in 2011. The number of branches increased from six as at December 31, 2010 to 30 as at December 31, 2011, increasing the general and administrative expenses and leading to increased loss. The increase in loss of Happy Life in 2011 was mainly due to (i) increasing sales through bancassurance partners and (ii) branch network expansion. Commission and fee expenses paid for insurance agency services increased in 2011 as a result of increasing sales through the bancassurance channel. Happy Life expanded its branch network from 94 branches as at December 31, 2010 to 156 as at December 31, 2011, increasing the general and administrative expenses in 2011. The decrease in pre-tax profit of securities and futures brokerage in 2011 was mainly due to (i) a decrease in trading volume of stocks and mutual funds, reflecting the overall weak performance of stock markets in China in 2011 and (ii) a decrease in commission rates for securities brokerage resulting from the increasingly intensive price competition among securities firms in China. As a result, commission and fee income declined by 32.3% from RMB1,417.6 million in 2010 to RMB960.2 million in 2011. The decrease in pre-tax profit of First State Cinda Fund in 2011 was mainly due to (i) the decrease in management fee income as a result of the declining net asset value of the funds, reflecting the overall weak performance of capital markets in China in 2011 and (ii) the increase in selling expenses due to more intensive competition in the banking distribution channel.

	For the year ended December 31, 2012			
	Total income	% of total	Profit before tax	% of total
	(in millions of RMB, except percentages)			
Distressed asset management	14,392.0	44.5	6,234.0	65.0
Financial investment and asset management	7,911.3	24.5	3,284.6	34.2
Financial services	10,552.6	32.6	164.3	1.7
Elimination	(520.7)	(1.6)	(87.0)	(0.9)
Total	**32,335.2**	**100.0**	**9,595.9**	**100.0**

	For the six months ended June 30, 2012			
	Total income	% of total	Profit before tax	% of total
	(Unaudited)			
	(in millions of RMB, except percentages)			
Distressed asset management	5,356.8	43.9	2,999.0	77.2
Financial investment and asset management	2,407.1	19.9	800.8	20.6
Financial services	4,642.6	38.0	89.2	2.3
Elimination	(196.9)	(1.6)	(5.8)	(0.1)
Total	**12,209.6**	**100.0**	**3,883.2**	**100.0**

	For the six months ended June 30, 2013			
	Total income	% of total	Profit before tax	% of total
	(in millions of RMB, except percentages)			
Distressed asset management	10,049.1	53.8	3,710.7	72.3
Financial investment and asset management	3,304.4	17.7	1,147.3	22.3
Financial services	5,511.9	29.5	283.7	5.5
Elimination	(196.0)	(1.0)	(4.3)	(0.1)
Total	**18,669.4**	**100.0**	**5,137.4**	**100.0**

We had net cash outflows from operating activities in the amounts of RMB5,015.9 million and RMB4,427.8 million in 2012 and for the six months ended June 30, 2013, respectively, which were primarily attributable to (i) the increases in distressed debt assets classified as receivables, and (ii) the increases in loans and advances to customers, partially offset by the increases in borrowings.

The table below sets out the return on average net assets before tax[(1)] for each of our business segments during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2010	2011	2012	2013[(3)]
Distressed asset management	43.0%	44.5%	31.4%	30.4%
Financial investment and asset management	15.2%	15.2%	16.8%	10.3%
Financial services				
Cinda Securities and others[(2)]	15.7%	5.4%	4.7%	7.3%
Jingu Trust	9.9%	23.0%	38.9%	37.4%
Cinda Leasing	4.0%	18.7%	21.1%	5.8%
First State Cinda Fund	13.6%	7.2%	0.6%	4.4%
Cinda P&C	N/A	N/A	N/A	N/A
Happy Life	N/A	N/A	N/A	N/A

(1) Represents return on net assets before tax (profit before tax/balance of the net assets at the end of that period) for 2010, and returns on average net assets before tax (profit before tax/balance of the average of beginning and ending balance of the net assets) for 2011 and 2012 and the six months ended June 30, 2013.

(2) Includes Cinda Futures and Cinda International. Cinda International is a listed company in which Well Kent International holds a 63.87% interest as of June 30, 2013.

(3) For convenience only, the ratios of return on average net assets before tax for the six months ended June 30, 2013 presented above are annualized amounts derived by multiplying by two the actual ratios for the six months ended June 30, 2013, are not intended to be representative of what the ratios would be for the twelve months ending December 31, 2013 and are not comparable to the ratios in the twelve months ended December 31, 2010, 2011 or 2012.

The decrease in return on average net assets for distressed asset management was mainly because we have made significant impairment provisions for listed DES Assets, especially Chalco, due to the adverse change in the stock market since 2012.

The profitability of Cinda Securities significantly decreased, which is in line with the performance of the industry, primarily due to the relatively low turnover of stocks and funds in the market, the continuous decreases in commission rates, the ongoing downturn of stock market index, and changes in the IPO policies in the PRC in recent years. In addition, as competition in the securities industry intensified, the profitability of Cinda Securities had been adversely affected since its business scale is relatively small. However, Cinda Securities has remained profitable since its establishment.

The profitability of First State Cinda Fund was closely correlated with the performance of the stock market in China. The ongoing downturn in the stock market led to decreases in profits, AUM, revenue, investment returns and profitabilities of the mutual fund industry. However, First State Cinda Fund has remained profitable since its establishment.

The table below sets out the profit margin for each of our business segments during the Track Record Period. The profit margin of each segment is based on profit before tax of each segment (before inter-segment eliminations) divided by total income of each segment (before inter-segment eliminations):

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Distressed asset management	76.1%	72.3%	43.3%	56.0%	36.9%
Financial investment and asset management	33.1%	41.8%	41.5%	33.3%	34.7%
Financial services					
Cinda Securities and others[(1)]	30.0%	16.4%	16.1%	12.3%	22.3%
Jingu Trust	67.0%	72.3%	72.5%	83.6%	76.9%
Cinda Leasing	29.0%	30.4%	27.9%	20.4%	9.5%
First State Cinda Fund	23.9%	12.5%	1.2%	(3.8)%	7.4%
Cinda P&C	(71.4%)	(29.2%)	(21.2%)	(17.6)%	(2.3%)
Happy Life	(8.8%)	(13.0%)	(16.6%)	(13.9)%	(21.9%)

(1) Includes Cinda Futures and Cinda International. Cinda International is a listed subsidiary in which Well Kent International holds a 63.87% interest as of June 30, 2013.

The table below sets out the total assets and net assets of each of our business segments during the Track Record Period.

	As at December 31,												As at June 30,			
	2010				2011				2012				2013			
	Total assets	% of total	Net assets	% of total	Total assets	% of total	Net assets	% of total	Total assets	% of total	Net assets	% of total	Total assets	% of total	Net assets	% of total
	(in millions of RMB, except percentages)															
Distressed asset management	84,476.1	56.1	17,349.7	40.8	91,550.7	52.9	14,989.9	35.0	140,327.7	55.1	24,777.8	40.7	160,920.6	56.8	24,124.4	38.4
Financial investment and asset management	32,147.1	21.3	15,314.0	36.0	35,387.2	20.4	17,492.1	40.8	49,026.6	19.3	21,661.7	35.6	52,150.1	18.4	22,935.3	36.6
Financial services	36,418.0	24.2	8,687.0	20.5	49,785.6	28.8	9,634.8	22.5	69,352.1	27.2	13,801.9	22.7	74,503.4	26.3	15,046.6	24.0
Elimination	(2,339.8)	(1.6)	1,150.9	2.7	(3,599.5)	(2.1)	725.9	1.7	(4,092.0)	(1.6)	643.4	1.0	(4,021.1)	(1.5)	639.0	1.0
Total	**150,701.4**	**100.0**	**42,501.6**	**100.0**	**173,124.0**	**100.0**	**42,842.7**	**100.0**	**254,614.4**	**100.0**	**60,884.8**	**100.0**	**283,553.0**	**100.0**	**62,745.3**	**100.0**

RISK MANAGEMENT

We regard risk management as a cornerstone and a core focus of our management and business operation, and have developed a comprehensive risk management system covering all business segments and lines of the Group. Our risk management framework consists of four levels of supervision and three lines of organizational defense. The four levels are: (1) the Board of Directors and the Board of Supervisors; (2) senior management; (3) the risk management department and relevant functional departments of the Group; and (4) the Company Branches and subsidiaries. The three lines of defense are: (1) business operation departments; (2) functional departments of risk management; and (3) the internal audit departments or special audit positions. We have also formulated standardized business management guidelines and approval procedures tailored to the features of our distressed asset management business.

RECENT DEVELOPMENT

In May 2013, our Shareholders granted approval for us to issue financial bond in an aggregate principal amount of up to RMB20.0 billion in the interbank bond market in China. On July 26, 2013, we entered into an underwriting agreement in connection with the proposed bond issue. As of the date of this prospectus, the regulatory approval for the proposed bond issue is pending.

We have continued to grow our business since June 30, 2013, the date of the latest audited financial information of the Company. Our unaudited total income for the three months ended September 30, 2013 was RMB9,486 million.

Our Directors confirmed, after performing all due diligence deemed appropriate, as of the date of this prospectus, there had been no material adverse changes in our financial condition, business and prospects after June 30, 2013.

USE OF PROCEEDS

Assuming an Offer Price of HK$3.29 per H Share (being the mid-point of the stated range of the Offer Price of between HK$3.00 and HK$3.58 per H Share), we estimate that we will receive net proceeds of approximately HK$16,965.0 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering if the Over-allotment Option is not exercised.

We intend to use the net proceeds from the Global Offering to replenish our capital to further strengthen our distressed asset management capability, based on which we strive to further develop our asset management business, and to further strengthen the capital base for our synergistic and diversified financial services platforms. We intend to allocate the proceeds from the Global Offering as follows, subject to changes in light of our evolving business needs and changing market conditions:

- approximately 60%, or HK$10,179.0 million, will be used to develop distressed asset management, our core business.
- approximately 20%, or HK$3,393.0 million, will be used to develop financial investment and asset management business.
- approximately 20%, or HK$3,393.0 million, will be used to increase capital contribution to our financial subsidiaries.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds will be approximately HK$2,557.7 million, after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering, assuming an Offer Price of HK$3.29 per H Share (being the mid-point of the stated range of the Offer Price of between HK$3.00 and HK$3.58 per H Share). We intend to use all the additional net proceeds proportionately as set out above.

OFFERING STATISTICS

The statistics in the following table are based on the assumption that: (a) the Global Offering has been completed and 5,318,840,000 H Shares have been newly issued; (b) the Over-allotment Option has not been exercised; and (c) there are 35,458,864,035 issued and outstanding H Shares following completion of the Global Offering.

	Based on an Offer Price of HK$3.00	Based on an Offer Price of HK$3.58
Market Capitalization	HK$106,377 million	HK$126,943 million
Unaudited pro forma adjusted net tangible assets per Share attributable to our Shareholders(1)(2)	HK$2.43	HK$2.51

(1) The unaudited pro forma adjusted net tangible asset value per Share attributable to our Shareholders is calculated after making the adjustments referred to in Appendix II to this prospectus and based on the 35,458,864,035 Shares expected to be in issue immediately following the completion of the Global Offering.

(2) On August 5, 2013, our Shareholders approved a cash dividend (the "Special Dividend"), in respect of the period from July 1, 2013 to the last day of the month immediately prior to the completion of our initial public offering (the "Special Dividend Date"), to Shareholders on our register of members as of the Special Dividend Date. The amount of the Special Dividend will be determined based on the audited unconsolidated net profit of our Company in accordance with PRC GAAP or IFRS, whichever is lower.

The unaudited pro forma adjusted net tangible assets and the unaudited pro forma adjusted net tangible assets per Share have not taken into account the effect of the Special Dividend. If the Special Dividend has been accounted for, the unaudited pro forma adjusted net tangible assets and the unaudited pro forma adjusted net tangible assets per Share would be reduced.

MAJOR SHAREHOLDER

Our major shareholder is the MOF, which will hold an interest of approximately 69.57% of our total issued share capital following completion of the Global Offering (assuming no exercise of the Over-allotment Option). Upon the completion of the Global Offering, all the Shares held by the MOF will be deposited with the China Securities Depository and Clearing Corporation Limited as Domestic Shares. Subject to the approval by the CSRC or the authorized securities approval authorities of the State Council and upon the Hong Kong Stock Exchange granting approval, the MOF may convert its Domestic Shares into H Shares and such Shares could be listed on the Hong Kong Stock Exchange. Please see the section headed "Share Capital" for further information. Further information on our substantial shareholders is set out in the section headed "Substantial Shareholders" in this prospectus.

DIVIDEND POLICY

We paid dividends of RMB1,712.0 million, RMB1,806.4 million and RMB1,613.1 million to our Shareholders for the years ended December 31, 2010, 2011 and 2012, respectively. However, dividends we have declared in the past may not be indicative of our future dividend policy or payments. Our dividend distribution will be determined based on our results of operations, cash flows, financial position, capital adequacy ratio, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions on the payment of dividends by us, and other factors that our Board of Directors may consider relevant. Further information on our dividend policy is set out in the section headed "Financial Information—Dividend Policy."

At an extraordinary general meeting of Shareholders on August 5, 2013, our Shareholders adopted a proposal on dividend distribution before our proposed initial public offering of H Shares. Our Shareholders have approved a cash dividend (the "Special Dividend") in respect of the period (the "Special Dividend Period") from July 1, 2013 to the last day of the calendar month immediately prior to the completion of our initial public offering of H Shares (the "Special Dividend Date"), payable to Shareholders whose names appear on our register of members as at the Special Dividend Date. The amount of the Special Dividend is determined according to the audited unconsolidated net profit of our

Company in accordance with PRC GAAP or IFRS, whichever is lower, after the required appropriations for a statutory surplus reserve (equivalent to 10% of the unconsolidated net profit of our Company for the same period) and a reserve for general risks (the balance shall be maintained at not less than 1.5% of the balance of our risk assets).

The actual amount of the Special Dividend will be determined upon the completion of an audit in the first half of 2014. We will make an announcement regarding the actual amount of the Special Dividend before we pay such Special Dividend. Any distributable profit for distribution to our Shareholders after the initial public offering of H Shares shall exclude the Special Dividend. Our existing and new Shareholders will be entitled to our accumulated undistributed profits prior to the Global Offering (except for the above Special Dividend).

REGULATORY NON-COMPLIANCE

We had certain incidents of regulatory non-compliance during the Track Record Period. Our Board of Directors confirms that such non-compliance would not cause any material and adverse effects on our business, financial condition and results of operations. For further details of such non-compliance, please see the section titled "Business—Legal and Regulatory Proceedings."

LISTING EXPENSES

As of the Latest Practicable Date, we have incurred approximately HK$44.6 million for the Global Offering, and we expect to incur an additional HK$489.4 million until the completion of the Global Offering. We do not expect these expenses to have a material impact on our results of operation for 2013 as reflected in our consolidated income statement for 2013.

RISK FACTORS

Our business faces risks including those set out in "Risk Factors" in this prospectus. As different investors may have different interpretations and criteria when determining the significance of a risk, you should read the "Risk Factors" section in its entirety before you decide to invest in the Offer Shares.

In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.

"ABC"	Agricultural Bank of China Ltd. (中國農業銀行股份有限公司), a company incorporated in the PRC on January 15, 2009, and an Independent Third Party
"Accountants' Report"	the report on the financial information regarding the Company and its subsidiaries for each of the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 as audited by independent auditors and set forth in "Appendix I—Accountants' Report" in this prospectus
"ADBC"	Agricultural Development Bank of China (中國農業發展銀行), a company incorporated in the PRC on October 19, 1994, and an Independent Third Party
"AMC(s)"	the assets management company(ies) approved for establishment by the State Council, including Cinda Corporation or Cinda, Huarong Asset Management Corporation or Huarong, Great Wall and Orient
"Application Form(s)"	WHITE Application Form(s), YELLOW Application Form(s) and GREEN Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
"Articles of Association" or "Articles"	the articles of association of our Company, as amended, which shall become effective on the Listing Date, a summary of which is set out in Appendix VI to this prospectus
"Bank of Shanghai"	Bank of Shanghai Co., Ltd. (上海銀行股份有限公司), a company incorporated in the PRC on January 30, 1996, and an Independent Third Party
"Bank of Xi'an"	Bank of Xi'an Co., Ltd. (西安銀行股份有限公司), a company incorporated in the PRC on September 15, 1998, and an Independent Third Party
"Big Four Banks"	ICBC, ABC, BOC and CCB
"Bitronic"	Bitronic Limited, a limited company incorporated in British Virgin Islands on September 12, 2005, and an indirect wholly-owned subsidiary of our Company
"Board" or "Board of Directors"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors of our Company

"BOC"	Bank of China Ltd. (中國銀行股份有限公司), a company incorporated in the PRC on August 26, 2004, and an Independent Third Party
"BoCOM"	Bank of Communications Co., Ltd. (交通銀行股份有限公司), a company incorporated in the PRC on December 24, 2004, and an Independent Third Party
"business day"	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"CCB"	China Construction Bank Corporation (中國建設銀行股份有限公司), a company incorporated in the PRC on September 17, 2004, and an Independent Third Party
"CDB"	China Development Bank Corporation (國家開發銀行股份有限公司), a company incorporated in the PRC on December 16, 2008, and an Independent Third Party
"Chalco"	Aluminum Corporation of China Limited (中國鋁業股份有限公司), a company incorporated in the PRC on September 10, 2001, and an Independent Third Party
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, Macau and Taiwan
"China Agriculture Industry Development Fund"	China Agriculture Industry Development Fund Co., Ltd. (中國農業產業發展基金有限公司), a limited company incorporated in the PRC on December 18, 2012 in which each of MOF, China Cinda, CITIC Group Corporation and

	ADBC holds a 25% equity interest, and our subsidiary Cinda Capital acts as fund manager. It is the first national agricultural industry fund approved by the State Council with a total AUM of RMB4 billion contributed by the aforesaid four investors of RMB1 billion each. The first phase capital of RMB1.6 billion was fully paid in as of the end of 2012
"Cinda", "Company," "our Company" or "China Cinda"	China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司), a joint stock limited company incorporated in the PRC on June 29, 2010 by the conversion from Cinda Corporation
"Cinda Capital"	Cinda Capital Management Co., Ltd. (信達資本管理有限公司), a limited company incorporated in the PRC on December 16, 2008 in which we indirectly hold 60% and 40% equity interests through our subsidiaries Cinda Investment and Sino-rock Investment, respectively
"Cinda Corporation"	China Cinda Asset Management Corporation (中國信達資產管理公司), the predecessor of Cinda, a limited company incorporated in the PRC on April 19, 1999
"Cinda Futures"	Cinda Futures Co., Ltd. (信達期貨有限公司), a limited company incorporated in the PRC on October 5, 1995 under the name of Zhejiang Jindi Futures Brokerage Co., Ltd. (浙江金迪期貨經紀有限公司), renamed as Cinda Futures Co., Ltd. on April 3, 2008, in which we indirectly hold an 100% equity interest through our subsidiary Cinda Securities
"Cinda International"	Cinda International Holdings Limited, a limited company incorporated in Bermuda on May 30, 2000 under the name of Hantec Investment Holdings Limited, renamed as Cinda International Holdings Limited on January 23, 2009, in which we indirectly hold a 63.87% equity interest through our subsidiary Sinoday, and which has been listed on the Main Board of the HKEx (Stock Code: 00111) since August 1, 2000
"Cinda Investment"	Cinda Investment Co., Ltd. (信達投資有限公司), a limited company incorporated in the PRC on August 1, 2000, and a wholly-owned subsidiary of our Company
"Cinda Leasing"	Cinda Financial Leasing Co., Ltd. (信達金融租賃有限公司), a limited company incorporated in the PRC by re-registration on December 28, 1996 under the name of Gansu Province Leasing Co., Ltd. (甘肅省租賃有限公司), whose predecessor is Gansu Province Leasing Company (甘肅省租賃公司) established on July 19, 1988, which was renamed as West

	Financial Leasing Co., Ltd. (西部金融租賃有限公司) on January 29, 2002 and Cinda Financial Leasing Co., Ltd. on May 21, 2010, in which we directly and indirectly hold a 99.56% equity interest
"Cinda P&C"	Cinda Property and Casualty Insurance Co., Ltd. (信達財產保險股份有限公司), a joint stock limited company incorporated in the PRC on August 31, 2009 in which we hold a 51% equity interest
"Cinda Real Estate"	Cinda Real Estate Co., Ltd. (信達地產股份有限公司), a joint stock limited company incorporated in the PRC on July 20, 1984 under the name of Beijing Tianqiao Department Co., Ltd. (北京市天橋百貨股份有限公司), renamed as Beijing Tianqiao Beida Jade Bird Sci- Tech Co., Ltd. (北京天橋北大青鳥科技股份有限公司) on December 29, 1998 and Cinda Real Estate Co., Ltd. on April 22, 2009, in which we indirectly hold a 58.53% equity interest, and which has been listed on SSE (Stock Code: 600657) since May 24, 1993
"Cinda Securities"	Cinda Securities Co., Ltd. (信達證券股份有限公司), a joint stock limited company incorporated in the PRC on September 4, 2007, in which we hold a 99.33% equity interest
"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會)
"CITIC Capital"	CITIC Capital Holdings Limited, a company incorporated in Hong Kong on January 21, 2002, which holds an 100% equity interest in CITIC Capital Financial Holding
"CITIC Capital Financial Holding"	CITIC Capital Financial Holding Limited, a company incorporated in Hong Kong on August 1, 2007, a wholly-owned subsidiary of CITIC Capital, and a shareholder of our Company
"CITIC Capital Strategic Investment Agreements"	the share subscription agreement, investor rights agreement and, master strategic cooperation agreement dated December 23, 2011, entered into among our Company, CITIC Capital and CITIC Capital Financial Holding
"Companies Ordinance"	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Company Branch(es)"	branch(es) of our Company

"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Director(s)"	director(s) of our Company
"Domestic Shares"	ordinary shares issued by our Company, with a nominal value of RMB1.00, which are subscribed for or credited as paid in Renminbi
"Domestic Sized Enterprise"	an industrial enterprise with an annual operating income of RMB20 million or more
"EIT"	enterprise income tax of the PRC
"EIT Law"	Enterprise Income Tax Law of the PRC (中華人民共和國企業所得稅法) adopted by the Tenth National People's Congress on March 16, 2007, and effective on January 1, 2008
"Financial Leasing Companies"	the companies that engage in financial leasing and have financial institution licenses granted by the CBRC
"Financial Leasing Industry"	the industry where the market participants are the Financial Leasing Companies and their customers
"First State Cinda Fund"	First State Cinda Fund Management Co., Ltd. (信達澳銀基金管理有限公司), a limited company incorporated in the PRC on June 5, 2006 in which we hold a 54% equity interest
"first-tier cities"	the metropolises which play a significant role in national politics, economics and other social activities, including Beijing, Shanghai, Guangzhou and Shenzhen
"Four AMCs"	Cinda, Huarong, Great Wall and Orient, collectively
"GDP"	gross domestic product
"GEM"	the Growth Enterprise Market of the Hong Kong Stock Exchange
"Global Offering"	the Hong Kong Public Offering and the International Offering
"Great Wall"	China Great Wall Asset Management Corporation (中國長城資產管理公司), a company incorporated in the PRC on November 2, 1999, and an Independent Third Party
"Green Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited

"Group," "our Group," "we" or "us"	our Company and, except where the context otherwise requires, some or all of its subsidiaries or, where the context refers to any time prior to their respective incorporation, the business which their respective predecessors were engaged in and which were subsequently assumed by them
"H Share(s)"	ordinary shares in the share capital of our Company with nominal value of RMB1.00 each, which are to be subscribed for and traded in HK dollars and are to be listed on the Hong Kong Stock Exchange
"H Share Registrar"	Computershare Hong Kong Investor Services Limited
"Happy Life"	Happy Life Insurance Co., Ltd. (幸福人壽保險股份有限公司), a joint stock limited company incorporated in the PRC on November 5, 2007 in which we directly and indirectly hold a 61.59% equity interest
"Head Office"	the head office of the Company
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited
"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC, which is a wholly owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Offer Shares"	the H Shares offered by us for subscription pursuant to the Hong Kong Public Offering
"Hong Kong Public Offering"	the offering by our Company of initially 265,942,000 H Shares for subscription by the public in Hong Kong (subject to adjustment as described in "Structure of the Global Offering" in this prospectus) for cash at the Offer Price (plus brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee), on and subject to the terms and conditions described in "Structure of the Global Offering" in this prospectus and the Application Forms
"Hong Kong Stock Exchange" or "HKEx"	The Stock Exchange of Hong Kong Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
"Hong Kong Underwriters"	the underwriters listed in the paragraph headed "Hong Kong Underwriters" in "Underwriting" in this prospectus, being the underwriters of the Hong Kong Public Offering

"Hong Kong Underwriting Agreement"	the underwriting agreement dated November 26, 2013 relating to the Hong Kong Public Offering and entered into by the Joint Global Coordinators, the Hong Kong Underwriters and our Company, as further described in the paragraph headed "Underwriting Arrangements and Expenses—Hong Kong Public Offering—Hong Kong Underwriting Agreement" in "Underwriting" in this prospectus
"Huarong"	China Huarong Asset Management Co., Ltd. (中國華融資產管理股份有限公司), a company incorporated in the PRC on October 12, 2012 by conversion from China Huarong Asset Management Corporation (中國華融資產管理公司) incorporated in the PRC on November 1, 1999, and an Independent Third Party
"IASB"	International Accounting Standards Board
"ICBC"	Industrial and Commercial Bank of China Co., Ltd. (中國工商銀行股份有限公司), a company incorporated in the PRC on October 28, 2005, and an Independent Third Party
"IFRS"	the International Accounting Standards (IAS), the International Financial Reporting Standards, amendments and the related interpretations issued by the International Accounting Standards Board (IASB)
"Independent Third Party(ies)"	a person who, as far as the Directors are aware after having made all reasonable enquiries, is not a connected person of our Company within the meaning of the Listing Rules
"International Offer Shares"	the H Shares offered pursuant to the International Offering
"International Offering"	the offer for subscription and sale of initially 5,052,898,000 H Shares to institutional, professional, corporate and other investors, subject to adjustment and the Over-allotment Option, as further described in "Structure of the Global Offering" in this prospectus
"International Underwriters"	the group of international underwriters who are expected to enter into the International Underwriting Agreement to underwrite the International Offering
"International Underwriting Agreement"	the underwriting agreement relating to the International Offering to be entered into on or about the Price Determination Date among our Company, the Joint Global Coordinators and the International Underwriters, as further described in the paragraph headed "International Offering" in "Underwriting" in this prospectus

"IT"	information technology
"Jingu Trust"	China Jingu International Trust Co., Ltd. (中國金穀國際信託有限責任公司), a limited company incorporated in the PRC on September 15, 2009 by re-registration, whose predecessor is China Jingu International Trust Investment Limited (中國金穀國際信託投資有限責任公司) incorporated pursuant to the PBOC's approval issued in 1993, in which we hold a 92.29% equity interest
"Joint Bookrunners"	Merrill Lynch International, Goldman Sachs (Asia) L.L.C., UBS AG, Hong Kong Branch, BOCI Asia Limited, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), Credit Suisse (Hong Kong) Limited, CCB International Capital Limited, Standard Chartered Securities (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited, Jefferies Hong Kong Limited, Cinda International Securities Limited, ICBC International Capital Limited, ABCI Capital Limited, CMB International Capital Limited, CITIC Securities Corporate Finance (HK) Limited, BOCOM International Securities Limited, China Merchants Securities (HK) Co., Limited, and Essence International Securities (Hong Kong) Limited
"Joint Global Coordinators"	Merrill Lynch International, Goldman Sachs (Asia) L.L.C., UBS AG, Hong Kong Branch, BOCI Asia Limited, Morgan Stanley Asia Limited, Credit Suisse (Hong Kong) Limited and CCB International Capital Limited
"Joint Lead Managers"	Merrill Lynch Far East Limited (in relation to the Hong Kong Public Offering), Merrill Lynch International (in relation to the International Offering), Goldman Sachs (Asia) L.L.C., UBS AG, Hong Kong Branch, BOCI Asia Limited, Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering), Morgan Stanley & Co. International plc (in relation to the International Offering), Credit Suisse (Hong Kong) Limited, CCB International Capital Limited, Standard Chartered Securities (Hong Kong) Limited, China International Capital Corporation Hong Kong Securities Limited, Jefferies Hong Kong Limited, Cinda International Securities Limited, ICBC International Securities Limited, ABCI Securities Company Limited, CMB International Capital Limited, CITIC Securities Corporate Finance (HK) Limited, BOCOM

	International Securities Limited, China Merchants Securities (HK) Co., Limited, and Essence International Securities (Hong Kong) Limited
"Joint Sponsors"	Merrill Lynch Far East Limited, Credit Suisse (Hong Kong) Limited, Goldman Sachs (Asia) L.L.C. and Morgan Stanley Asia Limited
"Joint-stock Commercial Banks"	China CITIC Bank (中信銀行), China Everbright Bank (中國光大銀行), Huaxia Bank (華夏銀行), China Guangfa Bank (廣發銀行), Ping An Bank (平安銀行), China Merchants Bank (招商銀行), Shanghai Pudong Development Bank (上海浦東發展銀行), Industrial Bank (興業銀行), China Minsheng Banking Corporation (中國民生銀行), Evergrowing Bank (恒豐銀行), China Zheshang Bank (浙商銀行), and China Bohai Bank (渤海銀行)
"Large Commercial Banks"	ICBC, ABC, BOC, CCB and BoCOM
"Latest Practicable Date"	November 20, 2013, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"Listing"	listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
"Listing Committee"	the Listing Committee of the Hong Kong Stock Exchange
"Listing Date"	the date, expected to be on or about December 12, 2013, on which our H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Listing Rules" or "Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended from time to time)
"Macau"	the Macau Special Administrative Region of the PRC
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with GEM
"Mandatory Provisions"	the "Mandatory Provisions for Articles of Association of Companies to be Listed Overseas" (到境外上市公司章程必備條款), as amended, supplemented or otherwise modified from time to time, for inclusion in the articles of association of companies incorporated in the PRC to be listed overseas (including Hong Kong), which

	were promulgated by the former State Council Securities Committee and the former State Commission for Economic System Reform on August 27, 1994
"MOF"	the Ministry of Finance of the PRC (中華人民共和國財政部)
"MOFCOM"	the Ministry of Commerce of the PRC (中華人民共和國商務部)
"NAO"	the National Audit Office of the PRC (中華人民共和國審計署)
"NBSC"	the National Bureau of Statistics of the PRC (中華人民共和國國家統計局)
"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"Non-PRC Resident Enterprise"	as defined under the EIT Law, means companies established pursuant to a non-PRC law with their de facto management conducted outside the PRC, but which have established organizations or premises in the PRC, or which have generated income within the PRC without having established organizations or premises in the PRC
"NPC"	National People's Congress of the PRC (中華人民共和國全國人民代表大會)
"NPL(s)"	non-performing loan(s)
"NSSF"	the National Council for Social Security Fund of the PRC (中華人民共和國全國社會保障基金理事會)
"NSSF Strategic Investment Agreement"	the share subscription agreement dated December 26, 2011 entered into between our Company and NSSF
"NSSF Subscription Shares"	the 2,411,201,923 shares subscribed by NSSF pursuant to the NSSF Strategic Investment Agreement
"Offer Price"	the final offer price per H Share (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Hong Kong Stock Exchange trading fee of 0.005%) at which the Offer Shares are to be subscribed for and issued, or purchased and sold pursuant to the Global Offering as described in "Structure of the Global Offering" in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares, with any additional H Shares to be issued pursuant to the exercise of the Over-allotment Option

"Orient"	China Orient Asset Management Corporation (中國東方資產管理公司), a company incorporated in the PRC on October 27, 1999, and an Independent Third Party
"Over-allotment Option"	the option granted by us to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, to require our Company to issue up to an aggregate of 797,826,000 additional H Shares at the Offer Price, representing approximately 15% of the Offer Shares initially available under the Global Offering, to, among others, cover over-allocations in the International Offering, if any, exercisable at any time from the date of the International Underwriting Agreement up to (and including) the date which is the 30th day from the last day for lodging of applications under the Hong Kong Public Offering
"P&C"	property and casualty
"PBOC"	the People's Bank of China (中國人民銀行), the central bank of the PRC
"PRC Company Law"	the Company Law of the People's Republic of China (中華人民共和國公司法)
"PRC GAAP"	generally accepted accounting principles in the PRC
"PRC Government" or "State"	all governmental subdivisions (including principal, municipal and other regional or local government entities) and instrumentalities of the PRC
"Price Determination Date"	the date, expected to be on or around December 5, 2013 (Hong Kong time) on which the Offer Price is determined, or such later time as our Company and the Joint Global Coordinators (on behalf of the Underwriters) may agree, but in any event not later than December 11, 2013
"prospectus"	this prospectus being issued in connection with the Hong Kong Public Offering
"province"	each being a province or, where the context requires, a provincial level autonomous region or municipality under the direct supervision of the central government of the PRC
"Provisional Regulatory Guidelines for Supervision of Financial Asset Management on a Financial Statements Consolidation Basis"	"Provisional Regulatory Guidelines for Supervision of Financial Asset Management on a Financial Statements Consolidation Basis" (金融資產管理公司併表監管指引（試行）) promulgated by the CBRC and effective on March 8, 2011

"PSBC"	Postal Savings Bank of China Co., Ltd. of China (中國郵政儲蓄銀行股份有限公司), a company incorporated in the PRC on March 6, 2007, and an Independent Third Party
"QIBs"	qualified institutional buyers within the meaning of Rule 144A under the U.S. Securities Act
"Regulation S"	Regulation S under the U.S. Securities Act
"RMB" or "Renminbi"	Renminbi, the lawful currency of the PRC
"Rule 144A"	Rule 144A under the U.S. Securities Act
"SAC"	the Securities Association of China (中國證券業協會)
"SAFE"	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外滙管理局)
"SAIC"	the State Administration of Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council (中華人民共和國國務院國有資產監督管理委員會)
"SAT"	the State Administration of Taxation of the PRC (中華人民共和國國家稅務總局)
"Securities and Futures Ordinance" or "SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Securities Law"	the Securities Law of the People's Republic of China (中華人民共和國證券法)
"SFC"	the Securities and Futures Commission of Hong Kong
"Share(s)"	ordinary share(s) in the capital of our Company with a nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Share(s)
"Shenzhen City Commercial Bank"	Shenzhen City Commercial Bank Co., Ltd., a company incorporated in the PRC on August 3, 1995 and dissolved on June 12, 2012 after consolidation by Shenzhen Development Bank Co., Ltd., and an Independent Third Party

"SIFMA"	Securities Industry and Financial Markets Association in the U.S.
"Sinoday"	Sinoday Limited, a limited company incorporated in British Virgin Islands on July 3, 2007, and a wholly-owned subsidiary of our Company
"Sino-Rock Investment"	Sino-Rock Investment Management Co., Ltd., a limited company incorporated in Hong Kong on June 4, 1992 under the name of Well Harbour Development Limited and renamed as Sino-Rock Investment Management Co., Ltd. on March 4, 2006, in which we indirectly hold 30% and 40% equity interests through Well Kent International and Cinda International, respectively
"SMEs"	small- and medium-sized enterprises
"SOE(s)"	state-owned enterprise(s)
"SOE DES Companies"	the DES Companies whose distressed indebtedness held by the AMCs was swapped for equity in accordance with the Opinions on Certain Issues Regarding Converting Debt into Equity (關於實施債權轉股權若干問題的意見) issued by the State Economic and Trade Commission and the PBOC in 1999
"Special Regulations"	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994, as amended
"SSE"	Shanghai Stock Exchange (上海證券交易所)
"Stabilizing Manager"	UBS AG, Hong Kong Branch
"Standard Chartered Bank"	Standard Chartered Bank, a company incorporated in England on December 29, 1853, which holds an 100% equity interest in Standard Chartered Financial Holdings
"Standard Chartered Bank Strategic Investment Agreements"	the share subscription agreement, investor rights agreement and master strategic cooperation agreement dated December 23, 2011, entered into among our Company, Standard Chartered Bank and Standard Chartered Financial Holdings
"Standard Chartered Financial Holdings"	Standard Chartered Financial Holdings, a company incorporated in Mauritius on June 28, 2005, a wholly-owned subsidiary of Standard Chartered Bank, and a shareholder of our Company

"State Council"	the State Council of the PRC
"Strategic Investment Agreements"	NSSF Strategic Investment Agreement, UBS Strategic Investment Agreement, CITIC Capital Strategic Investment Agreement and Standard Chartered Bank Strategic Investment Agreement
"Strategic Investor(s)"	the strategic investor(s) of our Company, including NSSF, UBS, CITIC Capital and Standard Chartered Bank
"Supervisor(s)"	member(s) of the Board of Supervisors
"SZSE"	Shenzhen Stock Exchange (深圳證券交易所)
"Takeovers Code" or "Hong Kong Takeovers Code"	the Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time
"Track Record Period"	the three financial years ended December 31, 2012 and the six months ended June 30, 2013
"U.S." or "United States"	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
"U.S. Securities Act"	the United States Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder
"UBS"	UBS AG, a company incorporated in Switzerland on June 29, 1998, merged from Union Bank of Switzerland and Swiss Bank Corporation, and a Shareholder of our Company
"UBS Strategic Investment Agreements"	the agreements dated December 30, 2011, including the share subscription agreement, the investor rights agreement and the master strategic cooperation agreement entered into between our Company and UBS
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"US$" or "U.S. dollars" or "USD"	United States dollars, the lawful currency of the United States
"Well Kent International"	Well Kent International Investment Company Limited, a limited company incorporated in Hong Kong on December 16, 1998, and a wholly-owned subsidiary of our Company

"White Form eIPO"	the application for Hong Kong Offer Shares to be issued in the applicant's own name by submitting applications online through the designated website of White Form eIPO **www.eipo.com.hk**
"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Yangtze River Delta"	the region comprising the city of Shanghai and provinces of Jiangsu and Zhejiang
"Zhongrun Development"	Zhongrun Economic Development Co., Ltd. (中潤經濟發展有限責任公司), a limited company incorporated in the PRC on April 2, 1996, and a wholly-owned subsidiary of our Company

In this prospectus, the terms "associate," "connected person," "connected transaction," "controlling shareholder," "subsidiary" and "substantial shareholder" shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

For ease of reference, the names of Chinese laws and regulations, governmental authorities, institutions, natural persons or other entities (including certain of our subsidiaries) have been included in the prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese versions shall prevail. English translations of company names and other terms from the Chinese language marked with "" are for identification purposes only.*

This glossary of technical terms contains explanations of certain technical terms used in this prospectus in connection with our Group and our business. These terms and their meanings may not correspond to standard industry meanings or usage of these terms.

"assets in satisfaction of debt"	primarily including foreclosed assets and other assets to discharge debt repayment obligations of the obligors
"AUM"	assets under management
"average securities brokerage commission rate"	equals commission and fee income on securities brokerage of our Group as divided by our brokerage trading volume of stocks and funds in the PRC
"basis point(s)"	a unit relating to interest rates that is equal to 1/100th of a percentage point per annum
"benchmark interest rate"	the benchmark interest rate set by the PBOC on financial institutions' Renminbi deposits
"CAGR"	compound annual growth rate
"calculated value"	value or value interval of certain businesses, ownership of business, collaterals and intangible assets estimated based on the judgment of professional valuers in accordance with the Business Valuation Standards of the American Society of Appraisers and the Statement on Standards for Valuation Services No. 1 of the American Institute of Certified Public Accountants, and via methods as agreed with their clients. Such value is not fair value appraised in accordance with IFRS
"Cash Recovery Ratio"	one of the two performance evaluation benchmarks determined by the MOF applicable to Policy Distressed Assets business of the Four AMCs. It represents the ratio of the amount of cash recovered from disposal of distressed assets to the Original Value of distressed assets
"cede"	when an insurer reinsures its insurance risk with another insurer, it "cedes" business
"cession ratio"	the ratio of premiums ceded to reinsurers to gross written premiums
"claim"	a demand made by an insured person or the beneficiary of an insurance policy in respect of a loss which comes within the cover provided on the sum insured by the policy
"Commercial Distressed Assets"	the distressed assets acquired by the Four AMCs that are not Policy Distressed Assets

"Total cost of DES Assets disposed"	For DES Assets classified as available-for-sale financial assets, this is the cost of available-for-sale financial assets disposed. For DES Assets accounted for as interests in associates, this is the book value of interests in associates disposed
"coverage ratio"	allowance for impairment losses of the credit assets divided by impaired loans
"debt-to-equity swap(s)" or "DES"	the practice of converting indebtedness owed by the obligors to their equity
"DES Assets"	assets that include (i) the equity assets that the Company acquired as a result of government mandated equity swaps of distressed debt assets of a number of medium and large SOEs prior to our restructuring; (ii) additional equities of the aforementioned enterprises the Company subsequently acquired as part of asset packages we purchased; (iii) additional investments by the Company in the aforementioned companies; (iv) equities the Company received in satisfaction of debt and assets the Company acquired through DES transactions on our own initiative; and (v) the equity portfolio Cinda Corporation received as part of our share capital when we were established in 1999. DES Assets are accounted for as available-for-sale financial assets or interests in associates
"DES Companies"	the companies and enterprises whose distressed indebtedness held by the AMCs were swapped for equity
"distressed assets"	including, but not limited to, distressed debt assets, DES assets, assets in satisfaction of debt and distressed entities
"distressed debt assets"	primarily including loans, accounts receivables and other credit obligations and securities which are overdue, over the near term expected to be overdue or those the obligors have or expected to have difficulties in repaying
"Distressed Entities"	enterprises and other entities that are in a distressed situation ranging from temporary financial and/or operational issues, to those in liquidation procedures. These entities typically need restructuring, liquidation, M&A, financing and other customized financial solution
"Expense Ratio"	one of the two performance evaluation benchmarks determined by the MOF applicable to Policy Distressed Assets business of the Four AMCs. It represents the ratio of the amount of expenses involved in the disposal of

	distressed assets to the total amount of cash recovered. These expenses primarily include those relating to remuneration, general administration and business expenses
"FI Distressed Assets"	distressed assets acquired from banks and non-bank financial institutions
"funds transfer pricing"	a process typically used by a bank to measure the performance of its different business units, under which a treasury or central office is created to manage and oversee internal fund-raising and lending. The fund-raising units raise funds from the market at a particular rate and lend the same to the central office at a higher rate; all the lending units borrow the funds from the central office at a particular rate and lend the same to the borrowers at a higher rate. The central office rate is notional in nature and is aligned to market conditions. Thus for all the units there are two rates available to measure the performance. For a deposit-raising unit the difference between interest paid to the deposit-holders and interest receivable from central office is the contribution to the bank's profitability. For a lending division the difference between Interest payable to central office and the interest received from the borrowers is the contribution to the bank's performance
"five-category loan classification system"	a loan classification system generally adopted by banks and other financial institutions in China pursuant to applicable guidelines. It classifies loans into five categories as "normal", "special mention", "substandard", "doubtful" and "loss" based on assessment of various factors affecting obligors' repayment ability
"gross amount"	gross amount of a financial asset is the amount before deduction of any accumulated impairment losses
"gross written premiums" or "GWPs"	gross written premiums as shown on the Accountants' Report set forth in Appendix I to this prospectus. They include the amount charged on insurance policies issued or reinsured by an insurer for a given period, without deduction for premium ceded to reinsurers. GWPs also include premiums ceded to us from other insurers in our inward reinsurance business. Under IFRS, gross written premiums are recognized and measured based on an assessment of the "significance of the insurance risk" and an unbundling of hybrid contracts, both of which are also required by Interpretation No. 2. As a result, none or only a portion of the premiums we receive from contracts with

	investment features are included in gross written premiums whereas all such premiums are included in total written premiums
"insurance density"	premium income per capita, calculated based on the resident population in a country or an area
"insurance penetration"	premium income as a percentage of GDP
"Interpretation No. 2"	The Interpretation No. 2 to New China Accounting Standards (企業會計準則解釋第2號) issued by the MOF on August 7, 2008; the Provisions on the Accounting Treatment on Insurance Contracts (保險合同相關會計處理規定) issued by the MOF on December 22, 2009; the Announcement of Implementation of Interpretation No. 2 to New China Accounting Standards (關於保險業實施《企業會計準則解釋第2號》有關事項的通知) issued by the CIRC on January 5, 2009; the Announcement of Further Implementation of Interpretation No. 2 to New China Accounting Standards (關於保險業做好《企業會計準則解釋第2號》實施工作的通知) issued by the CIRC on January 25, 2010 and other related regulations
"IPO"	initial public offering
"IRR"	internal rate of return, the discount rate that makes the net present value of all cash flows from a particular project equal to zero
"life and health insurance"	all insurance business operated by a life and health insurance company, such as life, annuity, health and accident insurance, except where the content otherwise requires
"Listed DES Assets"	listed shares of the DES Companies
"M&A"	mergers and acquisitions
"mezzanine financing"	a hybrid of debt and equity financing
"Net Capital"	equals net assets minus risk-adjusted financial assets minus other risk-adjusted assets and contingent liability plus/minus other adjustments recognized or approved by the relevant regulatory authorities
"NFE Distressed Assets"	distressed assets acquired from non-financial enterprises, which include but not limited to accounts receivable of non-financial enterprises and assets of non-financial enterprises whose actual returns are less than expected returns

"non-performing loan(s)" or "NPL(s)"	loan(s) classified as substandard, doubtful or loss under the five-category loan classification system (as applicable) adopted by financial institutions pursuant to applicable PRC guidelines
"Original Premium Income"	unless indicated otherwise in this prospectus, Original Premium Income refers to all premiums from policies directly underwritten by an insurance company after taking into account the significant insurance risk test and unbundling of hybrid contracts as required by Interpretation No. 2. The CIRC publishes on its website Original Premium Income of PRC insurance companies for the periods prior to December 31, 2012
"Original Value"	the original principal amount of and interests accrued (as applicable) on distressed assets on the books of the selling parties, without taking into account any impairment or value reduction resulting from default or other events
"Performance Evaluation of State-owned Financial Institutions"	a performance evaluation conducted by the MOF on the state-owned financial institutions. For the AMCs, this evaluation focuses on benchmarks such as ROAE, ROAA, profit growth, cost-to-income ratio and the change in value of state's equity interest The enterprises that are evaluated will be rated by the MOF on a scale of "A" to "E", with "A" being the highest level of rating. The "A" level is further divided into "AAA", "AA" and "A", with "AAA" being the highest rating. The results of this evaluation constitute an important basis for rating the performance of a particular financial institution by the MOF
"Policy Distressed Assets"	the distressed assets acquired by the Four AMCs as directed by the PRC government on a policy basis, where both the price for and financing of distressed asset acquisitions were determined or arranged by the government. The total amount of such assets was approximately RMB1.4 trillion. Losses incurred by the Four AMCs from acquisition and disposal of Policy Distressed Assets were handled in a manner as proposed by the MOF and approved by the State Council
"Pre-tax ROAE"	represents return on net assets before tax (profit before tax divided by balance of the net assets at the end of that period) for 2010, and returns on average net assets before tax (profit before tax divided by balance of average net assets) for 2011 and 2012

"reinsurance"	the practice of sharing or spreading of an insured risk of an insurer, or the reinsured, by ceding part of the risk to another insurer, or the reinsurer. The reinsurer, in consideration of a premium paid to it, agrees to indemnify the reinsured for part or all of the liability assumed by the reinsured under a contract or contracts of insurance which the reinsured has issued
"Restructured Distressed Assets"	distressed assets acquired, managed and disposed of through Restructuring Model, which are accounted as distressed debt assets classified as receivables
"Restructuring Model"	a business model of distressed debt assets operation by reaching restructuring agreements with the creditor and debtor at the same time of the acquisition of the distressed assets
"ROAA"	return on average assets
"ROAE"	return on average equity attributable to equity holders of the parent company
"solvency"	the ability of an insurance company to satisfy its policyholder benefits and claims obligations
"solvency margin ratio"	the ratio of an insurer's actual capital to its minimum capital
"Special Situations Investment" or "SSI"	typically refers to a type of multi-asset class and strategy investments involving a diverse range of products, instruments and asset classes such as cash, equity and debt, which applies flexible transaction structures and funding arrangements to seek optimal risk-adjusted returns When we use "Special Situations Investment" or "SSI" in this prospectus, we focus on combining typical SSI features with industries in which we have expertise or situations where we have a distinct competitive advantage, including opportunities arising from investment targets having temporary liquidity issues or in need of diversified funding solutions that cannot be readily provided by conventional financing channels. We participate in SSI transactions under flexible investment horizon and transactional structures, including direct equity placements and rights offerings, convertible debt financings, bridge financing, asset acquisitions and restructuring
"specified asset management"	a type of special vehicle to meet the specific investment needs of individual clients
"stock index futures"	cash-settled standardized futures contracts on the value of a particular stock market index

"surrender"	the termination of an insurance contract at the request of the policyholder after which the policyholder receives the cash surrender value, if any, of the contract
"targeted asset management"	a type of special investment vehicle for annuity plans, the NSSF, other institutional investors and high-net-worth individuals
"Traditional Distressed Assets"	distressed assets acquired, managed and disposed of through the Traditional Model
"Traditional Model"	a business model of distressed debt assets operation by acquiring distressed assets at a discount to face value and disposing of them through various means at appropriate time, which are accounted as distressed debt assets designated as at fair value through profit or loss
"unearned premium reserves"	liabilities established to reflect the portion of premiums written relating to the unexpired periods of coverage of P&C insurance contracts and accidental and short-term health insurance contracts with an original insured period of not more than one year
"Unlisted DES Assets"	unlisted shares of the DES Companies

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals, targets and future developments in the markets where we participate or are seeking to participate, and any statements preceded by, followed by or that include the words "believe," "expect," "estimate," "predict," "aim," "intend," "will," "may," "plan," "consider," "anticipate," "seek," "should," "could," "would," "continue," or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial condition and performance;
- capital market developments;
- our dividend policy;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business;
- general political and economic conditions, including those related to the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which we operate;
- various business opportunities that we may pursue;
- macroeconomic measures taken by the PRC government to manage economic growth; and
- changes in the global economic conditions and material volatility in the global financial markets.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this prospectus. We caution you not to place undue reliance on these forward-looking statements, which reflect our management's view only as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. Any of these risks could materially and adversely affect our business, financial condition and results of operations. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should pay particular attention to the fact that we are a company incorporated in the PRC and most of our operations are conducted in the PRC which is governed by a legal and regulatory environment that may differ significantly from that of other jurisdictions. For more information concerning the PRC and certain material matters discussed below, please see the section entitled "Regulatory Environment", "Appendix V—Summary of Principal Legal and Regulatory Provisions" and "Appendix VI—Summary of the Articles of Association" to this prospectus.

RISKS RELATING TO OUR COMPANY

Risks Relating to Our Distressed Asset Management

If we are unable to maintain the growth of our distressed debt asset portfolio, our competitive position, results of operations and financial condition may be materially and adversely affected.

Distressed asset management is our core business. The distressed debt assets we acquire from financial institutions and non-financial enterprises are primarily comprised of NPLs sold by banks, distressed debt assets sold by non-bank financial institutions and accounts receivable sold by non-financial enterprises. As at December 31, 2010, 2011, 2012 and June 30, 2013, the net balance of our distressed debt assets amounted to RMB7,293.7 million, RMB17,096.5 million, RMB56,028.4 million and RMB86,259.8 million, respectively. Our ability to generate sustainable revenue and ensure business growth depends, to a certain extent, on our ability to acquire distressed debt assets suitable for our business.

The supply of distressed debt assets is affected by a number of factors, including changes in macroeconomic conditions and asset quality and business conditions of financial institutions and non-financial enterprises. Changes in the NPL balance of commercial banks in the PRC, the overall volume of accounts receivable of enterprises and macroeconomic conditions, the government's control and industry policies and market liquidity fluctuation could have significant effects on the supply of distressed debt assets. Therefore, the supply of distressed debt assets in the PRC financial market may be limited or changed during a certain period of time. The amount of distressed debt assets we are able to acquire depends on a number of factors beyond our control, including the policies of the PRC central government or local governments, willingness of banks and enterprises to sell their distressed debt assets and our competition with other AMCs. If we fail to acquire distressed debt assets at acceptable prices or at all, or if further changes in government policies with regard to distressed asset management prevent us from growing our distressed debt asset portfolio, our competitive position, results of operations and financial condition may be materially and adversely affected.

If we are unable to effectively maintain the quality of our distressed debt asset portfolio, our results of operations and financial condition may be materially and adversely affected.

Debtors under the distressed debt assets we acquire usually are in weak financial positions, have experienced poor operating results and have relatively high financing needs or negative net assets, and certain debtors are involved in bankruptcy proceedings or restructuring processes. The quality of our distressed debt asset portfolio may deteriorate due to various factors, many of which are beyond our control, such as the slowdown of the PRC or global economies, a recurrence of the global credit crisis, adverse macroeconomic developments in the PRC or other areas in the world, fluctuations in relevant industries and the occurrence of natural disasters. Any of these factors may increase our exposure to credit risk arising from the debtors.

Our distressed debt assets are recorded as fair value through profit or loss and financial assets classified as receivables in our consolidated statements of financial position. Our distressed debt assets at fair value through profit or loss mainly include NPLs from banks. We may have difficulties in disposing of the acquired assets, and have to hold the assets for a period of time longer than we expected until we complete the disposal. In addition, the fair value of these distressed debt assets may further decrease below our initial purchase price if the operations of the debtors deteriorate further.

During the Track Record Period, our distressed debt asset portfolio classified as receivables grew rapidly. As at December 31, 2010, 2011, 2012 and June 30, 2013, the gross balance of our distressed debt assets classified as receivables amounted to nil, RMB9,701.1 million, RMB49,550.5 million and RMB80,086.4 million, respectively. We are exposed to credit risks arising from our debtors. As at December 31, 2011, 2012 and June 30, 2013, our distressed debt assets classified as receivables for which we individually assessed and impaired as a percentage of our total distressed debt assets classified as receivables was 0.8%, 1.2% and 0.6%, respectively. We may not be able to effectively maintain the quality of our distressed debt assets portfolio. The actual or perceived deterioration in creditworthiness of our counterparties, declines in realizable value of collateral, and reduced profitability of corporate debtors may cause our debt asset quality to deteriorate and may lead to significant increases in our provisions for impaired debt assets, which may in turn materially and adversely affect our results of operations and financial condition.

In addition, the sustainability of our business growth also depends largely on our ability to effectively manage credit risk and maintain or improve the quality of our distressed debt asset portfolio. For more information of our risk management systems and methods, please see the section entitled "Risk Management." We cannot assure you that our credit risk management policies, procedures and systems are free from any deficiencies. Deficiencies in our credit risk management policies, procedures and systems may result in an increase in the impairment of our distressed debt assets and materially and adversely affect the quality of our distressed debt asset portfolio.

Acquisition of distressed debt assets from non-financial enterprises is a new source to expand our distressed debt asset portfolio. Its future business development may be subject to our relevant business experience and the regulatory environment.

We obtained the regulatory approval in 2010 to acquire distressed assets from non-financial enterprises. We record such distressed debt assets as financial assets classified as receivables in our consolidated statements of financial position and both the total balance and their proportion to our total distressed debt assets have been increasing. As at December 31, 2010, 2011, 2012 and June 30, 2013, the gross amount of distressed debt assets classified as receivables acquired from non-financial enterprises was nil, RMB6,601.8 million, RMB30,256.0 million and RMB50,402.6 million, respectively, representing nil, 68.1%, 61.1% and 62.9% of our total distressed debt assets classified as receivables, respectively.

As the acquisition of distressed debt assets from non-financial enterprises is a new source to expand our distressed debt assets portfolio, our experience or expertise in operating such business is limited, which may affect our ability to assess the quality of the distressed debt assets and our ability to prevent legal disputes with our transaction counterparties. In addition, we may not make appropriate judgments in respect of the quality of assets and future income due to lack of sufficient historical data, or inappropriate application of appraisal model or approach for such assets. Furthermore, the current regulatory rules and policies related to the acquisition of receivables from non-financial enterprises may change from time to time, subject to the macroeconomic policies of the PRC government and the development of the distressed asset management industry. We may also face more intense competition if other AMCs are approved by regulatory authorities to conduct these businesses in the future. If we fail to manage these risks and challenges effectively, our new business of acquiring NFE Distressed Assets could be adversely affected, which may in turn materially and adversely affect our asset quality, financial condition and results of operations.

The limitations of our due diligence procedures, model and data as well as other factors beyond our control may affect our judgments and valuation regarding the acquisition and disposal of distressed assets.

There are no readily ascertainable market prices for most of the distressed assets we acquire. When determining the price for acquisition of distressed assets, we consider various factors, including: (1) our evaluation of the quality of distressed assets based on the due diligence conducted by our in-house appraisal team and/or qualified independent valuation specialists; (2) estimated costs associated with the management and disposal of such assets; and (3) prevailing market conditions and intensity of competition. Our due diligence strategy and selection process for acquiring distressed assets may not be successfully implemented, and our investments may not generate satisfactory returns or may result in losses.

In addition, the valuation methods adopted by our in-house appraisal team and qualified independent valuation specialists to appraise the value of distressed assets involve subjective judgments, assumptions and opinions, which may not be accurate or correct. Given the complexity of our investments and strategies, we typically utilize analytical models (both our proprietary models and those provided by third parties) with reference to the data and information provided by the sellers of distressed assets or third parties in our asset evaluation and pricing. These models, data and information are used for appraisal of investments or potential investments, and are related to the completion of due diligence on investments. In the event that these models, data and information prove to be incorrect, inaccurate, misleading or incomplete, any decisions made in reliance thereon may expose us to potential risks. We may make unsound acquisition decisions, including acquiring distressed assets at prices higher than commercially reasonable level, due to our failure to accurately determine commercially reasonable prices for distressed assets.

Before we acquire distressed assets, we conduct due diligence that we consider reasonable and appropriate based on the facts and circumstances applicable to each distressed asset acquisition. The due diligence that we have conducted or will conduct with respect to any opportunity of distressed asset acquisition may not reveal all relevant facts that are necessary or useful in evaluating such opportunity, which could subject us to unknown liabilities that could adversely affect our profitability, financial condition and results of operations. For example, when we acquire distressed debt assets we may be unable to identify defects in the pre-existing creditor rights, potential claims by other interested parties in connection with such distressed debt, or defects in the procedures creating a guarantee, which could adversely affect our ability to enforce our rights and realize the value of collateral and subject us to litigation risks.

Our distressed assets are concentrated in certain industries and companies. If the conditions of these industries or these companies significantly deteriorate, our asset quality, financial condition and results of operations may be materially and adversely affected.

As at June 30, 2013, the gross amount of our distressed debt assets classified as receivables attributable to (i) real estate, (ii) manufacturing, (iii) water, environment and public utilities management and (iv) construction industries represented 60.4%, 6.4%, 6.0% and 4.5% of our total distressed debt assets classified as receivables, respectively. Our risk exposure to the PRC real estate market primarily relates to receivables due from real estate companies and other loans and receivables secured by real properties. In recent years, the PRC central government and local governments have imposed restrictive policies and measures to control the overheating growth of the real estate market, including restrictive credit measures relating to land, tax, property development, mortgage and other real estate transactions and developments, enhanced requirements of down payment ratio and interest rate of property mortgage as well as restrictions on investment and sales of properties. Further restrictive and control policies or extended implementation period for any of relevant policies in the PRC may materially and adversely affect the repayment capability and willingness of our obligors in the real estate industry and the value and quality of the properties pledged as collateral. In addition, if any other industry which accounts for a significant portion of our financial assets classified as receivables experiences a significant downturn, our obligors may be unable to repay receivables or default in repayment and, as a result, our asset quality, financial condition and results of operations may be materially and adversely affected.

In addition, our DES Assets are primarily concentrated in the coal, chemical and metals industries. As at June 30, 2013, the book value of our DES Assets in the coal, chemical and metals industries represented 61.5%, 16.2% and 9.1%, respectively, of the total book value of our DES Assets. Certain of the DES Companies in our DES Assets portfolio may be subject to restrictions under the industry policies of the PRC government, such as restrictions on business expansion due to excessive capacity or orders to eliminate obsolete capacity. A downturn in any industry in which our equity interests are concentrated may lead to deterioration of the operating results of enterprises in this industry, which may in turn affect their equity value or ability to distribute dividends, and may materially and adversely affect our asset quality, financial condition and results of operations.

As at June 30, 2013, the distressed debt assets classified as receivables from our top ten obligors, in terms of book value, represented 14.6% of our total assets in such category. If any of these obligors fails or defaults in making repayment, our asset quality, financial condition and results of operations may be materially and adversely affected.

As at June 30, 2013, the top 20 Listed DES Assets and the top 20 Unlisted DES Assets in terms of book value accounted for 98.2% and 80.5% of the total book value of our Listed DES Assets and Unlisted DES Assets, respectively. If deterioration in the performance of any of these enterprises has an impact on its equity value or capability to distribute dividend, our asset quality, financial condition and results of operations may be materially and adversely affected.

If the collaterals or guarantees securing our distressed debt assets are not sufficient, or for other reasons, we may not be able to recover the full value of the collateral or guarantees in a timely manner or at all.

A significant portion of our distressed debt assets are secured by collaterals or guarantees. As at June 30, 2013, 54.2%, 9.3% and 30.2% of our distressed debt assets classified as receivables in terms of gross amount were secured by mortgages, pledges and guarantees, respectively.

The mortgages securing our distressed debt assets primarily include real properties and other assets located in the PRC. The value of the collaterals securing our debt assets may significantly fluctuate or decline due to factors beyond our control, including macroeconomic factors affecting the PRC economy. For example, a downturn in the real estate market in the PRC may result in a decline in the value of the real properties securing our debt assets to a level significantly below the outstanding balance of principal and interests of such debt assets. Any decline in the value of such collaterals may reduce the amounts we can recover from such collateral and increase our impairment losses.

Some of the guarantees securing our debt assets are provided by the obligor's affiliates. Such debt assets are generally not secured by collaterals or security interests other than guarantees. Significant deterioration in the financial condition of a guarantor could significantly decrease the amounts we may recover from such guarantees. Moreover, we are subject to the risk that courts or other judicial or governmental authorities may declare a collateral to be invalid or otherwise decline or fail to enforce such collaterals. Thus, we are exposed to the risk that we may not be able to recover part or all of the amounts guaranteed for our debt assets.

Moreover, we obtain assets in satisfaction of debt when acquiring or disposing distressed debt assets and we do not intend to hold these assets in satisfaction of debt for long term. Certain land and buildings in satisfaction of debt we currently hold have defects in titles primarily because, among others, the land right certificates or the building ownership certificates have not been obtained by the previous owners or transferred to us. As a result, we may not be able to exercise our rights over the assets in satisfaction of debt, which may affect our ability to dispose of the assets in satisfaction of debt and generate income.

The provisions we make for impairment losses of distressed debt assets classified as receivables may not be sufficient to cover actual losses.

We conduct impairment assessment for distressed debt assets classified as receivables every six months and make provisions for impairment losses accordingly. As at December 31, 2010, 2011, 2012 and June 30, 2013, our provisions for impairment losses on distressed debt assets classified as receivables were nil, RMB20.0 million, RMB1,482.3 million and RMB2,198.2 million, respectively, and the ratios of our provisions for impairment losses to total distressed debt assets classified as receivables were nil, 0.2%, 3.0% and 2.7%, respectively. The provisions are based on our current assessments of, and expectations for, various factors affecting the quality of our portfolio of distressed debt asset classified as receivables. These factors include the obligors' financial condition, their capability and willingness to repay, the realizable value of any collateral, the capability of our obligors' guarantors to fulfill their obligations and implement our credit policies, as well as the PRC economy, macroeconomic policies, the legal environment and the regulatory environment. Many of these factors are beyond our control, and, therefore, our assessment of and expectations for these factors may not be accurate. The adequacy of our provisions for impairment losses, to a large extent, depends on the effective application of our risk assessment system to estimate these potential losses, as well as our ability to accurately collect, process and analyze relevant statistics. In addition, our classification and provision policies for distressed debt assets classified as receivables are different from those adopted by PRC commercial banks. If our assessments of, and expectations for, the factors that affect the quality of our portfolio of distressed debt asset classified as receivables differ from the actual conditions and results, or if our assessments prove to be inaccurate, or if our application of the risk assessment systems or our ability to collect relevant statistics proves to be insufficient, our provisions for impairment losses may not be adequate to cover our actual losses, and we may need to make additional provisions for impairment losses, which may lower our profit as well as materially and adversely affect our asset quality, financial condition and results of operations.

We may not be able to realize the value from our distressed assets as expected and our ability to dispose of distressed assets is subject to the limited methods of disposal available to us in the PRC.

The amount of income we can generate from our distressed assets depends on various factors, many of which are beyond our control, including the economic conditions in the PRC and in the global market, the prevailing market conditions, and changes in the relevant PRC policies, laws and regulations. Adverse changes in these factors could adversely affect the financial condition and repayment capability of the companies in which we hold distressed assets or make it difficult for us to realize the value of the distressed assets as expected. Therefore, we cannot assure you that the value of distressed assets we acquired will not decrease or that we will achieve the returns from disposing of our distressed assets as expected or at all. In addition, from time to time, we seek to realize the value of distressed assets through litigation or arbitration. However, we cannot assure that we can achieve the outcome as expected.

The methods that we currently adopt to realize the value of distressed assets consist primarily of debt collection and litigation, debt restructuring, DES arrangements, assets for debt repayment, transfer of distressed assets and equity swaps, public listing and disposals through sales. Given the distressed asset management industry in the PRC is expected to further evolve, certain innovative financing and disposal methods to hedge against the loss arising from, and to preserve the value in, distressed assets may not be available to us. In addition, our distressed asset management is subject to the existing rules, regulations and policies, which may change from time to time based on the development of the distressed asset management industry. Any asset disposal method that is newly introduced into the market needs further development and improvement and there are legal uncertainties with respect to the new method prior to the promulgation of rules and regulations governing such new method. Although we believe our methods and manners of disposal are in compliance with applicable rules and regulations, the regulatory authorities may take different views, which could restrict or prevent us from using specific methods of distressed asset disposal, and/or impose fines and other penalties on us.

We do not participate in the daily management for the majority of the DES Companies and have limited influence on these companies, which may affect our ability to receive dividends on or exit from such investments and to realize the value of our investment in such DES Companies.

DES asset management is one of our principal business operations. For the history and further details of our DES Assets, see “Our History and Corporate Structure,” “Business—Our Principal Businesses—Distressed Asset Management—DES Assets Management” and “Regulatory Environment” in this prospectus. Due to the restrictions of the relevant governmental policies and regulations as well as the characteristics of our distressed asset business, in general we are not able to control or participate in the daily management of the DES Companies, and have limited influence on such enterprises.

The controlling or majority shareholders or the management of these DES Companies may make business, financial or management decisions or act in a manner that may not align with our interests and, therefore, prevent us from achieving expected investment returns. For example, before we realize gains from disposal of DES Assets, our investment returns from DES Assets consist primarily of dividends distributed by the DES Companies. The payment of dividends is at the discretion of the shareholders of these DES Companies and the majority and/or controlling shareholders of these enterprises may exert significant influence over dividend distribution in a manner that may not align with our interests. In addition, the DES Companies and/or their majority and/or controlling shareholders may disagree with the manners or the prices we proposed to exit from our investments, and we may not be able to dispose in the manner, schedule and price as expected. We may even be involved in disputes with, and litigations and other legal proceedings against, the DES Companies and/or their controlling shareholders and may incur additional legal costs, and our business, financial condition and results of operations could be materially and adversely affected.

As we do not participate in the daily management of the majority of the DES Companies, we may not be aware of issues arising from their daily operation and legal compliance. Even if we are aware of such issues, we may not be able to cause such enterprises to resolve the issues due to our limited influence on them. Therefore, certain issues arising from the daily operations and legal compliance of the DES Companies may materially and adversely affect our business, financial condition and results of operations.

The calculated value of the equity interests we hold in certain Unlisted DES Companies disclosed in this prospectus was appraised by the independent valuation specialist. Since such value is not fair value appraised in accordance with IFRS, you should not unduly rely on such calculated value.

As at June 30, 2013, substantially all of our unlisted equity investment were DES Assets in our distressed assets portfolio.

We are not able to conduct fair value appraisal on our unlisted equity investments because (i) there have been no price quotations in the active market for these unlisted shares; (ii) we are not able to obtain certain key information required for comprehensive fair value appraisal on our unlisted equity investments due to our lack of control over these enterprises; and (iii) forecasts on revenue, expenses and cash flow with respect to these enterprises are not available to us, and we are unable to make reliable estimates.

We have engaged American Appraisal China Limited ("American Appraisal"), an independent third party, to calculate the value of our top 20 Unlisted DES Assets. As at June 30, 2013, the top 20 Unlisted DES Assets accounted for 80.5% of the book value of our Unlisted DES Assets. See "Business—Our Principal Businesses—Distressed Asset Management—DES Asset Management" and "Appendix III—Calculated Value Report." The calculated value of our top 20 Unlisted DES Assets was prepared by American Appraisal in accordance with the Statement on Standards for Valuation Services No. 1 of the American Institute of Certified Public Accountants, and was based on certain limited procedures agreed by American Appraisal and us. Fair value refers to the price that would be received to sell an asset or paid to transfer a liability by market participants in an orderly transaction conducted at the measurement date. Calculated value refers to the estimated value of an enterprise, enterprise ownership interest, collaterals or intangible assets based on a professional judgment made on the value or value range by applying calculation methods as agreed upon with clients. The measurement of fair value shall be determined on the basis and assumptions used by market participants in target assets pricing. During the process of value calculation, if any party fails to obtain all information required for the pricing of target assets by market participants, the valuation specialist will rely on the best information provided by the management and make assumptions accordingly. The valuation specialist will also assess the reasonableness of the information provided by the management based on external market data and internal research. For details of principal factors American Appraisal has considered and key assumptions adopted in arriving at the resulting calculated value, see the section entitled "Scope of Work and Key Assumptions" in Appendix III.

In a calculation engagement, an valuation specialist uses feasible methods to calculate the value because the information available for valuation is restricted. The results are referred to as calculated value. American Appraisal had limited contact with the management of the subject entities given our lack of control over the unlisted equity investment entities. American Appraisal was unable to obtain the prospective financial information and the most current reserve reports necessary for applying the income approach. Considering such limitations, American Appraisal used market approach as the primary approach to estimate the value of the equity investments. Market approach considers prices recently paid for similar assets, with adjustments made to the market prices to reflect the condition and utility of the appraised assets relative to the market comparable. Because American Appraisal calculated the enterprises' value based on the agreed upon procedures and applied the Statement on Standards for Valuation Services No. 1 of the American Institute of Certified Public Accountants, it presented the results of these procedures as a calculated value instead of fair value.

The calculated value in the report of American Appraisal was prepared based on the information and data of the unlisted enterprises regarding their financial performance, operations, resources and reserve that are either publicly disclosed or otherwise provided to us by these enterprises or their controlling shareholders. While American Appraisal has exercised reasonably prudent care when using such information, (i) the relevant information was derived from unlisted equity enterprises and has not been independently verified by us; (ii) the information provided by the unlisted enterprises was limited; and (iii) the calculated value prepared by American Appraisal was based on certain judgments and assumptions, which by nature are subjective and uncertain. The calculated value of our top 20 Unlisted DES Assets should not be considered as the basis for appraising the fair value of these equity interests if we are required to start conducting such appraisal pursuant to new accounting standards. In addition, such calculated value should not be taken as their actual realizable value or a forecast of their realizable value, therefore you should not unduly rely on such calculated value.

Risks Relating to Our Financial Investment and Asset Management

Our private equity investment business is subject to our investment decisions, our limited shareholding in the investee companies and market conditions.

Our private equity investment business generally involves direct investments in private companies with our own capital or investments through private equity funds. We hold equity interests in private equity portfolio companies to earn capital investment returns from dividends paid by such portfolio companies and from exits through IPOs or disposal of equity in such portfolio companies. Making an accurate investment decision requires us to carefully identify and select a target company based on its business, financial condition, operations and the industry in which it operates. In general, this selection process involves a systematic analysis and estimation of the target company's profitability and sustainability. However, we may make unsound investment decisions due to fraudulent, concealed, inaccurate or misleading statements from a target company in the course of our due diligence, which could lead us to mistakenly estimate the value of the target company and affect our ability to make profit on such investments. In addition, our understanding of and judgment on the industry in which the target company operates or its business may be inaccurate and result in inappropriate investment decisions.

Our portfolio companies may take longer than we expect to become suitable for IPOs or for us to exit our investments through other means. As such, our investment period may be longer than we anticipated, which could reduce our expected returns on investment. If an IPO cannot be achieved for any reason, we cannot exit our investment in an open market or through other means, or at all, which may have an adverse impact on realizable value of our investment. In addition, our ability to exit a private equity investment is also subject to capital market conditions in the PRC. Even in the case of successful IPOs, due to equity capital market conditions, we may be forced to sell our investments at undesirable prices or may not be able to sell within the time period as we scheduled. Our obligation in accordance with applicable laws to reduce the holding of our shares in investee companies during their IPOs may also reduce returns on our investments. If we cannot sell our private equity investments during the planned disposal period, our investment returns will continue to be exposed to market risks.

We may have limited control over the companies in which we have invested. Therefore, we may not be able to influence the business decisions of our invested companies, which could prevent us from making profit from such investments as we anticipated. In addition, our private equity portfolio companies may fail to meet their obligations under the agreements entered into with us, which could result in deterioration in the value of our investments. In such cases, our business, financial condition and results of operations could be materially and adversely affected.

We are exposed to risks associated with real estate construction and development.

Our property construction and development activities involve significant risks. Before a property development generates any revenues, we shall incur significant costs, including land use rights acquisition costs and property construction costs. It generally takes several years for a development project to generate revenues, and we cannot assure you that such development will be completed within a reasonable period of time and generate profit as we expected. Our property construction and development activities are exposed to various risks, including but not limited to the following:

- we may not be able to identify appropriate land or obtain the land use rights for our development projects;
- we may fail to obtain or face material delays in obtaining requisite certificates, permits and government approvals, including, among others, qualification certificates, land use right certificates, construction permits, pre-sale permits and certificates or confirmation of completion, for our property developments;
- we may not be able to complete the construction of properties on schedule or on budget, due to a variety of factors including shortages or increases in costs of raw materials, equipment, technical personnel and labor, adverse weather conditions, natural disasters, labor disputes, disputes with contractors and sub-contractors, accidents, changes in government policies, changes in market conditions, delays in obtaining the requisite licenses and permits and approvals from the relevant authorities, and other unforeseen problems and circumstances;
- we may lease or sell the properties developed by us at rental rates or sales prices below our expectation, and we may experience delays in the leasing or sale of properties developed by us; and
- occupancy rates, rental rates, rents and sale prices of the properties developed by us may fluctuate depending on a number of factors, including market and economic conditions

and our ability to deliver our properties to meet consumer demand in the areas of product positioning, design and pricing, and may adversely affect our revenues and cash flows.

The PRC real estate market is affected by many factors, including but not limited to, macroeconomic conditions, interest rates, inflation rate, urbanization rate, disposable income levels and supply and demand dynamics, many of which are beyond our control. In recent years, the PRC central government and local governments have implemented stringent policies and measures to control the overheating growth of the real estate market. Such policies and measures include those designed to control the land, taxes, real estate development, mortgage and other credit facilities for property purchases or real estate development, down payment ratio requirements for property purchases, interests rate level and investment in and sales of assets. Any further stringent policies in China or prolonged implementation of the relevant policies could lead to deterioration in the liquidity of the real estate market in China, which may in turn cause the sales volume and prices of our properties to decline. In addition, the value of our real estate assets may decrease. We may not be able to sell any of our properties at favorable prices or on favorable terms, or the prices or terms offered by prospective purchasers may not be acceptable to us. It is also impossible to predict the length of time needed to find willing purchasers and to complete the property purchases. In addition, properties that we operate and manage for long-term investment purposes may not be as profitable as we expected and the costs associated with the maintenance of these properties may exceed our budget. Any of the foregoing may materially and adversely impact the revenue and profit generated from our real estate development business.

Risks Relating to Our Financial Services

If we fail to satisfy the requirements regarding minimum solvency margin ratio, our insurance business may be subject to regulatory sanctions, which may have a material adverse effect on our insurance business.

PRC laws and regulations require each of our insurance subsidiaries to maintain a minimum solvency margin ratio commensurate with the scale of business and risk exposures. Under the Administrative Provisions on Solvency of Insurance Companies (保險公司償付能力管理規定), an insurance company shall have capital commensurate with its risk exposure and scale of business to ensure a solvency margin ratio of at least 100%. If any of our insurance subsidiaries fails to meet the relevant minimum solvency margin ratio requirements, the CIRC may impose regulatory sanctions on the subsidiary, depending on the degree of deficiency in the solvency margin ratio, including but not limited to, (i) ordering the increase of capital or restricting the payment of dividends to shareholders, (ii) imposing restrictions on the remuneration of directors and senior management, (iii) restricting the expansion of branches and scale of business, prohibiting the development of new business and ordering the transfer of insurance business or ceding business, (iv) ordering the auction of assets or restricting the purchase of fixed assets, and (v) restricting the use of insurance funds. For more information, see "Regulatory Environment—Insurance Business". As at December 31, 2010, 2011 and 2012, the solvency margin ratio of Cinda P&C was 1,502%, 195% and 746%, respectively. As at December 31, 2010, 2011 and 2012, the solvency margin ratio of Happy Life was 3%, 105% and 48%, respectively. As Happy Life failed to meet the regulatory requirement on minimum solvency margin ratio in 2012, the CIRC imposed relevant regulatory measures on Happy Life in March 2013, including prohibiting Happy Life from establishing new branch entities and developing new businesses. The CIRC has lifted the regulatory restrictions prohibiting Happy Life from establishing new branch entities and developing new businesses on April 24, 2013 and July 8, 2013, respectively, as Happy Life met the requirements on minimum solvency margin ratio by the first half of 2013. As of the Latest Practicable Date, Happy Life was in compliance with relevant regulatory requirement on solvency margin ratio.

The solvency margin ratios of our insurance subsidiaries depends on various factors, such as its capital level, business development and profitability. If their share capital and profit cannot continue to support their business growth in the future, minimum solvency margin ratios increase, financial condition or results of operations deteriorate, or for other reasons they cannot comply with the minimum requirements on solvency margin ratio, our insurance subsidiaries may need to raise, or we may need to inject, additional capital so that they can meet such requirements. Our insurance subsidiaries' ability to obtain additional capital in the future is subject to a variety of uncertainties, including but not limited to, their future financial condition, results of operations, cash flows, government regulatory approvals, changes in regulations relating to capital raising activities, their credit ratings, general market conditions for capital raising activities, and other economic and political conditions inside and outside of the PRC. For example, the ability of Happy Life to finance through equity and bond offerings has been restricted pursuant to relevant regulatory rules and the covenants set forth in the indentures for the subordinated debts issued.

If our insurance subsidiaries fail to maintain the minimum solvency margin ratio according to the regulatory requirements, the CIRC may impose regulatory limitations on us. Some or all of these limitations may constrain our insurance subsidiaries' underwriting capacity, reduce its growth rate and have a material adverse effect on our business, results of operations and financial condition.

Our insurance business may be subject to various risks.

Our insurance business may be subject to various risks, including but not limited to:

- The potential differences between our actual benefit and claim payments and those assumptions or estimates used in the pricing of, and setting reserves for, our insurance products could have a material adverse effect on the results of operations of our insurance business. The earnings of our insurance business largely depend on the extent to which our actual benefits and claims are consistent with the assumptions and estimates we use in pricing our insurance products and establishing reserves for future policy benefits and claims. Due to the nature of underlying risks and the uncertainties associated with the determination of liabilities for future policy benefits and claims, the amount which our insurance subsidiaries will ultimately pay to settle their liabilities may differ from estimated amount. If the reserves which our insurance subsidiaries previously established are inadequate, they will incur additional costs of claims, which may have a material adverse effect on the business, financial condition and results of operations of our insurance subsidiaries.
- Adverse changes in the reinsurance markets may have a material adverse effect on our insurance business, and we are exposed to the risk that our reinsurers may not perform their obligations. We cede insured risks we underwrite to a number of reinsurance companies. Although a reinsurer is liable to us to the extent of the ceded insurance, we remain liable as the direct insurer on all risks reinsured. We cannot assure you that we can obtain sufficient reinsurance to cover losses in the future or obtain the reinsurance we require in a timely or cost-effective manner. Any decrease in the amount of reinsurance will increase our risk of loss and any increase in the cost of reinsurance will, absent a decrease in the amount of reinsurance, reduce our insurance premiums earned.

Accordingly, although we seek to adopt various measures to reduce the costs of our reinsurance, we may still be forced to incur additional expenses for reinsurance or may not be able to obtain sufficient reinsurance on acceptable terms, which may restrict our ability to underwrite future business or result in the assumption of more risk with respect to the retention amounts under those policies we issue.

- Any termination of, or any adverse change to, our bancassurance arrangements may have a material adverse effect on the financial condition, results of operations and prospects of our insurance business. PRC state-owned commercial banks and regional commercial banks which have entered into bancassurance agreements with Happy Life are the main distribution channel for our life and health insurance products. CCB is the largest bancassurance partner for our life and health insurance products. Any termination of, disruption to, or any other adverse change to, our relationship with the banks, in particular CCB, with which we have entered into bancassurance agreements, the formation of any exclusive partnership between these banks and any of our competitors, may significantly reduce our insurance product sales and growth opportunities of our insurance business. Regulatory changes affecting the bancassurance business and distribution of bancassurance products may materially affect our relationship and arrangements with these banks or restrict our ability to further expand our bancassurance arrangements. In addition, as the bancassurance market becomes increasingly competitive, banks could demand higher commission rates, which would increase our costs of sales and reduce the profitability of our insurance business. Any of the foregoing may have a material adverse effect on the financial condition, results of operations and prospects of our insurance business.

- Concentrated policy surrenders in our insurance business may cause us to dispose of our investment assets, and the illiquidity of certain investment assets could prevent us from selling them at commercially favorable prices in a timely manner, which could have a material adverse effect on the financial condition, results of operations and prospects of our insurance business. Under normal circumstances, it is generally possible for insurance companies to anticipate the overall level of policy surrenders in a given period. However, the occurrence of unusual events that have significant or lasting impacts, such as sharp declines in customer income due to a severe deterioration in economic conditions, radical changes in applicable government policies, loss of customer confidence in the insurance industry due to the severe or perceived weakening of the financial strength of one or more insurance companies, or the severe weakening of our financial strength, may trigger concentrated surrenders of insurance policies. If this were to occur, our insurance subsidiaries would have to dispose of investment assets to cover the respective amount of surrender payments when our reserve for claims is insufficient. Our insurance subsidiaries may be unable to sell their investment assets at favorable prices and in a timely manner to cover the respective level of surrender payments, which could have a material adverse effect on the financial condition, results of operations and prospects of our insurance business.

- Catastrophic events, which are covered by our insurance, could materially increase our liabilities for claims by policyholders. Both our P&C insurance business and our life and health insurance business expose us to risks of liabilities for insurance claim payments relating to unpredictable catastrophic events, including natural hazards, man-made disasters and epidemics or pandemics. The frequency and severity of catastrophes covered by our insurance are inherently unpredictable. Furthermore, catastrophes could also increase the operating costs, adversely affect our operations or those of our clients, or result in losses in our investment portfolios, and could in turn have a material adverse effect on our business, financial condition and results of operations.

Our failure to pay the principals and investment returns to the investors under any trust plans as scheduled may materially and adversely affect our trust business.

We provide various trust plans for investors through our subsidiary Jingu Trust. In the process of launching trust plans, we need to inform investors about the amount of funds raised, duration and expected returns of the trust plans. The investment projects of the trust plans launched by Jingu Trust mainly focus on industries such as infrastructures, manufacturing and trade and real estate. In case of the downturn and slowdown in such industries, we may not be able to collect the principals and/or expected investment returns of our trust plans. If we fail to pay the principals and expected investment returns to investors in accordance with our expectations when the trust expires, the reputation of our trust business will be damaged and the confidence and sentiment of investors towards our existing and future trust plans will be affected, which may adversely affect the results of operations of our trust business. In addition, in the event that any assets incur losses due to any violation or misconduct by Jingu Trust in performing its management obligations or conducting its trust business, Jingu Trust may need to compensate its investors with its own funds. Under such circumstances, the asset quality, financial condition and results of operations of Jingu Trust may be materially and adversely affected.

Our securities business may be subject to various risks.

Our securities business is directly affected by the inherent risks associated with the securities markets in the PRC, such as market volatility, overall investment sentiments, fluctuations in market capitalization and trading volumes, the supply of liquidity and the creditworthiness of the securities industry. Our business is also subject to changes in macroeconomic conditions, such as monetary policies, fiscal policies, currency fluctuations, cost of funding, interest rate volatility and other macroeconomic policies, legislation and regulations affecting the financial and securities industries. In addition, our securities business may be subject to various risks, including but not limited to:

- Revenue from our securities brokerage business depends significantly on the volume of trading that we execute for our clients and the brokerage commission rate. Trading volume is subject to various factors including, among others, macroeconomic conditions, monetary policies, market conditions, fluctuations in interest rates and investor behavior, all of which are beyond our control. For instance, the daily average trading volume in the A share market decreased in 2010, 2011 and 2012, which had adversely affected our securities trading volume and resulted in a decrease in our securities brokerage revenue. We face intense price competition in our securities brokerage business as some of our competitors seek to increase their market shares by reducing prices as well as the introduction of electronic trading through the Internet and other alternative trading systems, which may lead to a decrease in our brokerage commission. As a result, we cannot assure you that commission and fee income from our brokerage business can be sustained at current levels.

- We provide services to customers of our securities brokerage business and manage customer relationships primarily through our securities branches. However, there is no assurance that we will be successful in further expanding our branch network due to changes in regulatory policies, difficulties in managing retail brokerage staff and other unforeseeable reasons. Since March 2013, the CSRC has permitted the PRC securities companies to establish more branches, which may further intensify the competition in the securities brokerage business in the PRC and the securities brokerage commission rate may decrease accordingly. We may fail to maintain our current market position and competitiveness, which could have a material adverse effect on our business, financial condition, results of operations and prospects.
- Our investment banking business is subject to various risks in the underwriting and sponsorship of securities and there can be no assurance that the underwriting commission and sponsorship fees can be sustained. Offerings of securities in the PRC, especially initial public offerings, are subject to approvals by various regulatory authorities. The timing and results of these regulatory reviews and approvals are beyond our control and the listings of securities underwritten and sponsored by us may be significantly delayed or even terminated due to unfavorable market conditions and fluctuations in the capital markets. If any project fails to complete on time or at all for any reason, we may not receive sponsor fees and underwriting commission as planned or at all. If we underwrite securities offerings on a firm commitment basis, we may be required to purchase some or an entire unsubscribed portion for our own account, which could adversely affect our liquidity or even result in losses. Furthermore, acting as a sponsor in the securities offering and listing, we may be subject to regulatory sanctions, fines, penalties or other disciplinary actions in the PRC due to inadequate due diligence in connection with an offering, fraud or misconduct committed by issuers, their agents, other sponsors or ourselves, misstatements and omissions in disclosure documents, or other illegal or improper activities that occur during the course of the sponsorship, which may materially and adversely affect our reputation, business and results of operations.

Our financial leasing business may be subject to various risks.

Our financial leasing business may be subject to various risks, including but not limited to:

- The value of collateral or guarantee securing our leases and the assets underlying such leases, which are disposed of upon repossession, may be inadequate to cover related finance lease receivables. We usually request the lessees to provide collateral and/or guarantee to secure the obligations under the lease agreements. The value of collateral and/or assets underlying our leases may decline due to various factors such as damage, devaluation, loss or reduced market demand. A significant deterioration in the financial condition of guarantors under our leases could significantly decrease the amounts we may recover under such guarantees. We conduct periodic impairment tests for collateral and assets underlying our leases. If the value of the collateral or assets underlying our leases is determined to be inadequate to cover the related finance lease receivables, we may need to obtain additional guarantee. Declines in the value of collateral, guarantees or assets underlying our leases or our inability to obtain additional guarantee may result in impairment losses and require us to make additional provisions for impairment losses on our finance lease receivables, which may materially and adversely affect our financial leasing business, financial condition and results of operations.

- We may not be able to successfully enforce our rights to the underlying collateral or guarantees to our leases or our rights to repossess the assets underlying such leases for our financial leasing business. For our financial leasing services, we usually request the lessees to provide collateral or guarantees for the leases with specific guarantee agreements. The lessees and guarantors of our finance leases are generally third parties with respect to us, our shareholders or directors or any of their respective associates. In the event of any material default on interest payment terms, we are entitled to enforce our security rights and/or repossess and dispose of the assets underlying our leases to realize their value. In the PRC, the procedures for liquidating or otherwise realizing the collateral value of tangible assets, enforcing the rights to a guarantee, or repossessing the assets underlying the leases are usually time-consuming. Although we could apply to a PRC court for the attachment or disposal of any underlying collateral, the enforcement of a guarantee or the repossession of the assets underlying our leases upon the event of default, it is uncertain whether the local court's judgment would be enforceable due to uncertainties of the PRC legal system governing such enforcement. In addition, under PRC law, our rights to any collateral securing our leases may be subordinated to other claims. If we are unable to bring an enforcement action with respect to any collateral or guarantee securing the assets underlying our leases for repossession and disposal on a timely basis, it may have a material adverse effect on the asset quality, financial condition or results of operations of our financial leasing operations.
- Our provision for impairment losses on finance lease receivables and prepayments for equipment leasing may not be adequate to cover future credit losses, and we may need to increase our provisions for impairment to cover such future credit losses. We made provisions for impairment losses on finance lease receivables and prepayments for equipment leasing of RMB15.7 million, RMB175.4 million, RMB440.5 million and RMB598.1 million as at December 31, 2010, 2011, 2012 and June 30, 2013, respectively. The amount of such provisions is determined on the basis of our internal provisioning procedures and guidelines and relevant regulatory requirements with consideration of certain other factors. Our provisions for impairment losses on receivables from finance lease receivables and prepayments for equipment leasing may prove to be inadequate if adverse changes occur in the PRC economy or if other events adversely affect specific customers, industries or markets. Under such circumstances, we may need to make additional provisions for impairment losses on our finance lease receivables and prepayments for equipment leasing, which could significantly reduce our profit and may materially and adversely affect our business, financial condition, results of operations and prospects.

Our asset management, fund management and trust business depend largely on our ability to raise funds from investors and retain the funds raised. A significant decline in the size of the AUM and poor management performance may materially and adversely affect our asset management, fund management and trust business.

Our ability to raise funds for our asset management business depends on a number of factors, many of which are beyond our control. Investors may reduce or withdraw their investments due to market volatility and unfavorable economic conditions as well as when the investment objective is satisfied. Poor performance of our asset management plans could also make it more difficult for us to raise new capital. Our investors and potential investors assess our asset management performance, market benchmarks and performance of our competitors, which affects our ability to raise funds for existing and future asset management plans. To the extent that economic and market conditions deteriorate, we may be unable to raise sufficient funds to support the investment activities of future asset management plans. If we fail to raise funds, the financial condition and results of operations of our asset management business could be materially and adversely affected.

We charge management fees based on the size of assets of mutual funds and trust plans under our management. In addition, we may earn performance fees for our private equity fund management services as well as our collective and targeted asset management plans. Investment performance affects the scale of our AUM and our ability to retain existing clients and secure new clients. Limitations on investment options and hedging strategies, as well as market volatility, could limit our ability to provide stable returns for our clients and retain their investments under our management. Market volatility, adverse economic conditions or inability to outperform our competitors or market benchmarks may reduce our AUM or affect the performance of the assets, funds or trust plans under our management. In the event of any circumstances above, our clients may withdraw their investments from our asset management plans or mutual funds or terminate the trust contracts prior to the expiration dates. Our clients may request us to lower our management fees, and the performance fees, which are calculated as a percentage of investment returns, may also decline. Any of the foregoing circumstances could have a material adverse effect on our competitiveness, results of operations and financial condition.

Other Risks Relating to Our Company

Our business operation is exposed to market risk.

Our equity investment business, liquidity management and investment business of Happy Life and Cinda Securities consist of investments in financial products such as equity and fixed-income securities. Our equity and fixed-income securities business is exposed to risk arising from the fluctuation in the PRC capital markets. The downturn of equity and fixed-income securities markets may result in a decrease of the unrealized gain of investment assets, unrealized or realized losses or impairment and a decrease of gains realized upon the disposal of such assets, any of which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Certain portion of our assets, such as part of our available-for-sale financial assets, are valued at market prices. If the values of available-for-sale financial assets decrease significantly and our management considers that the decrease is not temporary, impairment losses may be recognized. Such estimates are based on judgments which involve the assessment of various factors. Please see the section entitled "Financial Information—Critical Accounting Policies and Estimates" in this prospectus. For example, for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, we made provisions for impairment losses in relation to our available-for-sale financial assets amounting to RMB454.5 million, RMB246.0 million, RMB3,340.2 million and RMB2,473.7 million, respectively, including the provision for impairment loss of RMB2,917.9 million and RMB1,585.6 million for our equity holding in Chalco in 2012 and the first half of 2013, respectively. The recognition of asset impairment losses will have a material adverse impact on our results of operations.

Our business operations are subject to credit risk.

A substantial proportion of our asset portfolio consists of distressed assets that we acquired from financial or non-financial enterprises. A portion of distressed debt assets which we acquired are not secured by sufficient collateral and guarantees. Please see the section entitled "—Risks Relating to Our Distressed Asset Management—If we are unable to effectively maintain the quality of our distressed debt asset portfolio, our results of operations and financial condition may be materially and adversely affected" in this prospectus. Some of our subsidiaries, including Cinda Investment, also provide credit enhancement services to customers primarily in the form of long-term purchase commitment. As a result, we are susceptible to credit risks associated with the deteriorating credit quality of the relevant debtors. Losses may occur due to increased delinquencies.

Our financial services are also subject to different credit risks, primarily including:

- *Securities and futures business.* Our credit exposure from securities and futures businesses mainly results from our businesses of margin financing to customers, futures brokerage and repurchase transactions. Any default in payment or performance by a customer or counterparty may trigger disputes between customers and us, which may subject us to significant expenses or litigation risks, hence adversely affecting our financial position, results of operations and cash flows.
- *Financial leasing business.* Our financial leasing business is exposed to credit risk arising primarily from the default by the lessees or the guarantors, which may result in deterioration in the quality of our lease receivables portfolio or a decline in the quality of future receivables. In addition, if we fail to effectively mitigate the credit risk and collect our outstanding finance lease receivables, our cash flows from and liquidity condition of financial leasing business could be materially and adversely affected.
- *Insurance business.* Our insurance business is exposed to the risk that our customers and partners do not perform their obligations. Our customers and partners may default on their obligations to us due to bankruptcy, lack of liquidity, economic downturns, operational failure, fraud or other reasons. Our rights against these counterparties may not be enforceable in all circumstances.

We are exposed to credit risk with respect to our investments in proprietary trading activities, insurance and securities businesses, which are recorded as available-for-sale financial assets and held-to-maturity financial assets. These financial assets may also be subject to price fluctuations as a result of changes in the financial market's assessment of the issuer's creditworthiness, delinquency and default rates and other factors. In addition, we may not have sufficient access to resources and trading counterparties to effectively implement our trading and investment risk mitigation strategies and techniques. If our credit exposure becomes overly concentrated in terms of limited asset portfolios, asset types, or number of third parties, or if we fail to effectively manage our credit exposure through our risk management policies and procedures, the volatility of any negative impact of credit exposures could be magnified, and as a result, we may experience significant financial losses that could materially and adversely affect our business, financial condition and results of operations.

Our business operation is exposed to liquidity risk.

Our business is capital intensive and requires a significant amount of cash. As such, sufficient liquidity is crucial to our business operations. We satisfy the liquidity requirement mainly through cash from our operating activities and debt financings. Any decline in our liquidity level may impair the confidence of our customers or counterparties, which may result in loss of business and customers.

Factors which may adversely affect our liquidity level include unfavorable changes to macroeconomic environment, policies or money market, our failure to maintain current and future financing arrangements on commercially acceptable terms, decreases in recovery of cash from disposal of assets due to unfavorable changes of capital markets, firm-commitment underwriting transactions under investment banking business, failure to realize the value of invested financial assets at a reasonable price, concentrated holding of certain assets or asset categories, mismatching of assets and liabilities maturity, tightened regulatory requirement, other changes in regulations or weakened market and customer sentiments. If we are unable to generate sufficient cash from operating activities to meet our liquidity needs, we would be required to seek external financing.

Our risk management policies and procedures and internal controls, as well as the risk management tools available to us, may not be adequate or effective in identifying or managing risks to which we are exposed.

The complexity of our operations and products exposes us to various risks, including market risk, credit risk, operational risk, liquidity risk, compliance risk, legal risk and other risks. We have established risk management and internal control systems and procedures to manage potential risks associated with the financial services and products we offer, and we have been dedicated to continuously improving these systems and procedures. Please see the section entitled "Risk Management" in this prospectus. However, the design and implementation of such systems, including internal control environment, risk identification and evaluation, effectiveness of risk control and information communication, are restricted by the information, tools, models and technologies available to us, and our systems may not be adequate or effective in identifying or mitigating our risk exposure in all market environments or protecting us against all types of risks. Our risk management and internal control systems require constant monitoring, maintenance and continual improvements. Our efforts to maintain these systems may be ineffective or inadequate.

Effectiveness of our risk management and internal control systems and procedures may also be adversely affected by misjudgment, clerical mishandling and errors, reporting errors or our limited experience or resources in making accurate, complete, up-to-date or proper evaluations. Many of our methods for managing risk exposure are based upon observed historical market behavior or data. Future risk exposure can be significantly greater than what these methods have historically estimated. Moreover, the information and empirical data that we rely on may quickly become obsolete as a result of market and regulatory developments, and our historical data may not be able to adequately reflect risks that may emerge from time to time in the future.

In addition, financial institutions typically utilize various financial instruments to manage risks associated with their businesses. The current state of the financial markets in the PRC and current PRC laws and regulations, however, restrict the types of financial instruments we may use to mitigate or hedge different risks. Therefore, the risk management tools available to us are limited, which in turn limits our risk management capability and effectiveness. As a result, we may be unable to take timely and appropriate measures to manage our risks due to the ineffectiveness of risk management methods and techniques adopted by us.

We cannot assure you that our risk management and internal control systems are adequate and effective. Failure to address any internal control matters and other deficiencies in a timely and effective manner may result in investigations, disciplinary actions or even prosecution being taken against us or our employees, or disruption to our risk management system, any of which may have a material adverse effect on our business, financial condition and results of operations.

We are subject to various capital requirements, which may restrict our business activities.

We are subject to capital requirements imposed by regulatory authorities. According to the requirements of the CBRC, the minimum capital of an AMC group company on a consolidated basis shall be determined by the Provisional Regulatory Guidelines for Supervision of Financial Asset Management on a Financial Statements Consolidation Basis, and the consolidated financial leverage ratios of our Group shall not fall below 6%. The minimum capital of our Company shall not fall below 12.5% of the risk-weighted assets (including off-balance sheet assets). Risk weight is determined mainly based on the factors such as the effects of the risk exposure of specific assets and the effects of such risk exposure on our Company's primary businesses. In addition, the leverage ratio of our Company shall not fall below 6% and the liquidity ratio shall not fall below 15%. However, such requirements are subject to further amendments by the CBRC, including the standards for risk-weighted assets. If the CBRC increases the minimum capital adequacy requirements or changes the methodology for calculating regulatory capital or capital adequacy ratios, we will be subject to new capital adequacy requirements.

In addition, the minimum capital of subsidiaries within our Group which are engaged in securities and futures, financial leasing, trust, and insurance businesses shall meet the applicable regulatory requirements set forth by their respective regulatory authorities. Therefore, our business activities may be restricted.

- *Securities business.* According to the requirements of the CSRC, the ratio of net capital to net assets of Cinda Securities shall not fall below 40%, the ratio of net capital to total liabilities shall not fall below 8% and the ratio of net assets to total liabilities shall not fall below 20%. The net capital for securities companies, a consolidated risk control standard which is established pursuant to business scope of securities companies and the liquidity features of their assets and liabilities, is determined based on the net assets after making risk-adjustment to the assets and liabilities as well as relevant businesses. The net capital is defined as net assets minus risk adjustment to financial assets minus risk adjustment to other assets minus risk adjustment to contingent liabilities, and making other adjustments recognized or approved by the CSRC.
- *Trust business.* According to the requirements of the CBRC, the net capital of Jingu Trust shall not be less than RMB200 million, and shall not fall below 100% of the risk capital or 40% of the net assets. The net capital for trust companies is defined as net assets minus risk mitigation for all assets minus risk mitigation for contingent liabilities minus other risk mitigation determined by the CBRC.
- *Financial leasing business.* According to the requirements of the CBRC, the net capital of Cinda Leasing shall not fall below 8% of its risk-weighted assets.
- *Insurance business.* According to the requirements of the CIRC, Happy Life and Cinda P&C are required to maintain a solvency margin ratio of no less than 100%. For more information, please see the section entitled "—Risks Relating to Our Financial Services—If we fail to satisfy the requirements regarding minimum solvency margin ratio, our insurance business may be subject to regulatory sanctions, which may have a material adverse effect on our insurance business" in this prospectus.

If we fail to meet regulatory capital requirements set forth by regulatory authorities, regulatory authorities may impose penalties on us or limit the operation of our business, which could, in turn, have a material adverse effect on our financial condition and results of operations.

Our operations depend on key management and professional staff and our business may be materially and adversely affected if we are unable to recruit, train or retain a sufficient number of qualified employees.

The success of our business, to a large extent, depends on our ability to attract and retain key personnel who possess in-depth knowledge and understanding of, and extensive working experience in, the financial industry. These key personnel include, among others, senior management, professional staff in the distressed debt assets industry, experienced investment managers and finance professionals, product development personnel, research analysts, marketing and sales staff, legal professionals, risk management personnel, IT specialists and other operational personnel. Therefore, we devote considerable resources to recruiting and retaining these personnel. However, the market for quality professionals is highly competitive and we face increasing competition in recruiting and retaining these individuals as other asset management companies and financial institutions are vying for the same pool of talent. Our business and financial condition could suffer if we are unable to retain our management team, including our senior management and operating management, and other high-quality personnel, including our management in the business, finance, investment and IT departments, or cannot replace them upon their departure in a timely manner. In the face of the intense competition for talent, we may need to offer better compensation and other benefits to recruit and retain qualified professionals and additional costs may be incurred.

Some of our key employees are subject to non-compete arrangements. However, we cannot ensure that such arrangements can be fully and legally enforced. If any of our senior management or other key personnel joins or establishes a competing business, we may lose some of our customers, which may have a material adverse effect on our business.

Failures of or inadequacies in our IT systems could have a material adverse effect on our business, financial condition and results of operations.

Our business operations depend heavily on our business, accounting and other data processing systems. The failure of normal operation or even inability in operation of any of such systems will expose us to financial losses, business disruption, intervention of regulatory authorities or reputational damage.

The proper functioning of our business processing, accounting, financial controls, risk management, customer service and other business is dependent on our IT systems and communication networks with the third parties. If the fundamental system which supports our business suffers from malfunction or disruption, including system problems or communication disruption of our systems and the systems of any third parties we engaged may be indirectly affected, which will have a material adverse effect on our ongoing business. These failures could be caused by, among other things, hardware failure, software program errors, computer virus attacks, network failure, conversion errors due to system upgrading or system relocation, failure to implement new IT initiatives, human errors, natural disasters, war, terrorist attacks, blackouts and unanticipated problems of facilities, many of which are beyond our control. Although we back up the business data regularly and we have established the same-city disaster recovery backup, any prolonged disruption to or malfunction in the operation of our IT systems could limit our ability to monitor and manage data, control financial and operation conditions, monitor and manage our risk exposures, keep accurate records, provide high-quality customer service and to develop and sell profitable products and services. Recovery from such disasters may be unable to mitigate our losses incurred during such malfunction and disruptions. In addition, insurances or other precaution measures may only partly, if at all, indemnify our losses.

In addition, we provide online financial services such as securities and futures brokerage services to our customers. Disruption to or instability of our online financial services platform or mobile service platform could impair our ability to serve our customers and execute trades on their behalf and on our own account, which could materially and adversely affect our results of operations and reputation.

We update our IT systems and introduce new IT systems from time to time. However, delays, system failures or other accidents may occur during such system upgrades or introduction of new systems. In addition, the upgraded or new IT systems may not be able to achieve the anticipated processing capacity and availability, and may also not be able to meet the needs of our business growth in the future. Our failure to address these problems promptly, including any delay in the implementation of any upgraded or new information systems, could result in our inability to perform, or delays in performing critical business operational functions, the loss of key business data, or a failure to comply with regulatory requirements, which could have a material adverse effect on our business, financial condition and results of operations.

Our historical financial information is not necessarily indicative of our future performance, and we may not be able to continue acquiring additional DES Assets or explore other revenue resources, and as a result, our revenues may be volatile due to the nature of our business.

Our historical financial information included in this prospectus is not indicative of our future financial results. This financial information is not intended to represent or predict the results of operations of any future periods. Our future results of operations may change materially if our future growth does not follow our historical trends for various reasons, including factors beyond our control, such as changes in economic environment, competitive landscape and financial markets.

From time to time, including recent financial periods, we have derived a significant portion of income from a few major disposals of distressed assets and DES Assets in our distressed asset management business. In the future, we may dispose of debt or equity assets that may contribute to a significant portion of our income during the period. Income earned from each disposal of assets depend on the specific conditions of such assets, including the duration for holding the assets, operating conditions of creditors or companies owned by us, opportunities in the market and our bargaining power, and general economic and market conditions. As a result, the returns on historical disposal of assets may not be indicative of our returns on disposing of other assets in the future. In addition, we formulate plans for the assets to be disposed of and estimate income from such disposals for each year based on our operation development, quality of assets, business growth strategies, and financial and operation targets. Furthermore, after disposing of part or all our existing DES Assets, we may not be able to continue acquiring additional DES Assets or explore other sources of income. Therefore, the amount of assets we disposed of and income therefrom for each year in the past do not reflect our disposal plans and possible income in the future.

We had net cash outflows from operating activities in the year ended December 31, 2012 and for the six months ended June 30, 2013. We may continue to experience cash outflows from operating activities and, as a result, we may need to obtain additional funding from other sources in the future.

We had net cash outflows from operating activities of RMB5,015.9 million and RMB4,427.8 million in 2012 and for the six months ended June 30, 2013, respectively, and we may have net cash outflow from operating activities in the future. We had cash outflows from operating activities primarily due to cash paid to acquire distressed debt assets classified as receivables and financial assets at fair value through profit or loss, as well as to expand our financial leasing business.

We expect the cash used in acquiring distressed assets and providing financial leases to customers to increase as we continue to expand our operations. Net cash outflows used in our operating activities may harm our ability to acquire distressed assets, expand our operations and make additional capital expenditures. We may need to obtain external financing to satisfy our financial needs and repay our debts. In case we are unable to repay the debts and interests as scheduled, our creditors may accelerate repayment of the relevant debts. We may not be able to achieve or sustain positive cash flows from operating activities, and even if we achieve positive operating cash flows, such cash inflows may not be sufficient to satisfy our anticipated capital expenditures and other cash needs.

We have financed our operations and other funding requirements primarily with borrowings from banks, other financial and non-financial enterprises and proceeds from issuing bonds and shares. As at December 31, 2012 and June 30, 2013, we had RMB31,093.4 million and RMB19,327.4 million, respectively, in cash and cash equivalents. We may need to raise additional funding for our continuing operations. We cannot assure you that additional funds will be available on acceptable terms, or at all.

We may be unable to obtain sufficient funds on commercially acceptable terms to support our business operations.

A substantial amount of funds is required to support the growth of our asset portfolio and future expansion of our business operations. Historically, a certain portion of the financial resources we used to acquire distressed assets were from the MOF and the PBOC. As at June 30, 2013, the outstanding balance of our borrowings from the PBOC was RMB6,872.7 million. Such borrowings from the PBOC for the acquisition of distressed assets of banks bear a fixed interest rate of 2.25% per annum and are due in full by December 31, 2014. As at June 30, 2013, we had an amount due to the MOF of RMB33,564.3 million, which was the consideration payable to the MOF for the acquisition of distressed assets by us before 2010, and shall be paid to the MOF by installments of RMB9,713.5 million each within five years from 2011. We have repaid RMB2,000 million of the RMB9,713.5 million that was payables as at the end of 2011. Considering our conditions of liquidity and business operations then, we made a request for postponed repayment of the remaining RMB7,713.5 million. In February 2012, the MOF approved extension of our payment of the first installment of RMB9,713.5 million to the end of 2014. The deferred payment bears an interest rate of 2.25% per annum. We cannot assure you that we can further defer the repayment of the borrowings from the PBOC and/or the amount due to the MOF. If we pay these outstanding amounts in full in accordance with the current repayment schedule, we will need to raise additional funds from other sources which may bear higher interest rates, resulting in an increase in our financing costs accordingly.

We have been gradually increasing our financing by expanding market-oriented sources of funding, primarily including (i) cash generated from operations, (ii) borrowings from banks and non-banking financial institutions, and (iii) proceeds from issuance of bonds and equity. As at

December 31, 2010, 2011, 2012 and June 30, 2013, the balance of our borrowings, which were primarily from market-oriented sources, were RMB7,826.2 million, RMB25,178.9 million, RMB76,099.2 million and RMB104,100.8 million, respectively. For the years ended December 31, 2010, 2011, 2012 and the six months ended June 30, 2013, our interest expenses on such borrowings were RMB446.0 million, RMB549.9 million, RMB2,202.7 million and RMB2,267.5 million, respectively. As at December 31, 2010, 2011, 2012 and June 30, 2013, the balance of our bonds issued were nil, RMB495.0 million, RMB12,534.6 million and RMB12,792.1 million, respectively. For the years ended December 31, 2010, 2011, 2012 and the six months ended June 30, 2013, our interest expenses on bonds issued were RMB26.4 million, RMB9.2 million, RMB114.0 million and RMB287.5 million, respectively. We may need additional funding for our further acquisition of distressed debt and other investments. If there are changes in international and/or domestic macroeconomic conditions and policies, or if we fail to maintain our existing and future loan arrangements with commercial banks, we may not be able to continue to obtain adequate funding on commercially reasonable terms, or at all. If sufficient financing is not available to meet our needs, or cannot be obtained on commercially acceptable terms, or at all, we may not be able to fund our operations, investments and business expansion, introduce new business or compete effectively.

Furthermore, our subsidiaries or branches may need financial support from us to meet their liquidity requirements during the ordinary course of their businesses. Some of our subsidiaries may need additional capital injections from us to meet applicable regulatory requirements. We may not be able to provide sufficient funds to our subsidiaries or branches in a timely manner, or at all, which could materially and adversely affect our financial condition and results of operations.

Our business, financial condition, results of operations and prospects may be materially and adversely affected if we are unable to maintain our growth rate or successfully manage challenges arising during our growth.

Our efforts to integrate our various business operations and coordinate among our branches and subsidiaries may not be effective or timely. In addition, we cannot assure you that such growth will continue in the future. The expansion of our business activities poses various challenges to us, including but not limited to:

- meeting the higher requirements for capital and cost controls to satisfy all relevant capital regulatory requirements, including the minimum capital adequacy ratio, solvency margin ratio and net capital requirements, as well as other capital needs;
- strengthening our risk management capabilities and IT systems to effectively manage risks associated with various businesses and services;
- managing our fast-growing distressed debt assets, AUMs, insurance assets, finance lease receivables and other financial assets;
- recruiting, training and retaining management, investment and finance professionals, technical personnel and sales staff with sufficient experience and knowledge;
- developing new distribution channels for our products and services; and
- maintaining and developing our brand and reputation.

Our investments, acquisitions and business initiatives may expose us to various potential risks, including risks associated with the integration of new business lines, operations and personnel, the diversion of resources from our existing businesses and technologies, the potential loss of, or harm to, relationships with employees and customers, as well as other unforeseen or hidden liabilities. If we are not able to manage future growth successfully, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Expansion of our offerings of products and services may expose us to challenges and risks.

We have recently been expanding our financial services, including securities and futures, trust, financial leasing, fund management, and insurance services, and will continue to, as permitted by the PRC regulatory authorities, expand our offerings of products and services. These new businesses may have different operational parameters and risk profiles as compared to our more established existing businesses, and we may not have sufficient operating experience to effectively manage these new businesses and the corresponding risks.

These new businesses may expose us to challenges and risks, including but not limited to:

- insufficient experience, expertise and skills in offering new products and services and dealing with new counterparties and customers;
- stricter regulation and increased credit risks, market risks and operational risks;
- failure to achieve investment returns from our new businesses;
- reputational concerns arising from dealing with new counterparties and customers who are less familiar to us and may be less sophisticated;
- failure to hire sufficient qualified personnel to support the offering of new products and services;
- lack of market and customer acceptance of our new products and services;
- failure to make accurate analysis or judgment on market conditions of our new business;
- failure to obtain sufficient financing from internal and external sources to support our business expansion; and
- failure to enhance our risk management capabilities and IT systems in a timely manner to support new businesses and a broader range of products and services.

If we are unable to achieve the expected results with respect to our offering of new products and services, our business, financial condition, results of operations and prospects could be materially and adversely affected.

We are subject to extensive regulatory requirements and the non-compliance with the applicable regulatory requirements may result in penalties.

We are subject to various regulations by PRC and overseas regulatory authorities and we may be subject to regulatory proceedings from time to time.

Our distressed asset management business is subject to the supervision of the MOF and the CBRC. Our financial services are subject to supervision of various authorities, including the CBRC, the CIRC, the CSRC and the PBOC. These regulatory authorities impose requirements on our businesses in various aspects, including capital adequacy, capital deposits, financial leverage ratios and deposit requirements, capital usage, qualification of shareholders and key personnel, types of products and services offered, investment portfolio, as well as the number and locations of branches. Compliance with applicable laws, rules and regulations, to a certain extent, may restrict our business activities and require us to incur increased expenses, restate or write down the value of our assets or liabilities, and devote considerable time and resources to such compliance.

We are subject to periodic and non-periodic inspections and examinations by the CBRC, the CIRC, the CSRC, the PBOC and other PRC governmental authorities, including tax, industry and commerce administration, audit and social security authorities in respect of our compliance with PRC laws and regulations. During the Track Record Period, we had been subject to penalties or sanctions by the tax or other regulatory authorities due to our non-compliance with certain relevant regulations, including the prohibition on us to conduct new business and to establish new branch entities for a prescribed period, fines, order for rectification or other regulatory measures imposed by domestic regulatory authorities due to our violation of certain domestic regulations. For details, please see the section entitled “Business—Legal and Regulatory Proceedings” in this prospectus.

We may not be able to meet all the applicable regulatory requirements, or comply with all the applicable regulations or guidelines at all times, and we cannot ensure that the results of the regular and special inspections by the MOF or other regulatory authorities will not have any adverse effect on us. Failure to do so will result in sanctions, fines, penalties or other disciplinary actions, including, among other things, a downgrade of our regulatory rating and limitations or prohibitions on our future business activities, which may limit our ability to launch new businesses and harm our reputation, and consequently materially and adversely affect our results of operations and financial condition.

We may not be able to achieve the anticipated intra-group synergies through our implementation of group management and control of our branches and subsidiaries.

We operate our distressed asset management business through the Head Office and Company Branches. As at June 30, 2013, we had 31 branches in the PRC. Our branches are located in various geographical regions and are authorized to conduct their operations and management within our management system. We conduct our financial investment and asset management business and provide a wide range of financial services, including securities and futures, trusts, financial leasing services, fund management and insurance, primarily through our subsidiaries in the PRC and Hong Kong. Certain of our subsidiaries also have other shareholders holding significant portions of equity interests in such subsidiaries and have a certain degree of management autonomy. For details about our subsidiaries, please see the section entitled “Our History and Corporate Structure” in this prospectus. We cannot assure you that our strategies and policies are implemented effectively and consistently in each subsidiary and branch.

In addition, due to the large number of our subsidiaries and branches, their broad geographic distribution, limitations in our information systems and other factors, we may not always be able to effectively detect or prevent operational or management issues at these subsidiaries and branches on a timely basis, and information available to and received by our management may not be accurate, timely or sufficient to manage risks and plan for and respond to market and other changes in our operating environment. If we are unable to effectively implement our centralized management and supervision on our subsidiaries and branches, or implement our strategies and policies consistently throughout our Group, our business, financial condition, results of operations, prospects and reputation could be materially and adversely affected.

We have formulated certain strategies to achieve and enhance collaboration among various business lines and intra-group cooperation between our branches and our subsidiaries so as to further enhance synergies. However, these strategies are still under development. There can be no assurances that we will be able to fully develop or implement these strategies or that we will realize the anticipated benefits of these strategies. Implementation of these strategies could also be affected by a number of factors beyond our control, including operating difficulties, increased operating costs, regulatory developments, deterioration in general or local economic conditions or increased competition. In particular, the applicable PRC regulatory framework allows the regulatory authorities to oversee and inspect the cooperation within our Group, and licenses may be required for certain activities. If the cooperation within our Group is deemed a violation of any regulations in the PRC or other territories, our intra-group cooperation and collaboration may be adversely affected, and we may be subject to relevant legal liabilities or administrative penalties and our reputation may be harmed, all of which would have a material adverse effect on our business and prospects.

We may not be able to detect money laundering and other illegal or improper activities in our business operations completely or on a timely basis.

We are required to comply with applicable anti-money laundering laws, anti-terrorism laws and other regulations in the PRC and overseas. The PRC Anti-money Laundering Law (中華人民共和國反洗錢法) and the relevant anti-money laundering laws and regulations in Hong Kong require financial institutions to establish sound internal control policies and procedures with respect to anti-money laundering monitoring and reporting activities. Please see the sections entitled "Regulatory Environment—Financial Asset Management Companies and Their Distressed Debt Asset Business—Other Provisions Regarding Institutional Regulation of Financial Asset Management Companies—Anti-money Laundering" and "Regulatory Environment—Hong Kong Regulatory Environment—Anti-money Laundering and Counter-terrorist Financing" in this prospectus.

Our existing policies and procedures for the detection and prevention of money laundering activities and terrorism-funding activities through our business platform have only been adopted in recent years and may not eliminate instances in which we may have been used by other parties to engage in money laundering and other illegal or improper activities. In the event that we fail to fully comply with applicable laws and regulations, the relevant government agencies may freeze our assets or impose fines or other penalties on us. We cannot assure you that there will not be failures in detecting money laundering or other illegal or improper activities which may adversely affect our business reputation, financial condition and results of operations.

We may not be able to detect and prevent fraud or other misconduct committed by our employees, representatives, agents, customers or other third parties in a timely manner.

We may encounter fraud or other misconduct committed by our employees, representatives, agents, customers or other third parties, which could result in violations of laws and regulations by us and expose us to regulatory sanction. Even if such instances of misconduct do not result in any legal liabilities on our part, they could cause serious reputational or financial harm to us. These misconducts could include, but may not be limited to, committing contract fraud.

Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, our internal control procedures may be unable to identify all incidents of non-compliance or suspicious transactions in a timely manner or at all. Furthermore, it is not always possible to detect and prevent fraud and other misconducts, and the precautions we take to detect and prevent such activities may not be fully effective. We cannot assure you that fraud or other misconducts will not occur in the future. Our failure to detect and prevent fraud and other misconducts in a timely manner may have a material and adverse effect on our business reputation, financial condition and results of operations.

We may not be able to properly identify and deal with conflicts of interest, which could materially and adversely affect our business.

As we expand the scope of our businesses and client base, it becomes increasingly important for us to be able to address potential conflicts of interest, including situations where two or more interests within our businesses legitimately exist but are in competition or conflict. We may encounter conflicts of interest where (i) our services to a particular client or our own investments are in conflict, or are perceived to conflict, with the interests of another client; (ii) any of the non-public information we obtain through business channels is disclosed to other business departments of the Company; and (iii) we may be a counterparty of an entity to which we also provide financial services or with which we have other business relationships. Our failure to prevent imprudent use of information or manage conflicts of interest could harm our reputation and affect client confidence. In addition, potential or perceived conflicts of interest may also give rise to litigation or regulatory actions. Any of the foregoing situations could adversely affect our business, financial condition and results of operations.

We may be involved in legal and other disputes from time to time due to the nature of our businesses, which may expose us to potential liabilities.

We are often involved in legal and other disputes in the ordinary course of our businesses. In our experience, such legal and other disputes relate to a variety of reasons, including, without limitation, (i) we seek to recover outstanding amounts from our debtors, repossess or dispose of the collateral or enforce guarantees; (ii) we and the counterparties involved in acquisition or disposal of distressed assets seek court orders to affirm each side's legal rights; (iii) some of the entrustment agreements in connection with our distressed asset management services may contain unclear provisions of our obligations as trustee, based on which our clients may allege that we have not fulfilled our obligations as trustee if the disposal of the distressed assets does not achieve the anticipated results; (iv) disagreements with the DES Companies and their controlling shareholders in relation to our rights in the DES Companies and certain contractual arrangements; or (v) for our custody, liquidation and restructuring business, the creditor of an entity under custody, liquidation and restructuring or other related parties may consider that we shall be legally liable for such entity under custody, or the legal representative of an entity under custody and liquidation or other related stakeholders may challenge our qualifications or legal status as custodial liquidator. Lawsuits and arbitration claims against us may arise in the ordinary course of our business. Where we assess that there is a probable risk of loss, we will make provisions for the loss based on the relevant policies. We will also make provisions with respect to pending legal proceedings and other disputes against us. Please see the section entitled "Business—Legal and Regulatory Proceedings—Litigations and Arbitrations" in this prospectus and Note VI. 64 to the Accountants' Report in Appendix I to this prospectus. However, we cannot assure you that the judgments in any of the litigations in which we are involved would be favorable to us or that our provisions made for the litigations are adequate to cover all the losses arising from legal proceedings or other disputes. In addition, if our assessment of the risk changes, our views on provisions will also be changed. We expect that we will continue to be involved in various legal and other disputes in the future, which may expose us to additional risks and losses.

In addition, we may have to pay legal costs associated with such disputes, including fees relating to appraisal, auction, execution and legal advisory services. Litigation and other disputes may lead to inquiries, investigations and proceedings by regulatory authorities and other governmental agencies and may result in damage to our reputation, additional operating costs and diversion of resources and management's attention from our core business. The disruption of our business due to judgment, arbitration and legal proceedings against us or adverse adjudications in proceedings against our directors, senior management or key employees would have a material adverse effect on our business, reputation, financial condition, results of operations and prospects. In addition to the aforesaid adverse effects, according to the relevant requirements of the Supreme People's Court of the PRC, no people's court shall accept any lawsuit involving disputes between us and state-owned commercial banks regarding transfer of policy distressed financial assets. Relevant provisions remain unclear on whether the disputes arising from policy DES could be treated as disputes between equal civil subjects, which are within the scope of acceptance by the people's courts. For more information, please see the section entitled "Regulatory Environment—Lawsuits Related to Acquisition, Management and Disposal of Distressed Assets." The abovementioned situation may have an adverse effect on legal remedies sought by us.

Our acquisitions may not be successful.

In addition to organic growth, we may also seek opportunities to expand through acquisition of products or services complementing our business operations. We may be unable to identify suitable acquisition opportunities, negotiate acceptable terms or successfully acquire identified targets. The investigation of an acquisition or investment plan and the negotiation, drafting and execution of relevant conditions, disclosure documents and other instruments will usually require substantial time of and attention from our management and incur substantial expenses for services provided by accountants, attorneys and other advisors. In addition, even if an agreement is reached relating to a specific acquisition or investment target, we may end the investment or acquisition plan due to many factors beyond our control. If such acquisition or investment plan is not implemented, the costs incurred up to that point for the proposed transaction may not be recoverable. Furthermore, we may not have sufficient capital resources to complete our proposed acquisitions in the future.

The process of integrating an acquired business may involve unforeseen costs and delays or other operational, technical and financial difficulties that may require a disproportionate amount of management attention and financial and other resources. The failure to realize the expected synergies, successfully incorporate the acquired businesses and assets into our existing operations or minimize any unforeseen operational difficulties could have a material adverse effect on our financial condition and results of operations.

Our overseas expansion may be subject to the risks associated with relevant businesses.

We may continue to expand our overseas business and explore opportunities in other overseas markets in the future. In expanding our business internationally, we have entered and intend to continue to enter into markets in which we have limited or no operating experience. Therefore, we may not be able to attract a sufficient number of new clients due to our limited presence and brand recognition in such overseas markets and may fail to effectively compete in these markets. In addition, such expansion may increasingly subject us to risks inherent in conducting business internationally, including but not limited to:

- failure to obtain and renew local government approvals, permits, licenses or documents in a timely manner or at all;

- possibility of cost overruns and other operating difficulties;
- insufficient management resources, difficulties in recruiting and retaining qualified personnel, as well as potential increase in labor costs;
- difficulties in complying with local legal and regulatory requirements, including labor, industrial and tax regulations;
- lower than expected demand and lack of acceptance by local customers of, or compatibility issues with, our products;
- high sales and marketing costs;
- difficulty in implementing internal control and risk management policies in overseas operations;
- lack of understanding of the local cultural, commercial and operating environment, as well as the financial, management or legal systems in the relevant jurisdictions; and
- political, regulatory or macroeconomic environment and potential foreign exchange differences.

If we are unable to manage the risks resulting from our expansion outside the PRC, our business, reputation, financial condition and results of operations may be adversely affected.

We do not possess the relevant land use right certificates or building ownership certificates for certain of our properties and certain of our lessors do not possess relevant title certificates for some of our leased properties, and we may be required to seek alternative premises for some of our properties or business sites.

As at June 30, 2013, we held 1,495 properties with an aggregate gross floor area of approximately 134.43 million square meters in the PRC. Among these properties, there were 82 properties with an aggregate gross floor area of approximately 146,124 square meters with respect to which we did not have the relevant land use right certificates and/or building ownership certificates. We are in the process of communicating closely with the local land and property administrative authorities to obtain the relevant land use right certificates or building ownership certificates. For details, please refer to section headed "Business—Properties." However, we may not be able to obtain certificates for all of these properties due to title defects or other reasons, which may adversely affect our land use rights and ownership rights in respect of these properties. If we were forced to relocate any of the operations we conduct on the affected properties, we may suffer disruptions in such business operations and incur additional costs.

In addition, as at June 30, 2013, we leased from third parties outside of our Group 435 properties with an aggregate gross floor area of approximately 296,418 square meters in the PRC, primarily as business premises for our branches and subsidiaries. Among these properties, 91 properties with an aggregate gross floor area of approximately 59,078 square meters were leased from third-party lessors who were not able to provide the title certificates or documents evidencing the authorization or consent of the owners to sublet such properties. As a result, such leases may be invalid. With respect to approximately 40% of the aggregate gross floor area of properties covered by such defective leases, the relevant lessors have confirmed that they hold legal rights to let such properties and undertaken to indemnify us for losses arising from their defective legal titles or other rights to such properties. In addition, we may not be able to renew our leases on terms acceptable to us upon their expiration. If any of our leases were terminated as a result of being challenged or were not renewed upon expiration, we may need to seek alternative premises, which may lead to disruptions in our business operations and cause us to incur additional costs relating to such relocations. Furthermore, as at June 30, 2013, lease agreements for 239 properties with an aggregate gross floor area of approximately 142,299 square meters that we have leased from third-party lessors had not been registered with the relevant PRC authorities. These properties accounted for 48.01% of properties we have leased from independent third-party lessors in terms of the aggregate gross floor area as at June 30, 2013. Although the lack of registration of the lease agreements may not affect the legality of such lease agreements, we may suffer penalties imposed by relevant PRC authorities.

Our largest shareholder is able to exercise significant influence over us and may not act in concert with us or our other shareholders.

Following the completion of the Global Offering, the MOF will remain the largest Shareholder of our Company. Immediately after completion of the Global Offering, assuming that the Over-Allotment Option is not exercised, the MOF will hold approximately 69.57% of our Shares; assuming that the Over-Allotment Option is fully exercised, the MOF will hold approximately 67.84% of our Shares. As the MOF will remain the largest Shareholder of our Company, it is entitled to exercise significant influence over us, including, among others, matters relating to:

- nomination and election of our Directors and Supervisors;
- determination of business strategies and investment plans;
- determination of dividend distribution;
- change of use of proceeds; and
- review of any plans related to major corporate activities, including mergers, acquisitions or investments.

The interest of the MOF may not be aligned with our or our other Shareholders' interests. As a result, the MOF may take actions that other Shareholders may not agree with or that are not in our or our other Shareholders' best interests.

RISKS RELATING TO THE FINANCIAL INDUSTRY IN CHINA

Fluctuations in the macroeconomic and market conditions could materially and adversely affect our business.

Our business is inherently subject to general macroeconomic conditions and policies and market fluctuations, including financing cost and the volatility of interest rates, inflation, availability of short-term and long-term financing sources, upward and downward trends in the industrial and financial sectors, monetary and fiscal policies, foreign exchange policies and currency fluctuations, taxation policies and other macroeconomic policies, as well as laws and regulations affecting the financial industries.

Unfavorable financial or economic environments, including the continued global financial uncertainties and the Euro zone sovereign debt crisis, have had and may continue to have an adverse impact on investors' confidence and global financial markets. In addition, concerns over inflation, energy costs, geopolitical issues, the availability and cost of credit, unemployment rate, consumer confidence, declining asset values, capital market volatility and liquidity issues have resulted in adverse market conditions.

Although the structural transformation and development of the PRC economy provide opportunities for our businesses, adverse financial or economic conditions could adversely affect our businesses, in particular:

- the value of our asset portfolio, including distressed debt assets, DES Assets, stocks, bonds and private equity investment, is closely correlated to monetary policies and credit supply, performance of capital markets and the market price of commodities. Adverse economic and market conditions could negatively affect the value and returns on our financial assets and investments, which could reduce the value of our trading and investment positions, affect our profitability, limit our liquidity and reduce our opportunities to realize gains and exit from our investments;
- our income from certain property development projects may decrease due to weakening domestic demands;
- downturn in macroeconomic conditions and adverse market conditions in China may result in declines in trading volume by our customers and investment and financing activities, which could adversely affect the commission and fee income from our securities brokerage business and underwriting and sponsors' fees from our investment banking business;
- unfavorable economic and market conditions may increase the risk of defaults in the margin loans and financial leases we provide to our customers; and
- adverse economic conditions could affect our ability to effectively deploy capital as well as our ability to raise new funds and attract new investments.

If the adverse financial and economic conditions continue, our business, results of operations and financial position could be materially and adversely affected.

We face intense competition in the PRC financial industry and our business could be materially and adversely affected if we are unable to compete effectively.

For our distressed asset management business, we primarily compete with Huarong, Great Wall and Orient. Although the distressed asset management industry in China is currently dominated by the Four AMCs, it is expected to become increasingly competitive. Some of these AMCs may have a more established presence in certain areas and more management and technology resources than we do. We may, from time to time, also compete with AMCs established by the local governments and private or foreign financial institutions engaging in the distressed asset disposal and management. Certain local asset management companies may have more simple management structures and procedures in certain regions and business areas. We compete with our competitors engaged in the distressed asset management areas for financial institutions and non-financial enterprises which supply us with distressed assets. Such competition may adversely affect our distressed asset management business by reducing our market shares, the size of our distressed asset portfolios and our revenue from disposal of distressed assets, and increasing the asset acquisition costs, marketing expenses and competition for senior management and qualified professional talents.

We also compete with domestic and international financial institutions in the securities and futures, trust, financial leasing, fund management, and insurance businesses. We compete with these competitors in terms of brand recognition, market shares, marketing and distribution capability, quality of service, financial strength, pricing and the range of products and services offered, and the sophistication of IT systems. If we fail to effectively compete with our competitors, our business, financial condition, results of operations and prospects may be materially and adversely affected.

The financial industry in China is highly regulated, and our business, financial condition, results of operations and future prospects may be materially and adversely affected by regulatory changes or other governmental policies, including their interpretation and application.

The PRC financial industry is highly regulated. AMCs like us, including their branches and subsidiaries, are subject to regulations on various perspectives, including, capital adequacy ratio, business licenses, the scope of operations, the scope of investments, as well as the specific regulatory requirements for each financial sector, such as insurance, securities and financial leasing, in which they operate. For details, please see the section entitled "Regulatory Environment" in this prospectus. Our business and operations are subject to changes in policies, laws, rules and regulations of the PRC relating to the financial industry, such as those affecting the extent to which we can engage in specific businesses, as well as changes in other governmental policies.

In addition, pursuant to applicable laws and regulations in the PRC, we are required to obtain or renew approvals, permits and licenses with respect to our relevant operations from the government. In order to obtain such qualifications, we are required to fulfill requirements of regulatory authorities in various aspects. In case we fail to fulfill such regulatory requirements continuously, our qualifications of operation may be revoked by regulatory authorities, or we may be denied to renew our qualification upon its expiration, or we may fail to obtain the relevant approvals for any new businesses as planned. We cannot assure you that we can obtain or renew all necessary approvals, permits and licenses on a timely basis. Failure to obtain the relevant approvals could subject us to sanctions, fines, penalties, revocation of license or other punitive actions, including suspension of our business operations or restriction or prohibition on certain business activities, or result in failure to commence new businesses as scheduled or falling behind our competitors in such sectors.

As the PRC financial industry is undergoing significant changes, relevant laws and regulations may change from time to time based on the developments of the financial markets. Most of the emerging businesses require further development and improvement and there are uncertainties regarding the enforcement of existing policies and regulations in relation to these new businesses. We cannot assure you that we will be able to adapt to all such changes on a timely basis. Any changes in regulatory requirements may have a material and adverse effect on our business, financial condition and results of operations. In addition, there may be uncertainties regarding the interpretation and application of new policies, laws, regulations or accounting standards. For additional details on certain new accounting standards, please see Note III to the Accountants' Report set forth in Appendix I to this prospectus. Failure to comply with the applicable policies, laws, rules, regulations or accounting standards may result in fines and restrictions on our business operations, which could also have a significant impact on our business, financial condition and results of operations.

Significant interest rate fluctuations could have a material impact on our financial condition and results of operations.

As with most financial institutions, our financial condition and results of operations are subject to interest rate risks, primarily associated with our interest income, interest expenses and investment returns on fixed-income securities. The profitability of some of our business lines is sensitive to interest rate fluctuations.

- *Distressed asset management.* We generally adopt fixed-return rates for the restructuring agreement in connection with distressed assets classified as receivables. While we take into account the prevailing interest rates in the market when we determine the return ratios, we may not be able to adjust the return ratios pursuant to the changes in the market after we acquire such assets. Such arrangement would prevent us from increasing the interest rates when the rates increase in the market. We make interest payments on our borrowings from commercial banks and other financial institutions. A majority of our outstanding borrowings have fixed interest rates during their terms. In addition, we have largely matched the terms of our assets with those of our liabilities. As a result, the income for our acquired assets may remain stable when the interest rates increase. However, if the increases in the return ratios of our projects are lower than the increases in the interest rates of our new borrowings, our profit margin will decrease.

- *Insurance business.* Changes in prevailing interest rates (including changes in the difference between the basis of prevailing short-term and long-term rates) could reduce our investment returns and spread and thus materially and adversely affect our insurance business. A decline in interest rates could not only increase the value of our existing fixed-income assets measured by fair value, but also result in reduced investment returns on our newly acquired fixed-income assets and thus materially reduce our profitability. During periods of declining interest rates, our average investment rates of return may be affected as our maturing investments and bonds that are redeemed or prepaid to take advantage of the lower interest rate environment may have to be replaced with new investments carrying lower rates of return, thus reducing our investment margins and investment income. Lowering predetermined interest rates could help offset decreases in investment margins on some life and health insurance products. However, our ability to lower these rates could be limited by competition and may not match the timing or magnitude of changes in return ratios on investments, which would reduce or offset the profit margins on our products. An increase in interest rates could not only result in an increase in investment returns on our newly acquired fixed-income assets, but could also reduce the value of our existing fixed-income assets measured by fair value. We may not be able to replace, in a timely manner, the existing fixed-income assets in our investment portfolio with assets of higher rates of return needed to fund our life and health insurance policies that offer higher rates of return. Therefore, we may have to accept a lower spread and thus, lower profitability. While the increased investment rates of return will increase the returns on investment from newly acquired assets in our investment portfolios, surrenders and withdrawals of existing insurance policies may increase as policyholders may seek to buy products with perceived higher returns.

- *Securities business.* We earn interest income from deposits with banks and other non-banking financial institutions, margin financing and securities lending as well as financial assets held under resale agreements. We also make interest payments on deposits that we hold on behalf of our customers, our short-term borrowings and repurchase transactions. In addition, we hold fixed-income debt securities. Our interest income, interest expenses and investment returns on fixed-income debt securities are linked to the prevailing market interest rates. If market interest rates decrease, our interest income would generally decrease. During periods of rising interest rates, our interest expenses and financing costs would generally increase while market prices and our investment returns on fixed-income debt securities will generally decrease.

- *Financial leasing business.* Our financial leasing business is affected by interest rates, including both the interest rates charged to our financial leasing customers and the interest rates we pay for our loans and financing obligations. An increase in interest rates, or the perception that such an increase may occur, could adversely affect our ability to obtain bank loans at favorable interest rates, our ability to maximize our interest income, our ability to originate new leases and our ability to grow. In addition, changes in interest rates or in the relationships between short-term and long-term interest rates or between different interest rate indices (e.g. basis risk) could affect the interest rates received on interest-earning assets differently from the interest rates paid on interest-bearing liabilities, which could, in turn, result in an increase in interest expense or a decrease in net interest income (which is our interest income minus our interest expense). Our net interest income is also affected by whether we can adjust the interest rates we charge our customers in response to fluctuations in interest rates for our interest-bearing bank borrowings in order to maintain our net interest spread and our net interest margin.

Interest rates are highly sensitive to many factors, including governmental monetary and tax policies, domestic and international economic and political considerations, trade surpluses and deficits, regulatory requirements and other factors beyond our control. For example, from October 2010 to July 2011, in an effort to rein in inflation, the PBOC raised the benchmark interest rate on one-year term deposits from 2.25% to 3.50%. On both June 8 and July 6, 2012, the PBOC lowered the benchmark interest rate by 0.25% on one-year term deposits twice to 3.00%. In addition, the PBOC decided to eliminate the lower limit on lending rates offered by financial institutions starting from July 20, 2013, which has further promoted the market liberalization of interest rates. The PRC Government may implement further measures in response to changes in the macroeconomic environment, which may have a material adverse effect on our business, financial condition, results of operations and prospects.

Certain facts, forecasts and statistics contained in this prospectus with respect to the PRC, Hong Kong and their economies and financial industries are derived from various official or third-party sources and may not be accurate, reliable, complete or up-to-date.

We have derived certain facts, forecasts and other statistics in this prospectus, relating to the PRC, the PRC economy and the industry in which we operate, including our market share information, from information provided by the PRC and other government authorities, industry associations, independent research institutes or other third-party sources which are generally believed to be reliable. While we have taken reasonable care in the reproduction of the information, it has not been prepared or independently verified by us, the Underwriters or any of our or their respective affiliates or advisors. Therefore, we cannot assure you as to the accuracy and reliability of such facts, forecasts and statistics, which may not be consistent with other information compiled inside or outside the PRC, and may not be complete or up-to-date. Such facts, forecasts and statistics include those set out in the sections headed "Risk Factors," "Industry Overview" and "Business". Because of possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies, and you should not place undue reliance on them. Furthermore, we cannot assure you that they are stated or compiled on the same basis, or with the same degree of accuracy, as similar statistics presented elsewhere. In all cases, you should not unduly rely on such facts, forecasts or statistics.

Investments in PRC AMCs are subject to ownership restrictions that may adversely affect the value of your investment.

Investments in PRC AMCs are subject to ownership restrictions. Prior approval from the CBRC is required for any individual or corporation to hold 5% or more of the registered capital or total issued shares of a PRC AMC. If a shareholder of a PRC AMC increases its shareholding to 5% or more without obtaining prior approval from the CBRC, such shareholder may be subject to sanctions imposed by the CBRC, such as the correction of such misconduct, fines and confiscation of any related gains. For a shareholder holding 5% or more of our total issued shares (hereinafter referred to as "Excess Shares") without obtaining prior approval from the CBRC, our Articles of Association contain provisions that restrict such shareholder from exercising certain rights over such excess shares prior to obtaining such approval. Current ownership restrictions and future changes in ownership restrictions as imposed by the PRC Government may materially and adversely affect the value of your investment.

RISKS RELATING TO CHINA

The economic, political and social conditions in the PRC and government policies could affect our business, financial condition, results of operations and prospects.

We conduct most of our businesses in the PRC, substantially all of our assets are located in the PRC, and substantially all of our revenue is derived from the financial markets in the PRC. Accordingly, our business, financial condition, results of operations and prospects are, to a material extent, subject to economic, political and legal developments in the PRC. The PRC economy differs from the economies of developed countries in many respects, including but not limited to, governmental regulations and controls, level of economic development, growth rate, foreign exchange controls and resource allocation.

Although the PRC economy has been transforming from a planned economy into a more market-oriented economy for more than three decades, a substantial portion of economic resources in the PRC are still owned by the PRC Government. The PRC Government also has significant oversight over the economic growth of the PRC through various measures, including, among others, allocating resources, controlling payments of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment for particular industries or companies. In recent years, the PRC Government has implemented measures emphasizing the utilization of market forces in economic reform, the reduction of state ownership of economic resources and the establishment of sound corporate governance practices in business enterprises. These economic reform measures may be adjusted or modified or applied inconsistently from industry to industry or across different regions in the PRC. As a result, we may not benefit from these measures.

The PRC Government has the power to implement macroeconomic measures affecting the PRC economy. For example, to mitigate the negative impact on the PRC from the global financial crisis and economic downturn in 2008, the PRC Government implemented a series of macroeconomic measures and a moderately loose monetary policy between September 2008 and the end of 2010, which included announcing an RMB4 trillion (approximately US$586.0 billion) economic stimulus package and reducing benchmark interest rates. In 2010 and 2011, the PRC Government introduced a number of monetary tightening measures to curb the overheated real estate markets and increasing inflation in the PRC. The PBOC announced several increases in benchmark interest rates for general lending and in the deposit reserve ratio for commercial banks in the PRC in 2011. The various macroeconomic measures adopted by the PRC Government to stimulate economic growth may not be as effective as expected in sustaining the current growth of the PRC economy. In addition, if any macroeconomic measure reduces the disposable income of the overall population who purchase financial products or services, such measures may have a material adverse effect on our business, financial condition, results of operations and prospects.

Though the PRC has been one of the world's fastest growing economies as measured by GDP growth in recent years, the PRC may not be able to sustain historical growth rates. Since the global financial crisis and subsequent economic slowdown, the GDP growth in the PRC has slowed down. The growth rate of China's GDP decreased to 7.8% in 2012, down from 9.6% in 2011 and 10.2% in 2010. An economic slowdown in the PRC could substantially and adversely affect the financial markets in the PRC and Hong Kong, which could affect our financial condition and results of operations.

The PRC legal system has uncertainties that could limit the legal protections available to you. Holders of H Shares may not be able to enforce their rights successfully as shareholders in the PRC according to the PRC Company Law or Hong Kong regulatory provisions.

We are incorporated under the laws of the PRC. The PRC legal system is based on statutory law. Decided court cases do not constitute binding precedents, although they may be used for the purposes of judicial reference and guidance. Since 1979, the PRC Government has promulgated laws and regulations dealing with economic matters, such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, because these laws and regulations are relatively new, and because of the relatively limited volume of published cases and their non-binding nature, interpretation and enforcement of these laws and regulations involve significant uncertainties. As a result, the legal protections available to you under the PRC legal system may be limited.

Our Articles of Association provide that disputes between holders of H Shares and our Company, our Directors, Supervisors or senior management or holders of Domestic Shares, arising out of any rights or obligations conferred or imposed upon us by our Articles of Association, the PRC Company Law and related rules and regulations concerning our affairs, are to be resolved through arbitration. A claimant may elect to submit a dispute to either the China International Economic and Trade Arbitration Commission or the Hong Kong International Arbitration Center in accordance with its applicable rules. Pursuant to the Arrangement on the Mutual Enforcement of Arbitration Award between the Mainland and the Hong Kong Special Administrative Region (關於內地與香港特別行政區相互執行仲裁裁決的安排), awards that are made by the PRC arbitral authorities under the PRC Arbitration Law (中華人民共和國仲裁法) can be recognized and enforced by Hong Kong courts. Our Articles of Association further provide that any arbitral award will be final, conclusive and binding on all parties. Hong Kong arbitration awards pursuant to the Arbitration Ordinance of Hong Kong (香港仲裁條例) may be recognized and enforced by PRC courts, subject to the satisfaction of certain PRC legal requirements. However, no assurance can be given as to the outcome of any action brought in the PRC by any holder of H shares to enforce a Hong Kong arbitral award made in favor of holders of H shares.

You may experience difficulties in effecting service of legal process and enforcing judgments against us and our management.

We are a company incorporated under the laws of the PRC, and a substantial portion of our assets and some of our subsidiaries are located in the PRC. In addition, most of our Directors, Supervisors and senior management reside within the PRC, and the assets of our Directors, Supervisors and senior management may be located within the PRC. As a result, it may not be possible to effect service of legal process within the United States or elsewhere outside the PRC upon most of our Directors, Supervisors and senior management, including with respect to matters arising under the U.S. federal securities laws or applicable state securities laws. Moreover, the PRC does not have treaties providing for the reciprocal enforcement of judgments of courts with the United States, the United Kingdom, Japan or most other countries. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court in the United States and any of the other jurisdictions mentioned above in relation to any matter that is not subject to a binding arbitration provision may be difficult or impossible.

On July 14, 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), or the Arrangement, pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on August 1, 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

In addition, we will be subject to the regulations under the Hong Kong Listing Rules and the Hong Kong Takeovers Code upon the listing of our H Shares on the Hong Kong Stock Exchange, the holders of H Shares will not be able to act in violations of the Hong Kong Listing Rules and must rely on the Hong Kong Stock Exchange or the SFC to enforce its rules. However, the Hong Kong Listing Rules and the Hong Kong Takeovers Code do not have the force of law.

You may be subject to PRC taxation.

Non-PRC resident individual holders of H Shares whose names appear on the register of members of H Shares of our Company ("non-PRC resident individual holders") are subject to PRC individual income tax on dividends received from us. Pursuant to the Notice on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No. 045 (關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知) (Guo Shui Han [2011] No. 348) issued by the SAT on June 28, 2011, non-PRC resident individual shareholders of a domestic non-foreign-invested enterprise whose shares are listed in Hong Kong may be entitled to preferential tax treatments in accordance with applicable tax treaties between the countries in which they are tax resident and the PRC as well as the tax arrangements between Mainland China and Hong Kong (Macau). Dividend income of individual shareholders who are residents of countries that have not entered into taxation treaties with the PRC is generally subject to income tax at the rate of 20%. However, domestic non-foreign-invested enterprises whose shares are listed in Hong Kong generally may withhold individual income tax at the rate of 10% when distributing dividends with respect to such listed shares without prior application to the PRC tax authorities. If we pay a dividend, we will be required to withhold tax at the applicable rate (which can be higher than 10% if the relevant individual shareholders and the tax rate applicable to such shareholder can be identified by the company). In addition, according to the Individual Income Tax Law of the PRC (中華人民共和國個人所得税法) and its implementation rules, non-PRC resident individuals are subject to individual income tax at a rate of 20% on gains realized upon sale of equity interests of a PRC resident enterprise. There are no specific PRC laws or regulations imposing individual income tax on non-PRC resident individuals of gains realized upon sale of shares of a PRC resident enterprise listed on an overseas stock exchange. To our knowledge, in practice the PRC tax authorities have not sought to collect individual income tax from non-PRC resident individuals for gains realized upon sale of equity interests of a PRC resident enterprise listed on an overseas stock exchange. If such tax is collected in the future, the investment value of such H Shares held by the individual holders may be materially and adversely affected. For additional information, please see "Appendix IV—Taxation and Foreign Exchange—PRC Taxation" to this prospectus.

Pursuant to the EIT Law and its implementation rules, income generated from PRC (including gains derived from the disposal of equity interests in PRC resident enterprise and PRC-sourced dividends) by non-PRC resident enterprises is generally subject to enterprise income tax at a rate of 10%, subject to the provisions of any applicable special arrangements or treaties. Pursuant to the Notice on the Issues Concerning Withholding Enterprise Income Tax on the Dividends Payable by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise H Share Holders (關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得税有關問題的通知) promulgated by the SAT on November 6, 2008, dividends paid to non-PRC resident enterprise H Share holders that are derived from profits generated since January 1, 2008 are subject to withholding tax at a rate of 10%. Accordingly, we intend to withhold tax from any dividend paid through CCASS or otherwise paid to a non-PRC resident enterprise H Share holders. Non-PRC resident enterprise H Share holders that are entitled to preferential tax treatments pursuant to any tax treaty or arrangement may apply to the relevant tax authorities for refund of the excess amount withheld. Please see "Appendix IV—Taxation and Foreign Exchange—PRC Taxation" for details. As the EIT Law and its implementation rules are relatively new, there are uncertainties as to their interpretations and implementation by the PRC tax authorities, including whether and how enterprise income tax on gains derived upon transfer or other disposal of H Shares should be collected from non-PRC resident enterprise H Share holders. If such tax is collected in the future, the investment value of H Shares held by the enterprise holders may be materially and adversely affected.

Government control of currency conversion may adversely affect the value of your investments.

Most of our revenue is denominated in Renminbi, which is also our reporting currency. Renminbi is not freely convertible into foreign currencies. A portion of our cash may be required to be converted into other currencies in order to meet our foreign currency needs, including cash payments on dividends declared on our H Shares. Under existing foreign exchange regulations of the PRC, following the completion of this Global Offering, we will be able to pay dividends in foreign currencies through current account transactions without prior approval from the SAFE by complying with various procedural requirements.

However, if the PRC Government were to impose restrictions on access to foreign currencies for current account transactions at its discretion, we might not be able to pay dividends to the holders of our H Shares in foreign currencies. On the other hand, foreign exchange transactions under capital account in the PRC continue to be not freely convertible and require the approval of the SAFE. These limitations could affect our ability to obtain foreign currencies through equity financing or capital expenditures.

Furthermore, the net proceeds from the Global Offering are expected to be deposited overseas in currencies other than Renminbi until we obtain necessary approvals from relevant PRC regulatory authorities to convert these proceeds into onshore Renminbi. If the net proceeds cannot be converted into onshore Renminbi in a timely manner, our ability to deploy these proceeds efficiently may be affected as we will not be able to invest these proceeds on RMB-denominated assets onshore or deploy them in uses onshore where Renminbi is required, which may adversely affect our business, results of operations and financial condition.

Future fluctuations in the value of Renminbi could have a material adverse effect on our financial condition and results of operations.

While we generate most of our revenue in the PRC, we also offer financial products and services in Hong Kong to overseas customers. Income and expenses of Well Kent International are denominated in Hong Kong dollars, and a portion of capital contribution from our strategic investors is denominated in U.S. dollars, although our functional currency is Renminbi. As a result, fluctuations in exchange rates, particularly Renminbi against Hong Kong dollars or U.S. dollars, could affect our profitability and may result in exchange losses of our foreign currency-denominated assets and liabilities.

The volatility in exchange rate of Renminbi against U.S. dollars and other currencies is affected by, among other factors, changes in the PRC's and international political and economic conditions and the fiscal and currency policies of the PRC Government. From 1994 to July 20, 2005, the official exchange rate for the conversion of Renminbi to U.S. dollars was generally stable. On July 21, 2005, the PRC Government adopted a more flexible managed floating exchange rate system to allow the Renminbi exchange rate to fluctuate within a regulated range that is based on market supply and demand with reference to a basket of currencies. Renminbi appreciated more than 20% against U.S. dollars over the following three years. From July 2008 to June 2010, Renminbi traded within a narrow range against U.S. dollars. On June 19, 2010, the PBOC announced that the PRC Government would reform the Renminbi exchange rate regime and increase the flexibility of the exchange rate. Since June 2010, Renminbi has appreciated against U.S. dollars, from approximately RMB6.83 per U.S. dollar to RMB6.23 per U.S. dollar on December 31, 2012. It is difficult to predict how the Renminbi exchange rates may change in the future. There remains significant international pressure on the PRC Government to adopt a more flexible currency policy, which could result in further and more significant appreciation of Renminbi against U.S. dollars. We cannot assure you that Renminbi will not experience significant appreciation against U.S. dollars in the future.

The proceeds from the Global Offering will be received in Hong Kong dollars. As a result, any appreciation of Renminbi against U.S. dollars, Hong Kong dollars or any other foreign currencies may result in the decrease in the value of our foreign currency-denominated assets and our proceeds from the Global Offering. Conversely, any depreciation of Renminbi may adversely affect the value of, and any dividends payable on, H Shares in foreign currency. Currently, we have not entered into any hedging transactions to mitigate our exposure to foreign exchange risk. Besides, we are also required to obtain the approval from SAFE before converting significant amounts of foreign currencies into Renminbi. As a result, any significant increase in the value of Renminbi against foreign currencies could reduce the value of our foreign currency denominated revenue and assets and could materially and adversely affect our business, financial condition, results of operations and prospects.

Payment of dividends is subject to restrictions under PRC law.

Under the laws in the PRC, we may only pay dividends out of our distributable profit. Distributable profit refers to our after-tax profit as determined under PRC GAAP or IFRS, whichever is lower, less any recovery of accumulated losses and appropriations to statutory reserves, discretionary reserves and general risk reserves that we are required to make according to relevant rules. As a result, we may not have sufficient or any distributable profit to enable us to make dividend distributions to our Shareholders. Any distributable profit not distributed in a given year is retained and available for distribution in the subsequent years.

Moreover, our subsidiaries in the PRC may not have distributable profit as determined under PRC GAAP. Accordingly, we may not obtain distributable profit from dividend payments by our subsidiaries. Failure of receiving dividend payments from our subsidiaries could adversely impact our cash flows and our ability to make dividend distributions to our Shareholders and our cash flows, including periods in which we are profitable.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our H Shares, and the liquidity and market price of our H Shares may be volatile.

Prior to the Global Offering, there has been no public market for our H Shares. The Offer Price range for our H Shares was the result of negotiations between us and the Joint Global Coordinators on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our H Shares following the Global Offering. We have applied for listing of, and permission to deal in, our H Shares on the Hong Kong Stock Exchange. A listing on the Hong Kong Stock Exchange, however, does not guarantee that an active and liquid trading market for our H Shares will develop, or if it does develop, will be sustained following the Global Offering or that the market price of our H Shares will not decline following the Global Offering. Furthermore, the market price and trading volume of our H Shares may be volatile. The following factors may affect the trading volume and market price of our H Shares:

- actual or anticipated fluctuations in our operating performance and revenue;
- news regarding recruitment or departure of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- potential litigation or regulatory investigations;
- general market conditions or other developments affecting us or our industry;
- the operating and stock price performance of other companies and industries, and other events or factors beyond our control; and
- the release of lock-up or other transfer restrictions on our outstanding H Shares or sales or perceived sales of H Shares by us or other Shareholders.

Moreover, the financial market has from time to time experienced significant price and trading volume fluctuations that were unrelated or not directly related to the operating performance of the underlying companies in the market. These broad market and industry fluctuations may have a material and adverse effect on the market price and trading volume of our H Shares.

Since there will be a gap of several days between pricing and trading of our Offer Shares, holders of our Offer Shares are subject to the risk that the price of our Offer Shares could fall during the period before trading of our Offer Shares begins.

The Offer Price of our H Shares is expected to be determined on the Price Determination Date. However, our H Shares will not commence trading on the Hong Kong Stock Exchange until they are delivered, which is expected to be five Hong Kong business days after the Price Determination Date. As a result, investors may not be able to sell or otherwise deal in our H Shares during that period. Accordingly, holders of our H Shares are subject to the risk that the price of our H Shares could fall before trading begins as a result of unfavorable market conditions or other adverse developments that could occur between the time of sale and the time trading begins.

Future sales or perceived sales of a substantial number of our shares in the public market could have a material adverse effect on the prevailing market price of our H Shares and our ability to raise additional capital in the future, and may result in dilution of your shareholding.

The market price of H Shares could decline as a result of future sales of a substantial number of H Shares or other securities relating to H Shares in the public market, or the issuance of new H Shares or other securities, or the perception that such sales or issuances may occur. Future sales or perceived sales of a substantial number of our securities, including any future offerings, could also materially and adversely affect our ability to raise capital in the future at a time and at a price favorable to us. In addition, our Shareholders would experience dilution in their shareholdings upon offer or sale of additional share capital or share capital-linked securities by our Company in future offerings. If additional funds are raised through our issuance of new share capital or share capital-linked securities other than on a pro rata basis to existing Shareholders, the shareholdings of such Shareholders may be reduced and such new securities may confer rights and privileges that take priority over those conferred by the H Shares.

A certain number of our Shares (including but not limited to 24,669,736,396 Shares held by the MOF and 2,364,678,459 Shares held by the NSSF upon the completion of the Global Offering, assuming the Over-allotment Option is not exercised) currently outstanding are or will be subject to contractual and/or legal restrictions on resale for a period of time after completion of the Global Offering. Please see the sections entitled "Share Capital—Lock-up Periods" and "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering" in this prospectus. After the lapse of the abovementioned restrictions or if they are waived or breached, future sales, or perceived sales, of substantial number of those Shares could negatively impact the market price of H Shares and our ability to raise capital in the future.

Subject to the approval by the CSRC or the authorized securities approval authorities of the State Council and upon the Hong Kong Stock Exchange granting approval, holders of Domestic Shares may convert their Domestic Shares into H Shares and such Shares could be listed on the Hong Kong Stock Exchange. No class shareholder vote is required for the conversion of such Shares and the listing and trading of the converted Shares on an overseas stock exchange, including the Hong Kong Stock

Exchange. Future sales, or perceived sales, of the converted Shares may adversely affect the trading price of H Shares.

Subject to the approval by the relevant regulatory authorities in China, holders of Domestic Shares may transfer their Domestic Shares to overseas investors, and such transferred Shares may be listed or traded on an overseas stock exchange. Any listing or trading of the transferred Shares on an overseas stock exchange shall comply with the rules, regulations and requirements of such stock exchange. No class shareholder vote is required for the listing and trading of the transferred Shares on an overseas stock exchange. As a result, subject to receiving the requisite approval and upon the expiration of the applicable contractual and/or legal restrictions on share transfers, holders of Domestic Shares may transfer their Domestic Shares to overseas investors, and such Shares may then be traded on the Hong Kong Stock Exchange as H Shares in accordance with the rules, regulations and requirements of the Hong Kong Stock Exchange. This could further increase the supply of H Shares in the market and could negatively impact the market price of H Shares.

As the Offer Price of our H Shares is higher than our net tangible asset book value per share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases. Purchasers of H Shares may also experience further dilution in shareholdings if we issue additional Shares in the future.

As the Offer Price of our H Shares is higher than the net tangible assets per share in issue, which was issued to our existing Shareholders immediately prior to the Global Offering, purchasers of our H Shares in the Global Offering will experience an immediate dilution of HK$0.82 per H Share (assuming an Offer Price of HK$3.29 per H Share, being the mid-point of the stated Offer Price range, and assuming the Over-allotment Option for the Global Offering is not exercised). Our existing Shareholders will receive an increase in the pro forma adjusted consolidated net tangible asset value per share of their shares. In addition, holders of our H Shares may experience further dilution of their shareholdings if the Underwriters exercise the Over-allotment Option or if we issue additional shares in the future.

Waivers were granted from certain requirements of the Hong Kong Listing Rules by the Hong Kong Stock Exchange. Shareholders will not be entitled to any rights under the Hong Kong Listing Rules so waived. These waivers could be revoked, exposing us and our Shareholders to additional legal and compliance obligations.

We have applied for, and the Hong Kong Stock Exchange has granted us, a number of waivers from strict compliance with the Hong Kong Listing Rules. Please see the section entitled "Waivers from Strict Compliance with the Listing Rules and Exemptions from the Companies Ordinance" in this prospectus for further details. There is no assurance that the Hong Kong Stock Exchange will not revoke any of these waivers granted or impose certain conditions on any of these waivers. If any of these waivers were to be revoked or to be subject to certain conditions, we may be subject to additional compliance obligations, incur additional compliance costs and face uncertainties arising from issues of multi-jurisdictional compliance, all of which could adversely affect us and our Shareholders.

Dividends declared in the past may not be indicative of our dividend policy in the future and payment of dividends to Shareholders is subject to restrictions under the PRC laws and regulations.

In 2011, 2012 and the six months ended June 30, 2013, we declared cash dividends to Shareholders of RMB1,712.0 million, RMB1,806.4 million and RMB1,613.1 million for 2010, 2011 and 2012, respectively. Under applicable PRC laws, we may only pay dividends out of our distributable profits. Distributable profits means, as determined under PRC GAAP or IFRS, whichever is lower, the net profits for a period, plus the distributable profits or net of the accumulated losses, if any, at the beginning of such period, less appropriations to statutory surplus reserve (determined under PRC GAAP), discretionary surplus reserve and general risk reserves. As a result, we may not have sufficient profit to enable us to make dividend distributions to our Shareholders in the future, even if one of our financial statements prepared in accordance with PRC GAAP or IFRS indicates that our operations have been profitable. Any distributable profit not distributed in a given year is retained and available for distribution in subsequent years.

We have significant discretion as to the use of net proceeds from the offering, and you may not necessarily agree with our use of such proceeds.

Our management may use the net proceeds from the Global Offering in ways you may not agree with or that do not yield a favorable return to our Shareholders. We plan to use the net proceeds from the Global Offering to develop our distressed asset business and investment and asset management business and to increase capital contribution to the relevant financial subsidiaries. For details of our use of proceeds, please see the section entitled "Future Plans and Use of Proceeds" in this prospectus. However, our management will have discretion as to the actual application of our net proceeds. You are entrusting your funds to our management, upon whose judgment you shall depend, for the specific use of the net proceeds from the Global Offering.

You should read the entire prospectus carefully, and we strongly caution you not to place any reliance on any information contained in press articles or other media regarding us or the Global Offering.

There had been, prior to the publication of this prospectus, and there may be, subsequent to the date of this prospectus but prior to the completion of the Global Offering, press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the accuracy or completeness of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors are cautioned to make their investment decisions on the basis of the information contained in this prospectus only and should not rely on any other information.

You should rely solely upon the information contained in this prospectus, the Application Forms and any formal announcements made by us in Hong Kong in making your investment decision regarding our H Shares. We do not accept any responsibility for the accuracy or completeness of any information reported by the press or other media, nor the fairness or appropriateness of any forecasts, views or opinions expressed by the press or other media regarding our H Shares, the Global Offering or us. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such data or publication. Accordingly, prospective investors should not rely on any such information, reports or publications in making their decisions as to whether to invest in our Global Offering. By applying to purchase our H Shares in the Global Offering, you will be deemed to have agreed that you will not rely on any information other than that contained in this prospectus and the Application Forms.

Possible FATCA withholding from 2017.

Under certain provisions of the U.S. Internal Revenue Code commonly referred to as "FATCA," from July 1, 2014 we and certain of our subsidiaries may be subject to 30% U.S. withholding on certain payments we receive, unless we enter into an agreement (a "FATCA Agreement") with the U.S. Internal Revenue Service or are subject to the terms of an intergovernmental agreement ("IGA") between the United States and the PRC if such agreement is concluded. A financial institution (including an intermediary) that enters into a FATCA Agreement with the IRS will be required to comply with certain due diligence and reporting procedures, and from 2017 may be required to withhold 30% from certain "foreign passthru payments" that it makes. A financial institution (including an intermediary) that is subject to an IGA with the PRC or any other jurisdiction may be subject to similar requirements. Under current guidance, it is not yet clear whether or to what extent payments on securities such as our H Shares will be treated as foreign passthru payments subject to FATCA withholding. We may decide in the future to enter into a FATCA Agreement U.S. Internal Revenue Service or we may become subject to an IGA. Investors should consult their tax advisers regarding the application of the FATCA rules to an investment in the H Shares.

DIRECTORS' RESPONSIBILITY FOR THE CONTENT OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purpose of giving information with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the information in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in this prospectus materially misleading.

PRC REGULATORY APPROVALS

We have obtained approvals from the CBRC and the CSRC for the Global Offering and the making of the application to list the H Shares on the Hong Kong Stock Exchange, on August 11, 2013 and November 5, 2013, respectively. In granting such consent, neither the CBRC nor the CSRC accepts any responsibility for the financial soundness of us or for the accuracy of any of the statements made or opinions expressed in this prospectus or in the Application Forms.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. Neither the delivery of this prospectus nor any subscription or purchase made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in it remains correct as of any subsequent time.

UNDERWRITING

For applicants under the Hong Kong Public Offering, this prospectus and the related Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by the Joint Sponsors. The Global Offering is managed by the Joint Global Coordinators. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters listed in "Underwriting", subject to agreement on the Offer Price between us and the Joint Global Coordinators (on behalf of the Underwriters). The International Offering is expected to be fully underwritten by the International Underwriters. For further details about the Underwriters and the underwriting arrangements, see the section entitled "Underwriting" in this prospectus.

RESTRICTIONS ON OFFER AND SALE OF THE OFFER SHARES

Each person subscribing for the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to confirm, or by his/her subscription of Hong Kong Offer Shares be deemed to confirm, that he/she is aware of the restrictions on the offering and sales of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or the related Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or the related Application Forms may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and/or the related Application Forms and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

The Offer Shares are offered for subscription solely on the basis of the information contained and representations made in this prospectus and related Application Forms, and on the terms and subject to the conditions set out herein and therein. No person is authorized in connection with the Global Offering to give any information, or to make any representation, not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, officers, employees, advisors, agents or representatives or any other persons or parties involved in the Global Offering. For further details of the structure of the Global Offering, including its conditions, and the procedures for applying for Hong Kong Offer Shares, please see the sections entitled "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus and the relevant Application Forms.

APPLICATION FOR LISTING OF THE SHARES ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of listing of, and permission to deal in:

(i) the H Shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option);

(ii) the H Shares which will be converted from Domestic Shares and transferred to NSSF pursuant to the relevant PRC regulations relating to reduction of state-owned shares; and

(iii) the H Shares which will be converted by NSSF, UBS, CITIC Capital Financial Holding and Standard Chartered Financial Holdings pursuant to their respective strategic investment agreements.

Save as disclosed in the prospectus, no part of our Share is listed or dealt in on any other stock exchange and no such listing or permission to list is being or is proposed to be sought in the near future.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of subscribing for, purchasing, holding, disposing of, or dealing in our H Shares or exercising any rights attached to them, you should consult an expert. It is emphasized that none of us, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, advisors, agents or representatives nor any other person involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from subscribing for, purchasing, holding, disposing of, or dealing in our H Shares or exercising any rights attached to them.

STABILIZATION

For details of stabilization, please see the section headed "Underwriting—Stabilization" in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for the Hong Kong Offer Shares are set out in the section headed "How to Apply for Hong Kong Offer Shares" of this prospectus and in the Application Forms.

STRUCTURE AND CONDITIONS OF THE GLOBAL OFFERING

Particulars of the structure of the Global Offering, including its conditions, are set out in the section of this prospectus headed "Structure of the Global Offering."

REGISTER OF MEMBERS AND STAMP DUTY

All of the H shares issued pursuant to applications made in Global Offering will be registered on our H Share register to be maintained in Hong Kong by our H Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Our principal register of members will be maintained by us at our head office in the PRC.

Dealings in the H Shares registered in our H Share register will be subject to the Hong Kong stamp duty.

REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES

We have instructed Computershare Hong Kong Investor Services Limited, our H Share Registrar, and it has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless and until the holder delivers a signed form to our H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

(i) agrees with us and each of our Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and our Articles of Association;

(ii) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each of our Shareholders to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

(iii) agrees with us and each of our Shareholders that the H Shares are freely transferable by the holders thereof; and

(iv) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

H SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisors for the details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made by us for the H Shares to be admitted into CCASS.

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in RMB and US$ have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following rates:

HK$1.0000: RMB0.7913 (set by the PBOC for foreign exchange transactions prevailing on November 15, 2013)

HK$7.7535: US$1.0000 (the exchange rate set forth in the H.10 weekly statistical release of the Federal Reserve Board of the United States on November 15, 2013)

No representation is made that any amounts in RMB, US$ or HK$ can or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

WAIVER IN RESPECT OF MANAGEMENT PRESENCE IN HONG KONG

Pursuant to Rule 8.12 and Rule 19A.15 of the Listing Rules, we must have a sufficient management presence in Hong Kong. This normally means that at least two of our executive directors must be ordinarily resident in Hong Kong. Since most of the business operations of our Company and our subsidiaries are managed and conducted outside of Hong Kong, and substantially all of our executive Directors ordinarily reside in the PRC, we do not have, and for the foreseeable future will not have, sufficient management presence in Hong Kong for the purpose of satisfying the requirement under Rule 8.12 of the Listing Rules. Accordingly, we have applied for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with the requirements under Rule 8.12 and Rule 19A.15 of the Listing Rules subject to the following conditions:

(a) We have appointed Mr. Xu Zhichao and Mr. Zhang Weidong, as authorized representatives for the purpose of Rule 3.05 of the Listing Rules to serve as our principal channel of communication with the Hong Kong Stock Exchange. We have provided the Hong Kong Stock Exchange with their contact details, and they can be readily contactable in Hong Kong to deal promptly with enquiries from the Hong Kong Stock Exchange, and will also be available to meet with the Hong Kong Stock Exchange to discuss any matters on short notice. As and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters, each of the authorized representatives will have means to contact all of the Directors promptly at all times. We will implement such measures that (i) each Director must provide his or her mobile phone number, office phone number, facsimile number and email address to the authorized representatives; and (ii) in the event that a Director expects to travel or otherwise be out of office, he or she will provide the phone number of the place of his or her accommodation to the authorized representatives.

(b) We have provided the Hong Kong Stock Exchange with the contact details of each Director to facilitate communication with the Hong Kong Stock Exchange. Furthermore, each Director who is not an ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period.

(c) We have appointed a compliance advisor pursuant to Rule 3A.19 of the Listing Rules, which will act as our additional and alternative channel of communication with the Hong Kong Stock Exchange, and its representative(s) will be fully available to answer enquiries from the Stock Exchange. The compliance advisor will have access at all times to the authorized representatives, the Directors and the other senior management of our Company to ensure that it is in a position to provide prompt responses to any queries or requests from the Hong Kong Stock Exchange in respect of our Company.

APPOINTMENT OF JOINT COMPANY SECRETARIES

Pursuant to Rule 8.17 of the Listing Rules, our appointment of company secretaries must comply with Rule 3.28 of the Listing Rules. According to Rule 3.28 of the Listing Rules, we must appoint as our company secretary an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of a company secretary.

Note 1 to Rule 3.28 of the Listing Rules sets out the academic and professional qualifications considered to be acceptable by the Hong Kong Stock Exchange:

(a) a member of The Hong Kong Institute of Chartered Secretaries;

(b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance); and

(c) a certified public accountant (as defined in the Professional Accountants Ordinance).

Note 2 to Rule 3.28 of the Listing Rules sets out the factors that the Hong Kong Stock Exchange consider when assessing an individual's "relevant experience":

(a) length of employment with the issuer and other issuers and his respective roles ;

(b) familiarity with the Listing Rules and other relevant laws and regulations including the SFO, Companies Ordinance and the Takeovers Code;

(c) relevant training received and/or will receive in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and

(d) professional qualifications in other jurisdictions.

We have appointed Mr. Zhang Weidong as our company secretary. He joined the Company in 1999 and has more than 14 years of experience in asset management companies with sound understanding of the operations of the Board and the Company. However, Mr. Zhang Weidong does not possess the specified qualification required by Rule 3.28 of the Listing Rules. Given the importance of the company secretary's role in the corporate governance of a listed issuer, particularly in assisting the listed issuer as well as its directors in complying with the Hong Kong Listing Rules and other relevant laws and regulations, we have made the following arrangements:

- Mr. Zhang Weidong will make best efforts in attending relevant training courses, including briefing on the latest changes to the applicable Hong Kong laws and regulations as well as the Listing Rules organized by the Hong Kong legal advisors of the Company on an invitation basis and seminars organized by the Hong Kong Stock Exchange for PRC issuers from time to time, in addition to the minimum requirement under Rule 3.29 of the Listing Rules;

- we have appointed Mr. Ngai Wai Fung who meets the requirement under Note 1 to Rule 3.28 of the Listing Rules, as a joint company secretary to work closely with and to provide assistance to Mr. Zhang Weidong in discharging his duties as a company secretary for an initial period of three years commencing from the Listing Date so as to enable Mr. Zhang Weidong to acquire the relevant experience (as required under Note 2 to Rule 3.28 of the Listing Rules) to discharge the duties and responsibilities as a company secretary; and

- upon the expiration of the three-year period, the qualifications and experience of Mr. Zhang Weidong will be re-evaluated. Mr. Zhang Weidong is expected to demonstrate to the Hong Kong Stock Exchange's satisfaction that he, having had the benefit of Mr. Ngai Wai Fung's assistance for three years, would then have acquired the relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules.

We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 3.28 and Rule 8.17 of the Hong Kong Listing Rules. Upon the expiry of the initial three-year period, an evaluation will be carried out to determine whether the qualifications of Mr. Zhang Weidong can satisfy the requirements in Note 2 to Rule 3.28 of the Listing Rules . In the event that Mr. Zhang Weidong has the obtained relevant experience within the meaning of Note 2 to Rule 3.28 of the Listing Rules at the end of the said initial three-year period, the above joint company secretaries arrangement would no longer be necessary.

WAIVER IN RELATION TO CLAWBACK MECHANISM

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. The Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted to us, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Listing Rules such that the allocation of Offer Shares between Hong Kong Public Offering and International Offering shall be adjusted as follows:

- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 398,914,000 Offer Shares, representing 7.5% of the Offer Shares initially available under the Global Offering;
- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 531,884,000 Offer Shares, representing 10% of the Offer Shares initially available under the Global Offering; and
- if the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 1,063,768,000 Offer Shares, representing 20% of the Offer Shares initially available under the Global Offering.

In certain cases, the Offer Shares offered under the Hong Kong Public Offering and International Offering may be reallocated between Hong Kong Public Offering and International Offering by the Joint Global Coordinators at their discretion. If the Hong Kong Public Offering or International Offering is not fully subscribed, the Joint Global Coordinators have the authority to reallocate all or any of the unsubscribed Offer Shares from such offering to the other, in such proportions as the Joint Global Coordinators deem appropriate.

Waiver in relation to the application of various provisions under the Listing Rules and certificate of exemption for certain provisions of the Companies Ordinance in relation to subsidiaries

The Group acquires equity interests in a large number of entities through debt-to-equity swaps in satisfaction of debt and other transactions relating to distressed assets, which, unless otherwise consolidated as subsidiaries, are classified as available-for-sale equity investments of the Group and are not consolidated in the financial statements of the Group regardless of the Group's shareholding therein due to the absence of control on the part of the Group over such entities (the "**Unconsolidated Investee Entities**").

The Group holds more than 50% of the equity interests in certain of the Unconsolidated Investee Entities (the "**Unconsolidated Majority-Held Investee Entities**"). As at June 30, 2013, the Group held equity interests in 16 such Unconsolidated Majority-Held Investee Entities. The book value of the Group's interests in the Unconsolidated Majority-Held Investee Entities accounted for 3.14% of the available-for-sale financial assets of the Group and 0.69% of the total assets of the Group as at June 30, 2013. None of the Unconsolidated Majority-Held Investee Entities, individually or in the aggregate, are material to the Group, its business or financial condition. The key features of the Unconsolidated Majority-Held Investee Entities are as follows:

- The Unconsolidated Majority-Held Investee Entities are located across a broad geographic region in the east, middle and southern regions of the PRC in various provinces and municipalities. More specifically, the locations include Chongqing Municipality, Gansu Province, Guizhou Province, Hubei Province, Liaoning Province, Ningxia Province, Shanxi Province, Shandong Province, Sichuan Province, Xinjiang Province and Zhejiang Province.
- Among the 16 Unconsolidated Majority-Held Investee Entities, seven entities are engaged in the chemical industry, three are engaged in the electronics industry, two are engaged in the coal industry, two are engaged in the power industry and one each operate in the areas of natural gas and commerce, respectively.
- Of the 16 Unconsolidated Majority-Held Investee Entities, six are currently in process of being disposed of by the Company, and are at various stages in the disposal process, from evaluation and internal approval, through to being listed for sale on local property exchanges.

The Group does not exercise control over, nor materially influence, any of the Unconsolidated Majority-Held Investee Entities, nor are the financial results of the Unconsolidated Majority-Held Investee Entities consolidated in the Group's consolidated financial statements under IFRS, as further described below.

In relation to various requirements under the Listing Rules and the Companies Ordinance which are otherwise applicable to subsidiaries of a company, the Company has applied a waiver from the application of the definition of subsidiary in Rule 1.01 of the Listing Rules the Stock Exchange and a certificate of exemption from the Commission on that basis that the Unconsolidated Majority-Held Investee Entities shall not and will not be treated as the Company's subsidiaries, despite the fact that the Unconsolidated Majority-Held Investee Entities are technically "subsidiary undertakings" under the twenty-third schedule to the Companies Ordinance.

The Unconsolidated Majority-Held Investee Entities are not "subsidiary undertakings" because:

- **Absence of control over the Unconsolidated Investee Entities:** for Unconsolidated Investee Entities, the Company historically, irrespective of its actual shareholding, has not and cannot exercise control over, nor materially influence, such entities (including the Unconsolidated Majority-Held Investee Entities), due to reasons including but not limited to:

  1. relevant policy and regulatory requirements of the MOF, CBRC and PBOC. Such policies and regulatory requirements include:

     - The Regulations on Financial Asset Management Companies (State Council Order No. 297) promulgated by the State Council and effective from November 10, 2000, which provides that financial asset management company, in the course of management and disposal of the distressed assets resulting from the non-performing loans acquired from the state-owned banks, is permitted to perform debt-to-equity swap and hold the equities so converted on a transitional basis .

     - The Notice in relation to the Opinions on Certain Issues Regarding Converting Debt into Equity issued by State Economic and Trade Commission and the PBOC (Guo Jing Mao Chan Ye [1999] No. 727) on July 30, 1999 provides that financial assets management companies, upon becoming shareholders of entities after the DES are allowed to hold minority or majority shares of the investee companies, nominate representatives on the board of directors and the board of supervisors as well as participate in material decision-making of the entities, but shall not involve in its daily operations.

     - The Notice in relation to Further Regulation on Issues Regarding to Equity Investment of Financial Assets Management Companies during Commercialized Transformation (Cai Jin [2007] No. 143) promulgated by the MOF and effective from December 26, 2007 provides that the equity interests acquired through disposing of distressed assets by financial asset management company shall be categorized as transitional shareholding.

  2. consensus with other stakeholders to maintain a passive role as a financial investor that the Company takes in such entities.

- **Accounting treatment**: equity interests the Group currently holds in the Unconsolidated Investee Entities have been classified as "available-for-sale financial assets" in the Company's financial statements. The financial results of those Unconsolidated Majority-Held Investee Entities have not been consolidated in the Group's consolidated financial statements under IFRS because, among other things, the Group was unable to exercise control over, nor did it materially influence, these entities for the reasons set out above. The non-consolidation is also due to policy reasons, which include:

  (1) Provisional Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (Yin Jian Fa [2011] No. 20) promulgated by the CBRC and effective from March 8, 2011 provides that investee entities which may be excluded from the consolidated statements of the financial asset management company for the purpose of CBRC supervision and management include: investee entities which are held by financial asset management

companies as to more than 50% equity interests and are intended to be disposed of within three years, as well as DES companies held on a short-term or a transitional basis;

(2) the Accounting Standards for Business Enterprises No.33—Consolidated Financial Statements (Cai Kuai [2006] No.3) which was promulgated by the MOF on February 15, 2006 and implemented since January 1, 2007 provides that the scope of consolidated financial statements shall be determined by the right of control. The right of control means that one entity is capable of controlling another entity in respect of the latter's financial and operation policies and has the right to gain profits from the operation of such entity;

(3) the Accounting Standards for Business Enterprises No.33—Consolidated Financial Statements—Application Guide (Cai Kuai [2006] No. 18) which was promulgated by the MOF on October 30, 2006 and implemented since January 1, 2007 provides that the determination of the scope of consolidated financial statements on basis of right of control shall adhere to the principle of "substance over form" and taking into account of all the relevant facts and factors, such as shareholding of the investors, relationship among investors, corporate governance structure and potential voting rights.

Deloitte Touche Tohmatsu, Certified Public Accountants, the Company's reporting accountants for the Proposed Listing, concurs that the Unconsolidated Majority-Held Investee Entities shall not be consolidated as subsidiaries in the Group's IFRS financial statements on the basis that the Group does not exercise control over, nor does it materially influence, these entities.

Based on the above, the Stock Exchange has granted a waiver such that the definition of subsidiary set out under Rule 1.01 of the Listing Rules shall not apply to Unconsolidated Majority-Held Investee Entities. Accordingly, relevant provisions of the Listing Rules concerning subsidiaries do not apply to such entities. Such provisions include but are not limited to:

i. while general description and nature of the Unconsolidated Investee Entities will be disclosed in the prospectus, prospectus disclosure requirements applicable to the Company's subsidiaries shall not apply to the Unconsolidated Majority-Held Investee Entities including:

   (i) disclosure of the Group's scope of business in the Business section,

   (ii) description of subsidiaries in the History section,

   (iii) scope of due diligence and disclosure for connected transactions (as the Unconsolidated Majority-Held Investee Entities are not part of the "listed issuer" within the meaning of Chapter 14A of the Listing Rules),

   (iv) specific disclosure requirements such as intellectual property rights and material contracts of the Group (Appendix 1A of the Listing Rules), and

   (v) disclosure requirements relating to subsidiaries under Part I and Part II of Schedule 3 to the Companies Ordinance (subject to the exemption from the Securities and Futures Commission of Hong Kong);

ii. paragraph 16 of Checklist I.B (Additional information to be submitted by the Sponsor) regarding the sponsor's duty to obtain and review "*documentation from the relevant PRC tax bureau confirming the tax rate which the Company is subject to, and confirming that the Company has paid the relevant tax liabilities*" shall not extend to the Unconsolidated Majority-Held Investee Entities;

iii. post-listing compliance with continuing obligations under Chapter 13 of the Listing Rules and, to the extent permissible under the SFO and applicable laws, Part XIVA of the SFO shall not apply to inside information of the Unconsolidated Majority-Held Investee Entities;

iv. post-listing compliance with notifiable transactions disclosure and shareholders' approval regime as set out in Chapter 14 of the Listing Rules shall not apply to transactions conducted by the Unconsolidated Majority-Held Investee Entities;

v. post-listing compliance with connected transactions disclosure and shareholders' approval regime as set out in Chapter 14A of the Listing Rules shall not apply to transactions by the Unconsolidated Majority-Held Investee Entities;

vi. the mining activities of the Unconsolidated Majority-Held Investee Entities are not "an activity of an issuer and/or its subsidiaries" within the meaning of Chapter 18 of the Listing Rules; and

vii. Practice Note 15 of the Listing Rules does not apply to the spin-off of the Unconsolidated Majority-Held Investee Entities.

Further to the reasons stated above, the application for a certificate of exemption from the Commission in relation to certain provisions of the Companies Ordinance is made on the following additional grounds:

- **Unduly Burdensome:** It would be unduly burdensome for the Group to make disclosures of its Unconsolidated Majority-Held Investee Entities to the standard of a subsidiary as required by paragraphs 23, 24 and 25 of Part I and paragraphs 31(3) and 33(1)(b) of Part II under Schedule 3 of the Companies Ordinance as, given the non-controlling nature of the Group's interests in the Unconsolidated Majority-Held Investee Entities, it would not be practicable and would be unduly burdensome for the Group to obtain sufficient information on such entities and disclose such information in the prospectus to the standard of a subsidiary as required by paragraphs 23, 24 and 25 of Part I and paragraphs 31(3) and 33(1)(b) of Part II under Schedule 3 of the Companies Ordinance. As at June 30, 2013, the Group held equity interests in 16 Unconsolidated Majority-Held Investee Entities.

- **No Prejudice:** The exemption will not prejudice the interest of the investing public given the insignificance of the Unconsolidated Majority-Held Investee Entities. As at June 30, 2013, the Group held equity interests in 16 Unconsolidated Majority-Held Investee Entities. The book value of the Group's investments in the Unconsolidated Majority-Held Investee Entities accounted for 3.14% of the available-for-sale financial assets of the Group and 0.69% of the total assets of the Group as at June 30, 2013. The Unconsolidated Majority-Held Investee Entities mainly operate in chemical engineering, electronics and coal industries.

The Commission has granted a certificate of exemption such that paragraphs 23, 24 and 25 of Part I and paragraphs 31(3) and 33(1)(b) of Part II under Schedule 3 of the Companies Ordinance concerning subsidiaries of a company do not apply to Unconsolidated Majority-Held Investee Entities. As a non-Hong Kong Company registered under Part XI of the Companies Ordinance, Company is able to comply with all applicable provisions in the Companies Ordinance regarding "subsidiaries" other than the disclosure requirements mentioned above.

Application for a waiver from strict compliance with Rules 4.04(2), 4.04(4), 4.05A and 4.28 of the Listing Rules

In June 2010, as part of its financial reorganization, the Company purchased the ownership of a portfolio of distressed assets from the MOF at a total consideration of approximately RMB 48.6 billion (the "**Acquisition from the MOF**"). The Acquisition from the MOF included acquisitions of equity interests in 257 entities accounted for as available-for-sale assets.

The Acquisition from the MOF is merely part of the financial reorganization of a restructuring process which converted Cinda Corporation, the predecessor of the Company, into the Company in June 2010 (the "**Restructuring**"). Therefore, there was no acquisition of legal titles to assets involved and the Company submits that relevant rules under Chapter 4 of the Listing Rules are not intended to apply to such reorganization.

The Company has applied for and the Stock Exchange has granted a waiver to strict compliance with Rule 4.05A of the Listing Rules in respect of the Acquisition from the MOF on the following grounds:

(a) **Not an acquisition of a material subsidiary or business as defined under Rule 4.05A of the Listing Rules**: the Acquisition from the MOF is a one-off transaction arising from the Company's distressed asset management business. The substance of the target is a portfolio of distressed assets (including equity interests and debt interests) rather than any material subsidiary or business as provided under Rule 4.05A of the Listing Rules. The entities acquired through the Acquisition from the MOF are not consolidated as subsidiaries of the Company.

(b) **Absence of control**: the Company is not able to exercise control over, nor does it materially influence, the entities acquired through the Acquisition from the MOF and is not able to obtain all the requisite financial information in compliance with Rule 4.05A of the Listing Rules.

(c) **The waiver would only apply to transactions which occurred within a very short period of time**: the Acquisition from the MOF was completed in June 2010. The waiver applied for would only apply for the transactions during the period from January 1, 2010 to the completion of the acquisition.

(d) **Unduly burdensome to compile pre-acquisition financials**: regarding the Group's interests in the Unconsolidated Investee Entities (including the equity interests acquired through the Acquisition from the MOF), the Group is unable to exercise control, nor does it materially influence the entities, and it has insufficient access to obtain information which would enable it to disclose the pre-acquisition financials of such entities even if the acquisitions, individually or in the aggregate, were to be classified as a major transaction of the Group.

The Company hereby applied for and the Stock Exchange has granted a waiver from strict compliance with Rules 4.04(2), 4.04(4) and 4.28 of the Listing Rules in respect of the Company's equity acquisitions accounted for as available-for-sale assets made after the Track Record Period during its ordinary course of business (e.g., through its distressed asset management business or proprietary investments (direct investments and private-equity investments)) on the following grounds:

(a) **Absence of control**: based on the nature of the equity acquisitions by the Company, the Company is not able to exercise control over, nor does it materially influence, the entities to be acquired and is not able to obtain all the requisite financial information in compliance with Rules 4.04(2), 4.04(4) and 4.28 of the Listing Rules.

(b) **Ordinary and usual course of business**: distressed asset management is the core business of the Group, which involves acquisition of equity interests in distressed corporate debtors in the Group's ordinary and usual course of business as a common means to realize the value of the distressed assets. In addition, as an asset management company with an investment arm, proprietary investments are also made in the ordinary and usual course of business of the Group. Strict compliance with Rules 4.04(2), 4.04(4) and 4.28 of the Listing Rules would fetter the Group's ability to conduct its business in the ordinary course and makes further acquisitions during the period when it is preparing for the Proposed Listing.

(c) **Unduly burdensome for the Group**: the Group intends to continue to conduct equity acquisitions after the Track Record Period through its distressed asset management business or proprietary investments on an ongoing basis. It is submitted that strict compliance with Rules 4.04(2), 4.04(4) and 4.28 of the Listing Rules would generate an excessive amount of work and would be unduly burdensome for the Group considering the timetable of the Proposed Listing.

(d) **Disclosure in the prospectus**: equity acquisitions made through the Group's distressed asset management business or proprietary investments (direct investments and private equity investments) are conducted in the ordinary and usual course of business of the Group. For such equity acquisitions after the Track Record Period but prior to the latest practicable date as set out in the prospectus, subject to the waiver to be granted by the Exchange and consideration of commercial confidentiality, the Company will use its reasonable efforts to disclose, in the prospectus, information on equity acquisitions relating to an individual entity that would have been classified as a discloseable transaction under the Listing Rules (despite the fact that the Company considers such transactions within its ordinary and usual course of business). The proposed disclosure includes:

    (i) a general description of the background of the counterparty,

    (ii) the date of the transaction,

    (iii) counterparty confirmation as to whether that counterparty is an independent third party to the Company, and

    (iv) the reasons for entering into the transaction and the benefits which are expected to accrue to the Company as a result of the transaction.

DIRECTORS

Name	Address	Nationality
Executive Directors		
HOU Jianhang (侯建杭)	Unit 201, 5th Door Building 1, Fenghuiyuan Xicheng District, Beijing, PRC	Chinese
ZANG Jingfan (臧景范)	A33 Chengfang Street Xicheng District, Beijing, PRC	Chinese
XU Zhichao (許志超)	Unit 15B, Building 3 11 Yuyuantan South Road Haidian District, Beijing, PRC	Chinese
Non-Executive Directors		
WANG Shurong (王淑榮)	Unit 315, Building 8 Cuiweidongli Community Haidian District, Beijing, PRC	Chinese
YIN Boqin (尹伯欽)	Unit 202, 1st Door, Building 13 9 Yuyuantan South Road Haidian District, Beijing, PRC	Chinese
XIAO Yuping (肖玉萍)	Unit 507, Building 7 Kangleli Community Xuanwu District, Beijing, PRC	Chinese
YUAN Hong (袁弘)	Unit 4-2-1204, 88 Sanluju Road Fengtai District, Beijing, PRC	Chinese
LU Shengliang (盧聖亮)	Unit 1102, 1st Door, Building 2 9 Beiwa Road Haidian District, Beijing, PRC	Chinese
Independent Non-Executive Directors		
LI Xikui (李錫奎)	Unit 501, 4th Door, Building 3 33 Taipusi Street Xicheng District, Beijing, PRC	Chinese
QIU Dong (邱東)	A1006 Yangyuan Building Huayuan Donglu Haidian District, Beijing, PRC	Chinese
CHANG Tso Tung, Stephen (張祖同)	3C, Shouson Garden 6A Shouson Hill Road Aberdeen, Hong Kong	Chinese (Hong Kong)
XU Dingbo (許定波)	Unit E2-201, Tomson Golf Garden 1 Longdong Ave, Shanghai, PRC	Chinese

SUPERVISORS

Name	Address	Nationality
CHEN Weizhong (陳維中)	Unit 402, 12th Door Building 4, Fenghuiyuan Community Xicheng District, Beijing, PRC	Chinese
DONG Juan (董娟)	Unit 606, Building 23 105 West 3rd Ring North Road Haidian District, Beijing, PRC	Chinese
LIU Xianghui (劉向輝)	Unit 6, 3rd Door, Building 6 Daguaibang Hutong Xicheng District, Beijing, PRC	Chinese
LIN Jian (林劍)	Unit 501, Block 1 43 Yeshan Road Gulou District, Fuzhou, Fujian, PRC	Chinese
WEI Jianhui (魏建慧)	Unit 702, 2nd Door, Building 22 Zone 1, Yuquanxili Shijingshan District, Beijing, PRC	Chinese

PARTIES INVOLVED IN THE GLOBAL OFFERING

Joint Sponsors

Merrill Lynch Far East Limited
15/F Citibank Tower
3 Garden Road
Central
Hong Kong

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Centre
One Austin Road West
Kowloon
Hong Kong

Goldman Sachs (Asia) L.L.C.
68/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

Morgan Stanley Asia Limited
Level 46, International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

Joint Global Coordinators	Merrill Lynch International Merrill Lynch Financial Centre 2 King Edward Street London EC1A 1HQ England
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
	UBS AG, Hong Kong Branch 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	BOCI Asia Limited 26th Floor, Bank of China Tower 1 Garden Road Central Hong Kong
	Morgan Stanley Asia Limited Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	Credit Suisse (Hong Kong) Limited Level 88, International Commerce Centre One Austin Road West Kowloon Hong Kong
	CCB International Capital Limited 12/F, CCB Tower 3 Connaught Road Central Central Hong Kong

Joint Bookrunners and Joint Lead Managers	Merrill Lynch International (in the capacity as a Joint Bookrunner in relation to the Global Offering, and in the capacity as a Joint Lead Manager only in relation to the International Offering) Merrill Lynch Financial Centre 2 King Edward Street London EC1A 1HQ England
	Merrill Lynch Far East Limited (in the capacity as a Joint Lead Manager only in relation to the Hong Kong Public Offering) 15/F, Citibank Tower 3 Garden Road Central Hong Kong
	Goldman Sachs (Asia) L.L.C. 68/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
	UBS AG, Hong Kong Branch 52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
	BOCI Asia Limited 26th Floor, Bank of China Tower 1 Garden Road Central Hong Kong
	Morgan Stanley Asia Limited (in relation to the Hong Kong Public Offering) Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
	Morgan Stanley & Co. International plc (in relation to the International Offering) 25 Cabot Square Canary Wharf London E14 4QA United Kingdom

Credit Suisse (Hong Kong) Limited
Level 88, International Commerce Centre
One Austin Road West
Kowloon
Hong Kong

CCB International Capital Limited
12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Standard Chartered Securities (Hong Kong) Limited
15/F, Two International Finance Centre
8 Finance Street
Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Jefferies Hong Kong Limited
22/F Cheung Kong Center
2 Queen's Road Central
Hong Kong

Cinda International Securities Limited
45/F., COSCO Tower
183 Queen's Road Central
Hong Kong

ICBC International Capital Limited
(in the capacity as a Joint Bookrunner only)
37/F, ICBC Tower
3 Garden Road
Hong Kong

ICBC International Securities Limited
(in the capacity as a Joint Lead Manager only)
37/F, ICBC Tower
3 Garden Road
Hong Kong

	ABCI Capital Limited (in the capacity as a Joint Bookrunner only) Room 701, 7/F, One Pacific Place 88 Queensway Hong Kong
	ABCI Securities Company Limited (in the capacity as a Joint Lead Manager only) Room 701, 7/F, One Pacific Place 88 Queensway Hong Kong
	CMB International Capital Limited Units 1803-4, 18/F, Bank of America Tower 12 Harcourt Road Central Hong Kong
	CITIC Securities Corporate Finance (HK) Limited 26th Floor, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
	BOCOM International Securities Limited 9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
	China Merchants Securities (HK) Co., Limited 48/F., One Exchange Square Central Hong Kong
	Essence International Securities (Hong Kong) Limited 39/F., One Exchange Square Central Hong Kong
Sole Financial Advisor	Cinda International Capital Limited 45/F., COSCO Tower 183 Queen’s Road Central Hong Kong

Legal advisors to our Company	*As to Hong Kong and United States law* Davis Polk & Wardwell 18th Floor, The Hong Kong Club Building 3A Chater Road Hong Kong *As to PRC law* Haiwen & Partners 21/F, Beijing Silver Tower No. 2 Dong San Huan North Road Chaoyang District Beijing PRC
Legal advisors to the underwriters	*As to Hong Kong and United States law* Freshfields Bruckhaus Deringer 11th Floor Two Exchange Square Central Hong Kong *As to PRC law* King & Wood Mallesons 20th Floor, East Tower World Financial Center 1 Dongsanhuan Zhonglu Chaoyang District Beijing PRC
Reporting accountant and independent auditor	Deloitte Touche Tohmatsu 35/F, One Pacific Place 88 Queensway Hong Kong
Valuation Specialist	American Appraisal China Limited 1506 Dah Sing Financial Center 108 Gloucester Road Wanchai Hong Kong
Receiving banks	Standard Chartered Bank (Hong Kong) Limited 15th Floor, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Hong Kong

Bank of China (Hong Kong) Limited
33/F, Bank of China Tower
1 Garden Road
Hong Kong

China Construction Bank (Asia) Corporation Limited
22/F, CCB Centre
18 Wang Chiu Road
Kowloon Bay
Hong Kong

Bank of Communications Co., Ltd. Hong Kong Branch
20 Pedder Street
Central
Hong Kong

Wing Lung Bank Limited
Wing Lung Bank Building
45 Des Voeux Road
Central
Hong Kong

Registered office	No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing, PRC
Head office in the PRC	No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing, PRC
Principal place of business in Hong Kong	Room 1101, 11/F, Admiralty Centre Tower 1, 18 Harcourt Road, Hong Kong
Company's website	www.cinda.com.cn (This website and the information contained on this website do not form part of this prospectus)
Joint company secretaries	Mr. Zhang Weidong Mr. Ngai Wai Fung (FCIS, FCS(PE), CPA, FCCA)
Authorized representatives	Mr. Xu Zhichao Unit 15B, Building 3 11 Yuyuantan South Road Haidian District, Beijing, PRC Mr. Zhang Weidong 8-2-101 Fengrongyuan Xicheng District, Beijing, PRC
Strategy and Development Committee	Mr. Hou Jianhang (Chairman) Mr. Zang Jingfan Ms. Wang Shurong Mr. Yin Boqin Ms. Xiao Yuping Ms. Yuan Hong Mr. Lu Shengliang Mr. Li Xikui Mr. Chang Tso Tung, Stephen
Audit Committee	Mr. Xu Dingbo (Chairman) Ms. Wang Shurong Mr. Yin Boqin Mr. Li Xikui Mr. Chang Tso Tung, Stephen
Risk Management Committee	Ms. Xiao Yuping (Chairman) Mr. Xu Zhichao Ms. Wang Shurong Mr. Lu Shengliang Mr. Xu Dingbo

Nomination and Remuneration Committee	Mr. Li Xikui (Chairman) Ms. Wang Shurong Mr. Qiu Dong
Related Party Transaction Control Committee	Mr. Qiu Dong (Chairman) Ms. Yuan Hong Mr. Xu Dingbo
Compliance advisor	Merrill Lynch Far East Limited 15/F Citibank Tower 3 Garden Road Central Hong Kong
H Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal banks	China Construction Bank Corporation 25 Financial Street Beijing, PRC Postal Savings Bank of China Co., Ltd. 3 Financial Street Beijing, PRC Industrial and Commercial Bank of China Co., Ltd. Block B, Tianyin Plaza 2 Fuxingmennan Street Beijing, PRC Agricultural Bank of China Co., Ltd. ChemSunny World Trade Center 28 Fuxingmennei Street Beijing, PRC Bank of China Ltd. 2 Fuxingmennei Street Beijing, PRC Bank of Communications Co., Ltd. 22 Financial Street Beijing, PRC China Development Bank Corporation 18 Fuxingmennei Street Beijing, PRC Shanghai Pudong Development Bank Co., Ltd. 9 Zhichun Road Beijing, PRC

Bank of Shanghai Co., Ltd.
A9 Financial Street
Beijing, PRC

China Minsheng Banking Corp., Ltd.
2 Fuxingmennei Street
Beijing, PRC

China Merchants Bank Co., Ltd.
3/F, Block A, 156 Fuxingmennei Street
Beijing, PRC

Bank of Beijing Co., Ltd.
8/F, Block D, 156 Fuxingmennei Street
Beijing, PRC

China Guangfa Bank Co., Ltd.
34 Fuwai Street
Beijing, PRC

China Everbright Bank Co., Ltd.
China Everbright Center
25 Taipingqiao Ave
Beijing, PRC

China Zheshang Bank Co., Ltd.
A1-1 Financial Street
Beijing, PRC

Standard Chartered Bank (China) Limited
World Finance Centre
1 East Third Ring Middle Road
Beijing, PRC

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Unless indicated otherwise, all data and information with respect to China's distressed asset management industry in this section, including those on business performance comparison of the Four AMCs, come from the CBRC. Such data and information may be compiled following standards different from the requirements of IFRS and therefore may not be comparable to numbers in the IFRS report in Appendix I of this prospectus.

Given the Four AMCs are the key participants in the distressed asset management industry in China, we will focus on them in this overview of China's distressed asset management industry. In recent years, the business scope of the Four AMCs has gradually become diversified, and they are now competing with each other on a differentiated basis. As a result, in this section we will also provide an overview of the other financial service industries related to our operations in addition to the distressed asset management industry.

DISTRESSED ASSET MANAGEMENT INDUSTRY

The Background, Development History and Impact of China's Distressed Asset Management Industry

The Background of China's Distressed Asset Management Industry

The disposal of commercial banks' distressed assets to prevent financial risks has developed into a global focus alongside the continued globalization of international financial markets. Despite the continued economic growth of China in the 1990s, most of its banks and SOEs did not establish modern corporate systems and thus had weak risk management capabilities and internal controls. In addition, limited progress was made on carving out NPLs. As a result, those banks accumulated significant amounts of NPLs. Many SOEs were under significant financial or operational pressures after the Asian financial crisis in 1997, which led to a significant increase in the amount of distressed assets at China's state-owned commercial banks. In order to address potential risks involved in such distressed assets, China's distressed asset management industry emerged. We and the other three AMCs were given an historic mission to "resolve financial risks, maintain the stability of financial system and promote the reform and development of China's state-owned banks and enterprises".

The Development History of China's Distressed Asset Management Industry

China's distressed asset management industry has gradually become more market-driven as the industry developed over the past 14 years. On one hand, the industry has become more sophisticated so that distressed asset management and value enhancement capabilities have become the key strengths necessary to maintain a leading position in the industry, on the other hand, the industry coverage has also expanded with more business opportunities coming from non-bank financial institutions and non-financial enterprises. At the same time, the Four AMCs are exploring different approaches to comprehensive financial service businesses and have started to establish differentiated diversified business platforms. The development of China's distressed asset management industry can be divided into three phases characterized by its responses to the market requirements at different stages in China's economic and social development in the past years: the Policy Phase, the Transition Phase and the Commercial Phase.

Policy Phase

In 1999, the PRC government decided to establish AMCs to receive, manage and dispose of NPLs from state-owned commercial banks in order to deal with the impact of the Asian financial crisis, mitigate financial risks and accelerate the reform and development of SOEs. The PRC government made this decision based on a careful analysis of issues in the domestic financial sectors and referring to international experience in handling distressed assets such as the "good bank/bad bank"[1] model and the RTC[2] approach adopted in the U.S. In March 1999, the PRC government made it clear in its Government Work Report presented to the second session of the 9th National People's Congress that it would "progressively establish AMCs to dispose of the existing NPLs from banks." In accordance with the decision made by the State Council, the Four AMCs, namely Cinda, Great Wall, Orient and Huarong, were established to receive, manage and dispose of NPLs from CCB and CDB, the ABC, BOC, and ICBC, respectively. The establishment of the Four AMCs marked the inception of China's distressed asset management industry. In 2000, the State Council promulgated the *Rules on the Administration of AMCs* (State Council Order No. [2000] 297) (金融資產管理公司條例(國務院令【2000】第297號)), which set forth the business nature, responsibilities, business scope, operational purpose, funding sources, the applicable tax policies and compensation arrangements for business losses of the Four AMCs. In the same year, the Four AMCs substantively completed their acquisition of distressed assets in the Policy Phase.

The salient features of the Policy Phase were: (i) the Four AMCs raised funds through the issuance of financial bonds and the loans from the PBOC[3], (ii) the Four AMCs acquired NPLs at their Original Value, and (iii) the Four AMCs managed, operated and disposed of such distressed assets with their performance evaluated by the MOF in accordance with pre-determined Cash Recovery Ratio and Expense Ratio. During this phase, the Four AMCs swapped their distressed assets to equity at certain large and medium SOEs with sound development and profitability outlook but in temporary financial or operational issues in order to support the reform and development of these enterprises, as well as to prevent and mitigate systemic financial risks. This initiative taken by the Four AMCs significantly relieved the debt burden of SOEs and protected the interests of state-owned assets.

In 2004, the MOF started evaluating the performance of the Four AMCs in disposing of Policy Distressed Assets in terms of Cash Recovery Ratio and Expense Ratio. Cinda Corporation was the first to meet the MOF's performance evaluation benchmarks among the Four AMCs in 2005; it finished

1 The "good bank/bad bank" model refers to the approach pursuant to which the parent bank transfers its distressed assets at its fair value and its allocated reserves to a separate entity. As a result, the transferor bank becomes a "good bank" with high quality assets and adequate capital while the transferee entity becomes a "bad bank" as it has acquired the distressed assets.

2 RTC or the Resolution Trust Corporation is an asset disposal institution established to resolve the thrift crisis in the 1980s by the U.S. government.

3 The funding sources for the acquisition of Policy Distressed Assets by the Four AMCs mainly include: (1) loans of RMB570 billion in total from the PBOC, and (2) proceeds from the issuance of financial bonds in total amount of RMB820 billion by the Four AMCs to their respective counterpart commercial banks and China Development Bank.

ahead of schedule and surpassed the MOF's performance benchmarks and achieved the highest Cash Recovery Ratio and lowest Expense Ratio. The other three AMCs completed their performance evaluation by the MOF in 2006, which signaled the Policy Phase had entered into its concluding period.

Transition Phase

In 2004, the MOF promulgated the *Administrative Measures on Risk Management for Certain Businesses of AMCs* (金融資產管理公司有關業務風險管理辦法), which allowed the Four AMCs to make follow-on investments in the assets obtained in satisfaction of debts, conduct the commercial acquisition of distressed assets and develop distressed assets custody business. Consequently, the Four AMCs began progressively exploring commercial businesses, which promoted the development of China's distressed asset management industry.

From 2004 to 2005, the PRC government initiated a further round of carving out distressed assets from large state-owned commercial banks including BoCOM, BOC, CCB and ICBC in order to further decrease their NPL ratios and facilitate their restructuring and public listings. At this stage, Cinda Corporation became the first among the Four AMCs to acquire distressed asset packages from state-owned commercial banks through competitive bidding, including the distressed asset packages from BOC and CCB. Cinda Corporation also acquired parts of the distressed asset packages from ICBC in the same manner. Cinda Corporation was also the first among the Four AMCs to acquire the distressed asset package from BoCOM through structural transactions in a commercial manner.

After 2005, the transition to fully commercial operation by China's distressed asset management industry accelerated. The banks began carving-out and disposing of their distressed assets in line with market practices. The distressed asset management companies bid for these distressed assets on a commercial basis and assumed profits and losses arising from the assets they acquired. In this period, the supply of distressed assets primarily came from those generated by the restructuring of Joint-stock Commercial Banks and city commercial banks. The sales of these distressed assets were conducted in a fully commercial manner. From 2007 to 2008, the Four AMCs started to record their Policy business and Commercial business on separate accounts as required by the MOF. As a result of such accounting treatment, the Four AMCs assumed the losses incurred in their commercial acquisition and disposal of distressed assets independently, with their performance reviewed and evaluated in accordance with return on invested capital.

During this phase, the Four AMCs started to actively explore the diversification of their distressed asset management business. In light of the significant asset scale of non-bank financial institutions and enterprises and the significant amount of distressed assets coming from such institutions and enterprises, the management of non-bank distressed assets had significant business prospects. As a result, the Four AMCs actively explored the expansion of their distressed asset management business from NPLs to distressed assets from non-bank financial institutions and started the disposal of these assets in their custody businesses.

In addition, the Four AMCs were appointed by the PBOC, the CSRC, the CBRC and other regulatory authorities to liquidate and restructure certain financial institutions, including securities and trust companies with financial or operational issues. Leveraging this business opportunity, the Four AMCs started to establish their diversified business platforms through establishing or acquiring the relevant subsidiaries. In this phase, the Four AMCs developed their diversified financial service platforms, including subsidiaries that provide securities, futures, trust, financial leasing, fund management, banking and insurance services, and were committed to providing clients with comprehensive financial products and services.

Commercial Phase

- In June 2010, as a pilot entity for the conversion of the AMCs into joint stock companies, China Cinda Asset Management Corporation was approved by the State Council to convert into China Cinda Asset Management Co., Ltd. Cinda became the first AMC to complete the conversion into a joint stock company. This marked the entry into the Commercial Phase by China's distressed asset management industry. In October 2012, China Huarong Asset Management Co., Ltd. was also established.
- In 2010, Cinda received approval from the CBRC to acquire NFE Distressed Assets.
- In April 2012, Cinda received investments from four strategic investors, namely NSSF, UBS, CITIC Capital and Standard Chartered.

The milestones above represented a new era of fully commercial operation by China's distressed asset management industry and led to the further development of the industry.

The Impact of China's Distressed Asset Management Industry on China's Economy and Society

China's distressed asset management industry has had a profound impact on China's economy and society:

- As of December 31, 2012, the Four AMCs had cumulatively acquired distressed assets with an Original Value of more than RMB3.1 trillion and have recovered cash in hundreds of billions RMB, which has considerably reduced the losses that may have arisen from distressed assets. The Four AMCs have also played an indispensible role in (i) preventing and mitigating potential systemic risks in China's banking system, (ii) the successful completion of conversion into joint stock companies and listings of large state-owned commercial banks, and (iii) promoting the reform and development of China's financial system;
- the Four AMCs protected the interests of state-owned assets and relieved the indebtedness burden of relevant SOEs by swapping distressed assets to equity at certain large and medium SOEs. They have also assisted certain state-owned enterprises in improving their corporate governance and provided critical support for their recovery from financial difficulties, conversion into joint stock companies and development;
- the Four AMCs have contributed to the more efficient allocation of market resources and played an important role in maintaining the stability of the economy and society through the custody, restructuring and liquidation of financial and non-financial enterprises with financial or operational issues;
- the Four AMCs have also strengthened the external supervision of enterprises, assisted enterprises to enhance their credit profile and promoted the development of credit systems in China through their acquisitions of distressed assets and their custody, liquidation and restructuring of Distressed Entities with financial and operational issues.

Major Participants in China's Distressed Asset Management Industry

China's distressed asset management industry can be divided into two segmented markets characterized by the nature of their supply-demand relationship: the distressed asset acquisition market and the distressed asset disposal market. The Four AMCs connect both markets, facilitate the flow and effective allocation of resources and contribute to the healthy development of financial systems by working as acquirers in the acquisition market and as sellers in the disposal market.

- *Sellers in the distressed asset acquisition market*. Sellers in the distressed asset acquisition market are also referred to as the suppliers or providers of distressed assets. They primarily include banks, non-bank financial institutions and non-financial enterprises, such as industrial enterprises. The distressed assets from financial institutions are primarily NPLs from banks and other types of distressed assets from non-bank financial institutions, while the distressed assets from industrial enterprises are primarily accounts receivable. The distressed assets acquired by the Four AMCs at the Policy Phase and the Transition Phase were primarily from banking financial institutions. In recent years and particularly since Cinda was approved to conduct the acquisition of distressed assets from non-financial enterprises, the amounts and percentage of the distressed assets acquired from non-bank financial institutions and non-financial enterprises by the Four AMCs have continued to increase, and these distressed assets have become an important driving force for the industry's development.

- *Acquirers (recipients) in the distressed asset acquisition market/ sellers (parties making disposals) in the distressed asset disposal market*. The Four AMCs are not only the major acquirers in China's distressed asset acquisition market but also the major sellers in China's distressed asset disposal market. In addition to the Four AMCs, the acquirers and sellers in China's distressed asset management industry also include local asset management companies, private asset management companies and foreign investors. In recent years, in addition to conventional disposal approaches, the Four AMCs have capitalized on their accumulated business experience and improved capabilities in utilizing diversified financial service platforms to increasingly focus on leveraging the capital markets and comprehensive financial services, and increase their disposal returns by enhancing the value of distressed assets.

- *Acquirers in the distressed asset disposal market*. Debt restructuring is the primary disposal method adopted by the AMCs. The AMCs also dispose of distressed assets through transfers to third parties. The primary acquirers in the distressed assets disposal market are the enterprises who are the debtors, as well as the related parties of these enterprises, such as their shareholders and controlling parties. There are other acquirers such as financial investors.

- *Other participants.* In addition, there are third-party professional service providers in the distressed asset management market. They include the professional distressed asset valuation specialists, rating agencies, auction agencies, law firms, distressed asset exchange platforms and other service providers. These institutions play an important role in the value chain of the industry by providing professional intermediary services based on their professional knowledge and skills.

The various participants in China's distressed asset management market transfer, invest in and make transactions of distressed assets by utilizing the title transfer exchanges, capital markets, leasing market, foreign exchange market and the trust market. They facilitate the flow and re-allocation of the capital, management experience and technologies related to distressed assets and contribute to the restructuring of the relevant industries. The activities of these participants have enhanced the value of distressed assets and promoted the development of the distressed asset market; they have also facilitated the economic structural transformation and the effective allocation of resources and have contributed to the stability of the financial system.

Characteristics of China's Distressed Asset Management Industry

China's distressed asset management industry has the following three characteristics:

The size of the distressed asset management industry is correlated with the macro-economy and may be volatile: The size of China's distressed asset management industry closely relates to the total amount of distressed assets available for acquisition in the market which in turn is correlated to the development of China's macro-economy. As a result, the industry may be volatile. When the macro-economy is in the development stage, economic activity increases, and the distressed assets as a percentage of the total assets in the overall market would typically decrease. Therefore, the supply of distressed assets would be relatively limited. When the macro-economy enters into an adjustment phase, market activity slows, and the distressed assets as a percentage of the total assets in the overall market would typically increase. Therefore, the supply of distressed assets would be relatively abundant. In addition, there would typically be more needs to carve out distressed assets when the business model of China's banking sector adjusts and changes.

High market-entry barrier and market concentration: As the first financial asset management companies in China, the Four AMCs have significant first-mover advantage in terms of experience, professional talent, distribution and service network and capital strength. As a result, the Four AMCs are and will be the major participants in China's distressed asset management industry for the foreseeable future.

- In terms of market experience, the Four AMCs have accumulated experience in the acquisition and disposal of distressed assets that other market participants cannot easily accumulate because the Four AMCs were the only participants in the large-scale acquisition and disposal of distressed assets from 1999 to 2000 and from 2004 to 2005 and have dominated the acquisition and disposal of distressed assets from China's banking sector.
- In terms of professional talent, the Four AMCs have recruited and developed professional teams based on their dominant market positions and brands in the past years and as a result have formed a competitive advantage in professional talent. Other market participants cannot easily develop such professional teams within a short period, which further solidifies the dominant market positions of the Four AMCs.
- In terms of distribution and service networks, the Four AMCs have developed their business networks substantially based on provincial administrative divisions, which provide a foundation for their business development on a nationwide basis. As the development of relevant business networks requires substantial investments in capital and talent and is also subject to regulatory approval, it would be difficult for other market participants to compete with the Four AMCs on the basis of business networks in the near term.
- In terms of capital strength, the Four AMCs, to different degrees, possess superior capital strength that cannot be easily matched in the near term by other market participants based

on the capital accumulated in their development over the years as well as competitive funding approaches and channels.

Gradual improvement in the regulatory environment enhances the level of commercial practices: China's distressed asset management industry originated from the special historical context after the Asian financial crisis in 1997 and developed through the two rounds of large-scale carve-outs of NPLs from relevant banks. The market and regulatory environment of the industry has continued to develop throughout the years. In 2000, the State Council promulgated the *Rules on the Administration of AMCs* (State Council Order No. [2000] 297) (金融資產管理公司條例（國務院令【2000】第297號）) (the "2000 Regulation"), setting forth the registered capital, business scope, funding sources, corporate governance and applicable tax policies of the Four AMCs. Following the promulgation of this regulation, the MOF, the CBRC and other regulatory authorities, as agreed by the State Council, have promulgated a series of policies and regulations to supplement and develop relevant provisions in the 2000 Regulation and provided further supervisory requirements and guidance with respect to the business scope, business activities and corporate governance of the AMCs in order to respond to the business and industry developments. These policies and regulations have facilitated the development of the entire industry. We believe that the level of market-oriented operations of the industry will develop continuously alongside further improvements in the regulatory environment.

Competitive Landscape of China's Distressed Asset Management Industry

The Four AMCs are the major participants in China's distressed asset management industry

As of December 31, 2012, the Four AMCs had acquired distressed assets with an Original Value of more than RMB3,120.0 billion. As of the same date, Cinda had acquired distressed assets with an Original Value of RMB1,106.1 billion, representing a market share of 35.5% among the Four AMCs.

As of December 31, 2012, the details of distressed asset acquisition by the Four AMCs were as follows:

	Original Value of distressed assets acquired by the Four AMCs	Original Value of distressed assets acquired by Cinda	Assets acquired by Cinda as a percentage of total assets acquired by the Four AMCs
	(in millions of RMB, except for percentages)		
Policy Distressed Assets	1,432,257	396,267(1)	27.7%
Commercial Distressed Assets	1,687,797	709,859	42.1%
Total	3,120,054	1,106,126	35.5%

(1) we ceased to have Policy Distressed Assets on our balance sheet after our conversion into a joint-stock company in 2010. This data reflected the amounts of Policy Distressed Assets we cumulatively acquired starting from our establishment in 1999 until we completed the joint-stock company conversion in 2010.

The profitability and core competitiveness of the Four AMCs have improved significantly along with the transition into fully commercial operation of the distressed asset management industry. As of December 31, 2010, 2011 and 2012, the total consolidated assets of the Four AMCs were RMB445.6 billion, RMB583.4 billion and RMB902.2 billion, respectively. In 2010, 2011 and 2012, the total consolidated net profit of the Four AMCs was RMB11.3 billion, RMB16.6 billion and RMB22.4 billion, respectively. As of December 31, 2012, the total consolidated assets of Cinda were RMB254.6 billion and the total consolidated net profit of Cinda was RMB7.2 billion in 2012.

In recent years, certain local governments have established or designated relevant entities to function as local asset management companies and to handle local distressed assets. As a result of the strengths of the Four AMCs in experience, professional talent, distribution and service networks and capital strength, we believe the Four AMCs will continue to dominate China's distressed asset management industry in the foreseeable future. In the long term, more market participants such as private and foreign-invested entities may enter into the distressed asset management market, and the competition in the market may gradually intensify, which may impose a higher requirement on the Four AMCs in pricing and management capabilities.

In addition to enhancing the competitiveness of their distressed asset management business, the Four AMCs have established their presence in the financial service industry according to their respective strategies and positioning. Cinda engages in other major financial service businesses including securities, futures, trust, financial leasing, fund management, P&C insurance and life insurance. The other three AMCs have also gradually entered into other financial service businesses, including securities, insurance, trust, financial leasing and banking. The Four AMCs are subject to the regulation of regulatory authorities with respect to those relevant financial services businesses and compete with other market participants in those industries.

Driving Forces for the Development of China's Distressed Asset Management Industry

We believe the driving forces for the development of China's distressed asset management business are:

Continuous growth of distressed assets supply and business opportunities from Distressed Entities

The structural transformation and development of China's economy will provide significant opportunities for the distressed asset management industry, including an increasing supply of distressed assets and more Distressed Entities-focused M&A and restructuring business opportunities involving relevant industries.

Amounts of distressed assets: Distressed assets can be categorized into three types according to their source: (i) NPLs from the banking sector; (ii) distressed assets from non-bank financial institutions; and (iii) distressed assets from non-financial enterprises. The amounts of distressed assets are primarily determined by two factors, namely the overall amount of each type of assets in the market and the percentage of distressed assets in each type of asset. The overall amount of assets typically grows with the general expansion of the macro-economy, while the percentage of distressed assets typically increases with structural adjustments and a slowing economy. As a result, we believe the size of China's distressed asset management industry will continue to grow when China's overall economy is developing at a stable pace but with an increasing emphasis on the quality of its growth.

(i) NPLs from the banking sector

According to the CBRC, the details of the total amounts as well as the NPL ratio of China's commercial banks[4] are as follows:

		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
		(in 100 million of RMB, except for percentages)			
2013	Amount of NPLs	5,265	5,395	5,636	—
	NPL Ratio	*0.96%*	*0.96%*	*0.97%*	—
2012	Amount of NPLs	4,382	4,564	4,788	4,929
	NPL Ratio	*0.94%*	*0.94%*	*0.95%*	*0.95%*
2011	Amount of NPLs	4,333	4,229	4,078	4,279
	NPL Ratio	*1.10%*	*1.00%*	*0.90%*	*1.00%*
2010	Amount of NPLs	4,701	4,549	4,354	4,293
	NPL Ratio	*1.40%*	*1.30%*	*1.20%*	*1.14%*

As indicated above, the amount of NPLs from China's banking sector has increased for seven successive quarters since the third quarter of 2011. The balance of NPLs of commercial banks in China as of the second quarter of 2013 increased by 32.3% as compared with that at the third quarter of 2011. We believe that the supply of distressed assets from the banking sector will continue to grow as a result of the commercial banks' continued demand to carve out distressed assets from their balance sheets and the conversion into joint stock companies and restructuring of city commercial banks, rural commercial banks and credit cooperatives.

In addition, as China's economic structure continues to transform, certain enterprises, especially SMEs in sectors vulnerable to economic cycles, may face more financial and operational pressure. Consequently, the loan default rate may further increase and produce a rebound of NPLs from the banking sector. As a result, we believe that the balance of NPLs from the banking industry will maintain moderate growth and generate more business opportunities for the asset management industry as China's economy continues with its structural readjustments.

(ii) Distressed assets from non-bank financial institutions

In addition to traditional NPLs, the sources of distressed assets for AMCs have become increasingly diverse as non-bank financial institutions have played a greater role in financing activities.

According to the China Trustee Association, as of December 31, 2010, the total assets of the PRC trust industry were less than RMB3.1 trillion. However, as of September 30, 2013, the total assets of the PRC trust industry amounted to approximately RMB10.1 trillion. At the same time, the securities and financial leasing industries have also expanded rapidly. The rapid growth of total assets of the non-bank financial institutions will drive the growth of distressed assets in the financial system.

Moreover, as an important investment and financing instrument for the real economy, non-bank financial institutions are closely related to the expansion and contraction of the real economy. Some industries may confront increasing financial and operational issues in the context of the stabilized growth of China's economy and deepening economic transformation, leading to an increase in the supply of distressed assets from non-bank financial institutions.

[4] Excluding rural credit cooperatives, city credit cooperatives and policy banks.

(iii) Distressed assets from non-financial enterprises

In addition to distressed assets from financial institutions, distressed assets from non-financial enterprises or entities are becoming an important source of business for the AMCs. Due to structural adjustments taking place in China's economy, the accounts receivable of some enterprises have continuously increased and their repayment periods have been extended. As a result, non-financial enterprises' demand for restructuring of assets and debt has substantially increased. According to NBSC statistics, the accounts receivable of Domestic Sized Enterprises from December 2010 to September 2013 were as follows:

	December 31, 2010	December 31, 2011	December 31, 2012	September 30, 2013
	(in billions of RMB, except for percentages)			
Accounts Receivable	6,462	6,987	8,219	9,342
Growth rate	22.4%	19.6%	16.9%	12.3%

We estimate that the distressed assets contained in these accounts receivable will provide a promising prospect for the NFE Distressed Assets business.

Business opportunities related to Distressed Entities. The custody, liquidation and restructuring of Distressed Entities are important businesses for the AMCs. The Four AMCs have accumulated extensive experience in relevant industries through working as the custodians and liquidators of Distressed Entities, which provides a solid foundation for their business expansion into and M&A related activities in these industries. It was set out in the *12th Five-Year Plan for National Economic and Social Development of the People's Republic of China* (中華人民共和國國民經濟和社會發展第十二個五年規劃綱要) that China will devote effort on changing economic growth models and will make strategic adjustments to the economic structure as a major approach to complete such a change. The measures to adjust the economic structure include, among other things, industry upgrades and transformation, eliminating out-dated production capacity and cultivating and developing strategic new businesses. We believe that in the context of China's economic transformation and adjustment, numerous opportunities for M&A, restructuring and industrial integration involving Distressed Entities will emerge. We believe that the AMCs may capture such important opportunities and advance the continuous growth of the industry by providing customized financial solutions and leveraging their strengths such as professional experience in relevant industries and their diversified business platforms.

Business innovation drives industry expansion

Business innovation has driven the continuous growth of the distressed asset management industry over the past 14 years and will continue to be the driving force of the industry's development:

- *Business scope*—the Four AMCs have expanded their business scope to include the management of NFE Distressed Assets based on active business explorations and trials. As distressed asset management companies have accumulated increasingly extensive experience with respect to the management of NFE Distressed Assets, this business will become a major driver for the future growth of the industry.
- *Product diversity*—the Four AMCs will continue to develop and diversify their financial products through product innovation based on its experience in distressed asset management in order to meet the diversified needs of clients.
- *Funding sources*—the Four AMCs will spend more efforts on issuing bonds and attracting third-party funds to develop their asset management businesses and continue to diversify their funding channels.

We believe that as the distressed asset management industry becomes increasingly market-oriented, the Four AMCs will leverage their diversified business platforms and funding sources to devote more efforts to satisfying the specific and diverse demands of clients, broaden their revenue sources, improve their profitability and facilitate industry expansion.

More standardized and developed industry regulation enhances the level of market-driven practices and enhances operational efficiency

The regulation of China's distressed asset management industry has become increasingly standardized and sophisticated as the industry developed. For example, the CBRC laid a solid foundation for the future development of the industry when it issued the Provisional Regulatory Guidelines for Supervision of Financial Asset Management on a Financial Statements Consolidation Basis (金融資產管理公司併表監管指引（試行）). These guidelines enable the AMCs to comprehensively and continuously monitor, identify, measure and assess the capital status and group-wide risk exposure of AMCs and provide guidance for the improvement of their risk management. In addition, the MOF and the CBRC issued the *Administrative Measures on Transfers of Distressed Assets by Financial Institutions in a Wholesale Manner* (金融企業不良資產批量轉讓管理辦法), which simplified the procedures for the commercial disposal of distressed assets by commercial banks.

In addition, the CBRC recently encouraged the AMCs to develop their businesses by following the principles of "developing a clear core business, complying with laws and regulations, promoting fair and honest operations, managing business prudently and developing in a sustainable manner", thus providing a clear guidance for the innovation and development of the industry.

The promulgation and implementation of the above regulations and guidelines has significantly increased the standardization and sophistication level of China's distressed asset management industry, encouraged AMCs to operate and compete in a more commercial manner and further enhanced the industry's overall operational efficiency. Based on the experience of China's banking, insurance and securities industries in which standardized and sophisticated regulations have promoted continuous growth, we believe that more standardized and sophisticated industry regulation will contribute the same to China's distressed asset management industry.

Development Trends of China's Distressed Asset Management Industry

Business diversification of the AMCs

In terms of distressed asset management business, we believe the AMCs will more focus on capturing the significant business opportunities from NFE Distressed Assets whilst continuing to conduct the acquisition and disposal of NPLs from the banking sector.

Concurrent with their operation of distressed asset management businesses, the AMCs will leverage their respective diversified business platforms and commit themselves to providing their clients with more extensive financial services and solutions and thus diversify their revenue sources and enhance their respective advantages in differentiated competition.

Increasingly differentiated competition among the AMCs

The Four AMCs have established their respective differentiated business platforms and formulated each of their unique strategies based on their business operation status and features.

We believe that, in addition to the distressed asset management business, the Four AMCs will continue to develop other businesses based on their existing diversified business platforms in accordance with their respective strategies. As a result, the trend of differentiated competition will prevail and become more solidified in the future.

Emphasis on developing third-party asset management business and diversifying funding sources

Currently, the assets managed by the AMCs mainly come from proprietary investments. Assets from third-parties account for a relatively minor portion of the assets managed by the AMCs. Going forward, the AMCs will spend more efforts on developing third-party asset management businesses by referencing the experience and market practice of leading international asset management companies in order to further optimize their revenue and profit structures and facilitate the sustainable growth of their businesses and profits. During this process, the AMCs may leverage their advantages in possessing diversified business licenses to create product combinations corresponding to different risk appetites and satisfying the investment management needs of institutional investors and high net-worth individuals. Also, the AMCs will focus more on establishing effective connections between the third-party assets they manage and their distressed asset management business in accordance with relevant laws and regulations in order to achieve their own development when delivering appropriate returns to third-party investors.

In addition to the third-party asset management business, the AMCs will also endeavor to explore the expansion of funding sources such as bank loans, inter-bank borrowings, bond offerings, introduction of strategic investors and public listings in combination to support their business development with stable and efficient funding sources.

OTHER FINANCIAL SERVICE INDUSTRIES RELATED TO OUR BUSINESS

In response to the market demands for comprehensive financial solutions, the Four AMCs have all started establishing diversified business platforms. In addition to distressed asset management, Cinda has engaged in other businesses such as securities, trust, financial leasing, private equity and insurance through subsidiaries including Cinda Securities, Jingu Trust, Cinda Leasing, Cinda Investment, Cinda Capital, Cinda P&C and Happy Life.

Current situation and outlook of China's securities industry

China's stock market has grown significantly in terms of both the number and total market value of listed companies. According to statistics from the CSRC, the number of listed companies in China increased from 1,434 as of December 31, 2006 to 2,494 as of December 31, 2012, representing a CAGR of 9.7%. According to the statistics from the SSE and SZSE, the total market value of listed companies in China increased from RMB8.9 trillion as of December 31, 2006 to RMB23.0 trillion as of December 31, 2012, representing a CAGR of 17.1%. As of June 30, 2013, the total market value and the total trading volume in the first six months of 2013 of listed companies in China ranked fifth and fourth globally, respectively.

Due to the rapid development of China's capital markets, China's securities industry has maintained a steady growth. According to the SAC, the total assets of China's securities industry increased from RMB611.4 billion as of December 31, 2006 to RMB1.7 trillion as of December 31, 2012, while the net assets of the industry increased from RMB105.0 billion as of December 31, 2006 to RMB 694.3 billion as of December 31, 2012, representing a CAGR of 18.8% and 37.0%, respectively.

Despite over 20 years of growth, the scale of China's securities industry remains under-developed as compared with that of China's overall economy and financial industry, and that of the securities industries in the developed markets overseas. According to the SAC and SIFMA, the total assets of the securities industries in China and the U.S. were RMB1.7 trillion and US$4.6 trillion, respectively, as of December 31, 2012. In 2012, the total revenue of the securities industries in China and the U.S. were RMB129.5 billion and US$254.7 billion, respectively. Furthermore, enterprises in China mainly raise funds indirectly from bank loans, and direct financing channels such as equity and bond offerings are far less popular than those in more developed economies such as the U.S. Direct financings, namely equity and bond securities offerings, accounted for only 33.7% of aggregate financings in China in 2012, compared to 87.6% in the U.S. in the same year. It is anticipated that the scale and business and profit models of China's securities industry will be considerably improved with the improvement of capabilities of securities companies and the diversification of client demands.

Current situation and outlook of China's trust industry

China's trust industry has grown rapidly in recent years. According to China Trustee Association, the trust assets of China's trust industry increased from RMB0.95 trillion as of December 31, 2007 to RMB7.47 trillion as of December 31, 2012, representing a CAGR of 51.0%. As of June 30, 2013 the trust industry's assets totaled RMB9.45 trillion, representing an increase of 26.5% as compared with that at the end of 2012.

According to statistics from the China Trustee Association, the trust assets and total income of China's trust industry from December 31, 2010 to September 30, 2013 were as follows:

	December 31, 2010	December 31, 2011	December 31, 2012	September 30, 2013
	(in millions of RMB, except for percentages)			
Trust assets	3,040,455	4,811,438	7,470,555	10,131,464
Growth rate	49.0%	58.2%	55.3%	35.6%

	2010	2011	2012	September 30, 2013
	(in millions of RMB, except for percentages)			
Total income	28,395	43,929	63,842	53,939
Growth rate	—	54.7%	45.3%	34.7%

Along with the rapid growth of the trust industry, the regulatory authorities have focused more on the development of the trust industry within proper regulatory boundaries, especially by imposing stringent regulations on real estate investment trust products and bank-trust cooperation products, which may result in a slowdown in the growth of certain trust products. In terms of competition from other financial industries, with the relaxation of regulatory requirements of other industries, direct financing will develop more rapidly and other financial institutions, such as securities companies and mutual funds, will also compete with trust companies in the financing market. Notwithstanding these developments, we believe that the trust industry will continue to play an important role in supporting the real economy of China based on its business scale, clients and professional advantages.

Current situation and outlook of China's Financial Leasing Industry

The *Administrative Measures on Financial Leasing Companies* (《金融租賃公司管理辦法》) (as amended) came into effect in March 2007, which allows qualified financial institutions to hold equity interest in or incorporate a Financial Leasing Company. Subsequently, major domestic commercial banks such as ICBC and CCB successively incorporated their Financial Leasing Companies. The number of Financial Leasing Companies under the regulation of the CBRC had increased from 11 in 2007 to 21 companies as of June 30, 2013.

As a result of the adjustment of China's monetary policy and the scale control imposed by the regulatory authorities, the development of the Financial Leasing Industry stabilized in recent years. According to the statistics from the China Leasing Union (中國租賃聯盟), the total balance of leasing receivables of the Financial Leasing Industry reached RMB740 billion as of June 30, 2013, representing an increase of 12.1% compared to the end of 2012 and representing 38.9% of the total leasing receivables generated by financial leasing companies regulated by the CBRC and MOFCOM. According to the same source, China's Financial Leasing Industry recorded a net profit of approximately RMB8 billion in the first six months of 2013, representing approximately 80% of the industry's net profit in 2012. As of June 30, 2013, the total assets of China's Financial Leasing Companies amounted to approximately RMB902 billion, representing an increase of 13% compared to December 31, 2012.

The financing sources of Financial Leasing Companies are still limited with bank loans as the primary funding source. As a result, it becomes increasingly important for the Financial Leasing Companies to expand financing sources and obtain funds at reasonable cost. Some of the Financial Leasing Companies are carrying out research on obtaining financing from securities and insurance companies.

Current situation and outlook of China's private equity industry

With the increasing popularity of the concept of private equity in China, private equity investment, as an emerging investment instrument, has been increasingly used by investors, leading to a record number of new funds in 2012. According to PEdaily.cn, a historical record of approximately 369 private equity funds completed fund raising in 2012, representing an increase of 57.0% from 235 funds in 2011. The funds raised by the newly established private equity funds, however, decreased significantly by 34.9% to US$25.31 billion of 359 funds[5] from US$38.66 billion in 2011, and the size of individual funds also reached a historical low.

Since the end of 2012, the confidence of private equity investors has been adversely affected by reduced returns resulting from fluctuations in the overseas markets and difficulties in exiting through IPOs, which in turn has affected the total amount of funds raised. In order to address the funding difficulties, the positioning of newly established private equity funds is becoming more segmented and themed funds specializing in particular markets are emerging. At the same time, the newly established funds have reduced size, more diversified investment strategies and more frequently use of novel financing approaches such as bridge financing, M&A and mezzanine funds.

Although there are numerous funds in the private equity market of China, we believe there are only a limited number of funds specializing in distressed asset investments, which creates significant business opportunities for the AMCs.

[5] These 359 funds publicly disclosed their fund-raising amounts.

Current situation and outlook of China's insurance industry

China's insurance industry has developed rapidly over recent years. According to the most recent Sigma report by Swiss Re Group, from 2006 to 2012, the total premiums of non-life insurance and life insurance in China increased at CAGRs of 27.7% and 25.7%, respectively. As of the end of 2012, the total non-life and life insurance premiums of China amounted to approximately US$104.3 billion and US$141.2 billion, respectively, both ranking second in Asia and fifth in the world.

According to the Sigma report, the total premiums of insurance companies in China from 2006 to 2012 are as follows:

	2006	2007	2008	2009	2010	2011	2012
	(in billions of USD, except for percentages)						
Non-life insurance	25.7	33.8	45.0	53.9	71.6	87.3	104.3
Growth rate	*25.2%*	*31.5%*	*33.1%*	*19.8%*	*33.0%*	*21.9%*	*19.4%*
Life insurance	45.0	58.7	95.8	109.2	143.0	134.5	141.2
Growth rate	*13.7%*	*30.3%*	*63.8%*	*13.9%*	*31.0%*	*(5.9)%*	*5.0%*

Although PRC insurance industry has developed rapidly, its insurance penetration and density remain at comparatively low levels. According to the latest Sigma report, the market penetration of non-life insurance and life insurance in China in 2012 was 1.3% and 1.7%, respectively, considerably lower than 2.3% and 9.2% in Japan, and 4.5% and 3.7% in the U.S. In addition, in 2012, the insurance density of non-life insurance and life insurance in China were US$76 and US$103, respectively, significantly lower than US$1,025 and US$4,143 in Japan, and US$2,239 and US$1,808 in the U.S. As a result, the PRC insurance industry still has significant growth potential.

We expect the PRC insurance industry to continue to develop due to the progress of urbanization, the enhancement of property protection awareness among residents, the aging population and the increasing demand for insurance from residents. According to the forecast of the *Outline of the 12th Five-year Development Plan for the PRC Insurance Industry* (中國保險業「十二五」發展規劃綱要) issued by the CIRC, the PRC insurance industry will maintain rapid development with a growth rate significantly higher than that of China's nominal GDP through 2015 or longer.

THE PRC REGULATORY ENVIRONMENT

Financial Asset Management Companies and their Distressed Asset Management Business

Summary

The development of the distressed asset management industry in China is divided into three phases: Policy Phase, Transition Phase and Commercial Phase. Please see the section entitled "Industry Overview—Distressed Asset Management Industry" in this prospectus for details. Accordingly, the regulatory environment of the distressed asset management industry has also been changing and evolving.

In general, distressed asset management business in China is subject to strict regulation mainly by the CBRC and the MOF. Relevant regulatory requirements mainly cover industry access, corporate governance and business operation and many other aspects.

Major Regulators

CBRC

The CBRC is the regulatory authority of the banking sector directly under the State Council of the PRC. According to the Notice of the General Office of the State Council on the Main Functions, Interior Institutions and Staffing of the China Banking Regulatory Commission (Guo Ban Fa [2003] No.30) (《中國銀行業監督管理委員會主要職責內設機構和人員編制規定》 (國辦發[2003]30 號)) issued by the General Office of the State Council and effective from April 25, 2003 and the Resolution on the Assumption of the Regulatory Functions of the People's Bank of China by the China Banking Regulatory Commission (《關於中國銀行業監督管理委員會履行原由中國人民銀行履行的監督管理職責的決定》) adopted by the Standing Committee of the National People's Congress and effective from April 26, 2003, the CBRC is authorized to centrally supervise and regulate banks, AMCs, trust investment companies and other depository financial institutions ("banking institutions") and ensure the lawful and healthy operation of the banking industry and undertake aforesaid responsibilities previously performed by the PBOC.

According to the Banking Supervision Law of the People's Republic of China (President Order No.58) (《中華人民共和國銀行業監督管理法》(主席令第58號)), effective from February 1, 2004, amended by the Standing Committee of the National People's Congress and promulgated on October 31, 2006, the major responsibilities of the CBRC include the following:

- to formulate and issue rules and regulations on the supervision of banking institutions and their business activities;
- to review and approve the establishment, change, termination of and the business scope of banking institutions;
- to review and regulate the eligibility of directors and senior management of banking institutions;
- to formulate the requirements and rules of prudent operation on risk management, internal control, capital margin ratio, asset quality, loss reserves, risk concentration, affiliate transaction and asset liquidity of banking institutions;
- to conduct on-site inspection and off-site regulation over the operation and risk exposure of banking institutions; and
- to compile and publish statistics and reports on the PRC banking institutions.

MOF

MOF is a department of the State Council and is authorized by the State Council to exercise the functions in relation to finance, taxation and state-owned assets management. MOF's main responsibilities in relation to the regulation of AMCs include:

- general management of state-owned assets in financial institutions, arrangement of audit and verification, clarification of capital ownership, registration, statistics, analysis and valuation of state-owned assets in financial institutions;
- regulation of transfer, assignment and disposal of state-owned assets in financial institutions and collection of incomes from state-owned assets;
- establishment of the asset and finance management system for financial institutions and supervision of the implementation thereof; and
- supervision of the implementation of fiscal and tax laws and policies.

Other Regulators

Apart from the regulators above, AMCs are also subject to supervision and regulation of the PBOC, SAFE, NAO, SAT and other regulatory authorities.

Industry Access

Establishment

According to the Regulations on Financial Asset Management Companies (State Council Order No. 297) (《金融資產管理公司條例》(國務院令第 297 號)) promulgated by the State Council and effective from November 10, 2000, AMCs are wholly state-owned non-bank institutions established by the State Council to acquire NPLs of state-owned banks, and manage and dispose of the assets from the acquisition of the NPLs of state-owned banks. The regulation stipulates that the initial registered capital of an AMC shall be RMB10 billion and shall be contributed by the MOF. AMCs shall be granted a License of Legal-person of Financial Institutions by the PBOC and shall register with relevant Administration for Industry and Commerce. Such regulatory duties of the PBOC were subsequently assumed by the CBRC.

According to the Administrative Measures on the Batch Transfer of Distressed Assets of Financial Enterprises (Cai Jin[2012] No.6) (《金融企業不良資產批量轉讓管理辦法》(財金[2012]6號)) jointly issued by the MOF and the CBRC on February 2, 2012, in addition to the Four AMCs, provincial governments may, in principle, establish or authorize one distressed asset management or operation company. Copies of approval or authorized documents shall be filed with the MOF and the CBRC. These asset management or operation companies are only allowed to participate in the batch transfer of distressed assets in their respective provinces, regions or municipalities. The distressed assets acquired by these companies shall be disposed of by way of debt restructuring and shall not be transferred to other companies.

Major Changes

According to the Measures of China Banking Regulatory Commission for the Implementation of Administrative Licensing Matters Concerning Domestic Funded Commercial Banks (CBRC Order [2013] No.1) (《中國銀行業監督管理委員會中資商業銀行行政許可事項實施辦法》 (中國銀監會令2013年第1號))

promulgated on and effective from October 15, 2013 after modification by the CBRC, any of the following material changes of AMCs shall be subject to processing, review and determination by the CBRC:

- change of name;
- change of shareholder holding 5% or more of the total capital or total shares;
- capital investment by overseas financial institution;
- change of registered capital;
- public offering or listing of shares;
- modification of the articles of association;
- change of domicile;
- change of form of organization; and
- division and merger.

Restriction on Shareholding by Foreign Investor

The shareholding of foreign investor in AMCs shall be subject to the Administrative Measures for the Investment and Shareholding in Domestic-Funded Financial Institutions by Foreign Financial Institutions (CBRC Order [2003] No.6) (《境外金融機構投資入股中資金融機構管理辦法》 (中國銀監會令2003 年第 6號)) promulgated by the CBRC on December 8, 2003 and effective from December 31, 2003. According to the administrative measures, the shareholding of a single foreign financial institution in a domestic-funded financial institution shall not exceed 20%. An unlisted domestic-funded financial institution in which multiple foreign financial institutions hold 25% or more of the equity interest in aggregate shall be regarded as a foreign-funded financial institution for the purpose of supervision and regulation, while a listed domestic-funded financial institution in which multiple foreign financial institutions hold 25% or more of the equity interest in aggregate shall retain its status as a domestic-funded financial institution for the purpose of supervision and regulation.

According to the Measures of China Banking Regulatory Commission for the Implementation of Administrative Licensing Matters Concerning Domestic Funded Commercial Banks (《中國銀行業監督管理委員會中資商業銀行行政許可事項實施辦法》) promulgated by the CBRC, the shareholding of a single foreign financial institution and its controlled or jointly controlled related parties, as the founder or strategic investor, in a Chinese-funded commercial bank shall not exceed 20%, while the shareholding of multiple foreign financial institutions and related parties controlled by or jointly controlled by them, as the founder or strategic investor, in a Chinese-funded commercial bank shall not exceed 25% in aggregate. The term "shareholding" above refers to the percentage of shares held by foreign financial institutions in the total shares of domestic funded commercial bank. The shareholding of the related parties of foreign financial institutions shall be consolidated with that of the foreign financial institutions. AMCs shall comply with these requirements in analogy.

Business Qualification

According to the Measures for the Administration of Financial Licenses (CBRC Order [2007] No.8) (《金融許可證管理辦法》(中國銀監會令2007第 8 號)) as effective from July 1, 2003 and promulgated on July 3, 2007 after modification by the CBRC, a Financial License is a legal document issued by the CBRC according to law to permit financial institutions to engage in financial business, and shall apply to financial institutions that are subject to the regulation by the CBRC and have been approved to engage in financial business. The CBRC and banking regulation bureau are responsible for the license issuance and supervision of the AMCs and their branches respectively.

Business Scope

According to the Regulations on Financial Asset Management Companies (《金融資產管理公司條例》), upon their establishment, AMCs may engage in the following business activities in the course of managing and disposing of the distressed assets resulting from the NPL acquired from state-owned banks, including (1) recovering debts; (2) leasing the assets resulting from the acquisition of NPLs or transferring and restructuring the assets in other manners; (3) DES business, and shareholding in enterprises on a transitional basis; (4) listing recommendation and underwriting bonds and shares for companies under management; (5) issuance of financial bonds, borrowing from financial institutions; (6) financial and legal consulting, asset and project appraisal; and (7) other business activities approved by the PBOC and the CSRC.

According to the Notice on Publication of 'Administrative Measures of Business Risks in Financial Asset Management Companies' (《關於印發〈金融資產管理公司有關業務風險管理辦法〉的通知》) issued by the MOF and effective from April 28, 2004, and the attached Administrative Measures of Investment Business Risks in Financial Asset Management Companies (《金融資產管理公司投資業務風險管理辦法》), Administrative Measures of Authorized Agency Business Risks in Financial Asset Management Companies (《金融資產管理公司委託代理業務風險管理辦法》), and Administrative Measures of Commercialized Purchase Business Risks in Financial Asset Management Companies (《金融資產管理公司商業化收購業務風險管理辦法》) attached thereto, AMCs are permitted to conduct additional investment in assets in satisfaction of debt, authorized agency business and market-driven acquisition of distressed assets.

According to the Reply from the China Banking Regulation Commission regarding the Restructuring of China Cinda Asset Management Corporation and Incorporation of China Cinda Asset Management Co., Ltd. (Yin Jian Fu [2010] No.284) (《中國銀監會關於中國信達資產管理公司改制設立中國信達資產管理股份有限公司的批覆》(銀監覆[2010]284號)) published on June 28, 2010, Cinda is permitted to engage in the following businesses: (1) acquisition, entrusted operation of distressed assets of financial and non-financial enterprises, and management of, investment in and disposal of distressed assets; (2) DES business and management of investment in and disposal of equity assets; (3) bankruptcy administration; (4) investment; (5) trading of securities; (6) issuance of financial bonds, interbank lending and commercial financing from other financial institutions; (7) approved asset securitization, trusteeship, closing and liquidation of financial institutions; (8) insurance agency business; (9) financial, investment, legal and risk management advisory and consulting businesses; (10) assets and project appraisal; and (11) other businesses approved by the banking regulators of the State Council.

Corporate Governance

According to the Company Law of the People's Republic of China (President Order [2005] No.42) (《中華人民共和國公司法》 (主席令2005年第42號)) revised by the Standing Committee of the National People's Congress and promulgated on October 27, 2005 and effective from January 1, 2006 and the Provisional Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (Yin Jian Fa [2011] No.20) (《金融資產管理公司併表監管指引(試行)》(銀監發[2011]20號)) promulgated by the CBRC and effective from March 8, 2011 and other relevant regulations, AMCs that have been restructured to joint-stock companies shall further enhance corporate governance, strengthen the effectively balanced mechanism of shareholders' meeting, board of directors, board of supervisors and senior management, improve authorization plan, consolidate and further enhance the reforms.

According to the Guidelines on the Corporate Governance of Commercial Bank (Yin Jian Fa [2013] No.34) (《商業銀行公司治理指引》(銀監發[2013]34 號)) promulgated by the CBRC on July 23, 2013, AMCs shall abide by the guidelines by analogy, observe the principle that shareholders' meeting, board of directors, board of supervisors, senior management, shareholders and such shall operate independently, balance effectively, cooperate with each other and work smoothly. Also, AMCs shall establish reasonable incentive and restriction mechanism to perform effective decision-making, execution and supervision. Based on the principles above, the guidelines provide further regulations in relation to rights and responsibilities of shareholders, shareholders' meeting, board of directors, board of supervisors, senior management as well as selection procedure and obligations of directors, supervisors and senior management and corporate strategies, value standard, social responsibilities, risk management and internal control, incentive and restriction mechanism, information disclosure and supervision.

According to the Measures of China Banking Regulatory Commission for the Implementation of Administrative Licensing Matters Concerning Domestic Funded Commercial Banks (《中國銀行業監督管理委員會中資商業銀行行政許可事項實施辦法》), the qualification licensing conditions and procedure for directors and senior management of AMCs shall be implemented with reference to the measures. The qualification licensing application of directors and senior management in legal-person institutions of AMCs shall be determined by the CBRC and the qualification licensing application of senior management in AMCs' branch organizations shall be determined by local banking regulation bureau in the place where the position of proposed appointment is based.

According to the Measures for Evaluating the Performance of Directors of Commercial Banks (Provisional) (《商業銀行董事履職評價辦法(試行)》) promulgated by the CBRC and effective from December 10, 2010, AMCs shall establish a system for evaluating the performance of directors, and the board of supervisors shall assume the ultimate liability for the evaluation of performance of directors with reference to the measures. The CBRC shall supervise the evaluation of the performance of directors.

Internal Control and Risk Management

According to the Measures on the Internal Control of Financial Asset Management Companies (Cai Jin [2005] No.136) (《金融資產管理公司內部控制辦法》(財金[2005]136號)) promulgated by the MOF and the CBRC on December 31, 2005, the internal control of AMCs consists of the following factors: (1) internal control environment, including a strong supervision and control culture, good corporate governance mechanism, well-structured organizational framework, reasonable and efficient incentive and restriction mechanism so as to provide necessary prerequisites for the effectiveness of internal control; (2) risk identification, evaluation and control, including designated risk management institutions, all-round risk management system, systematic risk management rules, timely risk prevention of new business and continuous risk reporting; (3) internal control measures, including clear-cut responsibilities, proper authorization system, strict keeping of records, vouchers and stamps management, independent legal review, effective crisis disposal; (4) information communication and feedback, including managing information system, information communication and feedback mechanism, complete information data, proper information disclosure; and (5) supervision, evaluation and correction, including business inspection, evaluating, reporting and correcting mechanism for internal control.

According to the Basic Internal Control Norms for Enterprises (Cai Kuai [2008] No.7) (《企業內部控制基本規範》(財會[2008]7號)) promulgated by the MOF, the CSRC, the NAO, the CBRC and the CIRC on May 22, 2008, large and medium-sized enterprises established in China shall establish internal control system and organize its implementation and use information technology to strengthen an internal control, set up information system adapted to the operation and management, promote the combination of an internal control process with the information system, realize the automatic control over business and matters, minimize or eliminate artificially-manipulated factors. According to the Notice on Matters Concerning the Acceleration of Construction of Internal Control System of Central Enterprises (Guo Zi Fa Ping Jia [2012] No.68) (《關於加快構建中央企業內部控制體系有關事項的通知》(國資發評價[2012]68號)) promulgated by the SASAC and the MOF on May 7, 2012, each central enterprise shall strive to establish a standardized and sound internal control system within two years, as required by the Basic Internal Control Norms for Enterprises (企業內部控制基本規範) and its matching guidelines.

According to the Guidelines on Internal Audit for Banking Institutions (《銀行業金融機構內部審計指引》) promulgated by the CBRC on June 27, 2006 and effective as of July 1, 2006, AMCs may refer to and adopt such guidelines. Pursuant to the guidelines, an audit committee shall be established under the board of directors and the audit committee shall contain no less than three members with a majority of the members being non-executive directors. The chairman of the audit committee shall be an independent director. An internal audit department shall be established to audit the business operation and management acts of the whole system, and the internal auditors shall generally be staffed at 1% of the total number of employees, and an internal job rotation system shall be established. An independent and vertical internal audit management system shall be established with the board of directors or its special committees being responsible for the audit budget, the remunerations of members and the appointment and dismissal of major persons-in-charge.

According to the Provisional Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (《金融資產管理公司併表監管指引（試行）》), the CBRC shall conduct supervision of AMCs on a financial statement consolidation basis and their affiliated legal-person institutions (refer to domestic and foreign subsidiaries controlled by AMCs and other institutions which shall be included in the scope of consolidated supervision as per those guidelines). Supervision on a financial statement consolidation basis refers to the all-round and continuous supervision over the capital and risks of the group based on single legal-person supervision, in order to identify, measure, monitor and evaluate the general risk conditions within the group. Subject to such guidelines, consolidated supervision is adopted in both qualitative and quantitative means. The qualitative supervision is mostly aimed to review and evaluate factors such as corporate governance, internal control and risk management of the group. The quantitative supervision is mostly aimed to identify, measure, monitor and analyze the management of capital adequacy and leverage of the group, as well as conditions such as large-sum risk, liquidity risk and major internal transaction, thereby having a quantitative evaluation of the risk conditions of the group based on the consolidation.

AMCs shall establish an internal control system supporting all-round risk management and sound internal control system and full-process risk control measures. Internal control system and full-process risk control measures shall at least include: (1) an effective internal authorization system;

(2) an approval system for business and risk management; (3) a reporting system for risk monitoring and risk management; (4) a major risk alarming and emergency response system; (5) a risk management accountability system; (6) an internal audit and supervision system; (7) a risk management assessment and evaluation system; (8) a power balancing system for key posts; and (9) a firewall and risk isolation system. AMCs shall report risk management conditions of the group every half a year to the CBRC, and submit relevant materials as required. In regards to major accidental risk events, AMCs shall establish corresponding major event reporting system and file at the CBRC.

According to the Notice on the Issuance of Off-site Supervision Information System for Financial Asset Management Companies (Provisional) (Yin Jian Ban Fa [2012] No.153) (《關於印發金融資產管理公司非現場監管報表體系（試行）的通知》(銀監辦發[2012]153號)) promulgated by the General Office of the CBRC on May 18, 2012, there are five monitoring indicators among supervision indicators, respectively being qualified capital, minimum capital, consolidated financial leverage ratio within the group, leverage ratio and liquidity ratio of AMCs. Among them: (1) the minimum capital within the group refers to the sum of minimum capital requirement for an AMC and each of its subsidiaries, calculated as per its shareholding proportion, deducts the amount payable according to law, rules and supervisory regulations. The minimum capital for an AMC is 12.5% of the risk weighted assets (including off-balance-sheet assets) and the weighting is determined mainly by factors including the risk level and degree of association. Currently, the CBRC is carrying out research to formulate a specific method for calculating the weighting of risk-weighted assets. The minimum capital for industries of securities, insurance, trust and leasing shall be calculated as per the supervision requirements by relevant supervisory authorities; (2) the consolidated financial leverage ratio within the group and leverage ratio of the AMC shall not be lower than 6%; (3) the liquidity ratio of the AMC shall not be lower than 15%.

Information Disclosure

According to the Provisional Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (《金融資產管理公司併表監管指引（試行）》), AMCs shall establish and improve the information disclosure system in respect of its consolidated statement. They shall also standardize disclosure procedures, define the internal management responsibilities and make public disclosure in accordance with relevant laws, regulations and regulatory requirements. AMCs shall follow the principles of authenticity, timeliness, completeness and consistency when disclosing the information of its consolidated statements to the public. They shall be legally responsible for false and misleading statements as well as material omissions. Information of the consolidated statements disclosed by the AMCs mainly includes basic information, capital information and risk management information of the companies. AMCs may also disclose other relevant information at their own discretion according to their actual situation.

Other Provisions Regarding Institutional Regulation of Financial Asset Management Companies

Anti-money Laundering

In the capacity of financial institutions, AMCs shall comply with the requirements of laws and regulations in respect of anti-money laundering.

According to the Anti-money Laundering Law of the People's Republic of China (President Order No.56) (《中華人民共和國反洗錢法》(主席令第 56 號)) promulgated by the Standing Committee of the National People's Congress on October 31, 2006 and effective from January 1, 2007, the relevant financial regulator under the State Council requires the financial institutions under its supervision and administration to establish and improve an internal control system of anti-money laundering.

According to the Provisions on Financial Institutions Anti-money Laundering ((PBOC Order [2006] No.1) (《金融機構反洗錢規定》 (中國人民銀行令[2006]第1號)) promulgated by the PBOC on November 14, 2006 and effective from January 1, 2007, financial institutions and their branch offices shall establish and improve an anti-money laundering internal control systems pursuant to the law, and set up an anti-money laundering department or designate an internal department in their branches to be responsible for anti-money laundering activities.

According to the Administrative Measures of Client Identification and Identity Materials and Transaction Recording of Financial Institutions (Order of the PBOC, the CBRC, the CSRC, the CIRC [2007] No.2) (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》 (中國人民銀行、中國銀監會、中國證監會、中國保監會令[2007]第2號)) promulgated by the PBOC, CBRC, CSRC and CIRC on June 21, 2007 and effective from August 1, 2007, financial institutions shall establish, improve and implement client identification system and implement client identity information and a transaction archiving system.

According to the Administrative Measures on Reporting Large and Doubtful Transactions in Financial Institutions (PBOC Order [2006] No.2) (《金融機構大額交易和可疑交易報告管理辦法》 (中國人民銀行令[2006]第2號)) promulgated by the PBOC on November 14, 2006 and effective from March 1, 2007, financial institutions shall set up a special position for anti-money laundering duty, assign a designated person to report large and doubtful transactions, formulate an internal management system and operating procedures for large and doubtful transactions according to such measures, and file with the PBOC.

According to the Off-site Anti-money Laundering Supervision Measures (Provisional) (Yin Fa [2007] No.254) (《反洗錢非現場監管辦法（試行）》 (銀發[2007]254號)) promulgated by the PBOC and effective from July 27, 2007, the PBOC and its branch offices shall adopt corresponding risk alarming, correction within a fixed period and other regulatory measures to conduct off-site supervision over the activities of financial institutions performing anti-money laundering provisions. Financial institutions shall assign a special person for reporting and submitting statistics, information materials, transaction data, working reports as well as sections regarding anti-money laundering work in the internal audit report to the PBOC and its branch offices, faithfully reflecting anti-money laundering activities in accordance with relevant requirements.

Special Fiscal and Tax Policies

The MOF and the SAT have issued a series of special fiscal and tax policies designated for AMCs, mainly including:

According to the Notice on Matters Concerning Related Tax Policies of China Cinda Asset Management Co., Ltd. and Other Three Financial Asset Management Companies (Cai Shui [2013] No.56) (關於中國信達資產管理股份有限公司等4家金融資產管理公司有關稅收政策問題的通知(財稅[2013]56號)) promulgated by the MOF and the SAT on August 30, 2013, after the restructuring of an AMC being approved by the State Council, the entity and its branches undertaking the AMC's rights and duties shall enjoy, by analogy, the preferential tax policies stated in the Notice on Matters Concerning Tax Policies of China Cinda and Other Three Financial Asset Management Companies (Cai Shui [2001] No.10) (關於中國信達等4家金融資產管理公司稅收政策問題的通知(財稅[2001]10號)), the Notice on Tax Policies Concerning Four Asset Management Companies Accepting Assets under the Capital during the

Transfer (Cai Shui [2003] No.21) (關於4家資產管理公司接收資本金項下的資產在辦理過戶時有關稅收政策問題的通知(財稅[2003]21號)) and the Notice on Matters Concerning China Cinda and the Other Three Financial Asset Management Companies Relating to the Receiving and Transfer of Listed Company's Securities (Stock) Exempted from Stamp Duty (Guo Shui Fa [2002] No.94) (關於中國信達等四家金融資產管理公司受讓或出讓上市公司股權免徵證券（股票）交易印花稅有關問題的通知(國稅發[2002]94號)), when acquiring, undertaking and disposing policy distressed assets and distressed assets carved out by restructured banks. The policy distressed assets refer to the distressed assets of related state-owned banks acquired by AMC at book value within the scope and limit determined by the State Council. The distressed assets carved out by restructured banks refer to the distressed assets acquired by AMC from ICBC, CCB, BOC and BoCOM within the scope and limit of distressed assets set by the State Council.

The Notice on Matters Concerning Tax Policies of China Cinda and other Three Financial Asset Management Companies (Cai Shui [2001] No.10) (《關於中國信達等4家金融資產管理公司稅收政策問題的通知》(財稅[2001]10號)) promulgated jointly by the MOF and the SAT on February 20, 2001 has laid out provisions on the tax preferential policies entitled to AMCs in the acquisition, undertaking and disposal of distressed assets of state-owned banks.

According to the Notice on Tax Policies Concerning Four Asset Management Companies Accepting Assets under the Capital during the Transfer (Cai Shui [2003] No.21) (《關於4家資產管理公司接收資本金項下的資產在辦理過戶時有關稅收政策問題的通知》(財稅[2003]21號)) promulgated jointly by the MOF and the SAT and effective from February 21, 2003, an AMC, subject to the total capital amount verified by the MOF, during its take-over of assets of state-owned commercial banks will be exempted from deed tax and stamp duty during the transfer process.

According to the Notice on Matters Concerning China Cinda and the other Three Financial Asset Management Companies Relating to the Receiving and Transfer of Listed Company's Securities (Stock) Exempted from Stamp Duty (Guo Shui Fa [2002] No.94) (《關於中國信達等四家金融資產管理公司受讓或出讓上市公司股權免徵證券（股票）交易印花稅有關問題的通知》(國稅發[2002]94號)) promulgated by the SAT, the receiving and transfer of a listed company's securities by AMCs within the scope of state-owned banks distressed assets acquired, managed and disposed of by them may be exempted from securities (stock) stamp duty upon request and approval.

Financing Management

Apart from obtaining capital contribution from shareholders and loans from commercial banks, AMCs, as financial enterprises, are allowed to conduct financing activities including interbank lending, issuance of financial bonds and asset securitization.

The engagement of AMCs in the aforesaid financing activities shall conform with the provisions generally applicable to such financing activities conducted by financial institutions within the territory of the PRC. For example, Administrative Measures for the Interbank Lending (PBOC Order [2007] No.3) (《同業拆借管理辦法》(中國人民銀行令[2007]第3號)) promulgated by the PBOC on July 3, 2007 and effective from August 6, 2007, Administrative Measures for the Issuance of Financial Bonds in the National Interbank Bond Market (PBOC Order [2005] No.1) (《全國銀行間債券市場金融債券發行管理辦法》(中國人民銀行令[2005]第1號)) promulgated by the PBOC on April 27, 2005 and effective from June 1, 2005, Administrative Measures for the Pilot Securitization of Credit Assets (Circular of the PBOC and CBRC [2005] No.7) (《信貸資產證券化試點管理辦法》(中國人民銀行、中國銀監會公告[2005]第7號)) promulgated jointly by the PBOC, the CBRC and effective from

April 20, 2005, Measures for Supervising and Administrating the Pilot Securitization of Credit Assets by Financial Institutions (Order of the CBRC [2005] No.3) (《金融機構信貸資產證券化試 點監督管理辦法》(中國銀監會令[2005]第3號)) promulgated by the CBRC on November 7, 2005 and effective from December 1, 2005, and Notice on Relevant Matters Concerning Further Expanding the Pilot Securitization of Credit Assets (Yin Fa [2012] No.127) (《關於進一步擴大信貸資產證券化試點有關事項的通知》(銀發[2012]127號)) promulgated by the PBOC, CBRC and MOF and effective from May 17, 2012.

Supervision over the Management of Distressed Assets of Financial Asset Management Companies

Acquisition of Distressed Assets

Acquisition of Policy NPLs

From 1999 to 2000, AMCs acquired NPLs of state-owned banks subject to the scope and limit determined by the State Council in accordance with the Regulations on Financial Asset Management Companies (《金融資產管理公司條例》). If the determined acquisition scope or limit is exceeded, it must be approved by the State Council as a special item; within the limit determined by the State Council, AMCs acquired relevant loan principal and corresponding receivable interests recorded in profit and losses at book value, and implemented free transfer as for the receivable interested not recorded in profit and losses; the purchase of NPLs by AMCs means the procurement of rights by original creditor over the debtor and the debtor, guarantor and relevant parties concerned for the original loan contract shall continue to perform obligations as contracted.

Apart from their capital, according to the Regulations on Financial Asset Management Companies (《金融資產管理公司條例》), sources from which AMCs fund acquisitions of NPLs includes: (1) a portion of the refinancing transferred from PBOC to wholly state-owned commercial banks; and (2) issuance of financial bonds.

Acquisition of Commercialized Distressed Assets

In accordance with the Administrative Measures of Commercialized Purchase Business Risks in Financial Asset Management Companies (《金融資產管理公司商業化收購業務風險管理辦法》) which was attached to the Notice on Publication of 'Administrative Measures of Business Risks in Financial Asset Management Companies' (Cai Jin [2004] No.40) (《關於印發〈金融資產管理公司有關業務風險管理辦法〉的通知》(財金[2004]40號)), AMCs are allowed to acquire distressed assets of financial institutions established within the territory of the PRC based on the market principles, and manage and dispose of the acquired assets to achieve cash recovery.

From 2004 to 2005, in order to support the shareholding reform on commercial banks and standardize the process of disposal of distressed assets, AMCs had acquired NPLs from commercial banks through a commercial tender process in line with the national standardized arrangement and in accordance with the Measures on Disposal of Doubtful Loans in the Process of Restructuring of the Bank of China and China Construction Bank (《中國銀行和中國建設銀行改制過程中可疑類貸款處置管理辦法》) promulgated by the MOF and effective from June 4, 2004.

In accordance with the Guidelines on Due Diligence in Disposal of Distressed Financial Asset (Yin Jian Fa [2005] No.72) (《不良金融資產處置盡職指引》(銀監發[2005]72號)), AMCs, prior to the acquisition of distressed financial asset, shall conduct in-depth diligence in respect of the status, ownership, market prospects of the distressed financial asset to be acquired and the feasibility of such acquisition. Acquisition procedures shall be established with specific division of acquisition work. Approval procedures shall be carried out in strict compliance with limits of authority and the approval department shall be independent from other departments and directly responsible to senior management. In addition, AMCs shall also verify the legality, authenticity, completeness and validity of the data, contracts, agreements and ownership certificates of the assets in satisfaction of debt and mortgages (pledges) in relation to the assets to be acquired, legal documents in relation to the litigation as well as other relevant materials within a reasonable period of time. Handover procedures shall also be completed in a timely manner to facilitate the receipt, management and maintenance of transferred assets.

According to the Administrative Measures on the Batch Transfer of Distressed Assets of Financial Enterprises (《金融企業不良資產批量轉讓管理辦法》), financial institutions can combine distressed assets (10 items or above) of certain size together, and transfer to AMCs. These measures have given specific provisions for the scope of batch transfer of distressed assets as well as its procedures.

Acquisition and Custody of distressed assets of non-financial enterprises

At present, China Cinda is the only one out of the Four AMCs having got the business qualification of operation of non-financial distressed assets in China. According to the approval of the MOF and the CBRC, China Cinda, starting from June 2010, has been permitted to engage in the purchase and custody of distressed assets business of non-financial enterprises.

At present, the CBRC has not introduced any special regulations regarding the acquisition and custody of distressed assets from non-financial enterprises. AMCs shall develop such business mainly according to the applicable laws and regulations, such as the Contract Law of the People's Republic of China (《中華人民共和國合同法》).

Distressed asset management and Disposal

The Guidelines on Due Diligence in Disposal of Distressed Financial Asset (《不良金融資產處置盡職指引》) specifies the due diligence requirements on performance of the AMCs in respect of management, preliminary investigation, method selection and application as well as pricing of the distressed assets disposal.

In addition to the aforesaid notice which sets out due diligence requirements on the performance of AMCs in respect of the disposal of distressed assets, AMCs shall also comply with another major regulation in respect of disposal of distressed assets, namely, the Administrative Measures of Assets Disposal by Financial Asset Management Companies (revised) (Cai Jin [2008] No.85) (《金融資產管理公司資產處置管理辦法（修訂）》(財金[2008]85號)) revised by the MOF and effective from July 9, 2008. Such measures and relevant provisions for management and disposal of distressed assets are given in detail as below:

Auditing Institutions and Approval

AMCs and their branch offices shall set up a special audit unit for disposal of assets, and review the asset disposal program. Except for programs that are in effect under the decisions, judgments and rules made by the People's Court or arbitral body, AMCs shall not dispose of these assets unless the program is approved by this special audit unit for asset disposal.

Implementation of the Disposal

AMCs may dispose of assets in forms such as debt recovery, lease, transfer, restructuring, asset exchange, entrusted disposal, DES, and asset securitization; and according to the law, through means of announcement, litigation, etc., to protect the rights of creditors and recover debts from the debtor and the guarantor.

The transfer of assets by AMCs, in principle, should be through public auction, including but not limited to, bidding, auction, offer or invitation to public bidding, public inquiry, etc. Without public auction for the disposal procedure, AMCs shall not transfer assets by way of agreement to non-state-owned assignees.

AMCs, during the entrusted disposal of assets, must ensure that recovery value being greater than disposal cost, namely the recovery value should be sufficient to pay the disposal fees and legal costs, notary fees, asset preservation charge, auction commission and other direct expenses incurred during the commissioned disposal, and there shall be balance.

AMCs shall establish asset preservation and recovery systems, and continue to retain the right of recourse for undisposed and partially disposed assets, and continue to collect the receivable entitlements over the remaining assets (including accrued interest, off-balance sheet interest receivable). After receiving assets in satisfaction, AMCs must safeguard the assets in satisfaction, complete the transfer procedures in a timely manner, and choose a proper time to dispose of the assets with the objective of maximizing recovery, and shall not deliberately delay or illegally use the assets for themselves. AMCs should strengthen the maintenance of assets in satisfaction and set up a regular clearance system to avoid depreciation of assets resulting from improper management.

Management of the Disposal

AMCs should establish and improve asset disposal project accounting, implement budget management for each asset disposal project, enhance plan management over the recovery of assets, disposal costs and profit and losses of disposal, and continuously track and monitor project progress; follow relevant provisions for management of national archives and strictly enforce archiving of asset disposal records. AMCs and any individual shall keep the asset disposal program and its results confidential.

Division of Disposal Authorizations

AMCs should take reasonable and prudent methodologies to determine the break-even point of disposal. For asset disposal projects with expected recovery value reaching or exceeding the break-even point, AMCs may, as the case may be, determine the authorization amount for branch offices based on the acquisition cost of the assets. For those not reaching the breakeven point, AMCs may, as the case may be, determine the authorization amount for branch offices based on the estimated loss.

Appraisal of distressed Assets

During asset disposal, AMCs shall adhere to the principles of fairness and reasonableness, cost benefit and efficiency and, subject to the situation of each asset disposal project, determine the necessity of appraisal and specific appraisal methods.

During the disposal of credit assets, AMCs may engage an external independent company to conduct solvency analysis or take due diligence or internal appraisal methods to determine the asset value, without the need to file the asset appraisal procedure with the MOF.

When AMCs dispose of assets by means of DES or sale of equity assets (including those under the item of DES approved by the State Council) or sale of real estate, except listed companies tradable equity assets, an external independent evaluation entity must be assigned to assess the assets. Equity assets under the item of DES approved by the State Council shall be filed according to relevant provisions for the appraisal of national state-owned assets; other equity assets and real estate disposal projects do not need to be filed with the MOF, but should be internally filed by AMCs.

AMCs shall determine the discounted price or bottom price of assets to be disposed of with reference to external or internal valuation.

Methods of Sale of Equity Assets

When AMCs dispose of equity assets by means of sale, AMCs may transfer by direct agreement to the former state-owned investors or enterprises designated by the state-owned assets supervision and administration department where the transfer of unlisted company's equity assets (including those under the project of DES approved by the State Council) meets the following conditions: (1) special requirements on assignees due to national laws and administrative regulations; (2) equity assets of core and key pro-military enterprises engaging in strategic weapons production, concerning national strategic security and involving in national core secrets; (3) resource-based, monopoly-based equity assets related to national economic security and national welfare and the people's livelihood; (4) other equity assets identified by relevant government departments as unsuitable for public transfer.

In addition to above circumstances for transfer by agreement, the transfer of equity assets under the DES item approved by the State Council and other unlisted company's equity assets with valuation exceeding RMB10 million shall be in accordance with procedures by relevant national provisions, made public in the lawfully established provincial or above trading market. The initial listing price shall not be lower than the asset appraisal result. When the transaction price is lower than 90% of the appraisal results, the transaction shall be suspended and internal disposal approval procedure for AMCs shall be re-performed.

Announcement for Disposal of Distressed Assets

According to the Administrative Measures of the Asset Disposal Announcement of Financial Asset Management Companies (revised) (Cai Jin [2008] No.87) (《金融資產管理公司資產處置公告管理辦法（修訂）》(財金[2008]87號)) as amended by the MOF and CBRC and effective from July 11, 2008, the asset scope applicable for the asset disposal announcement of AMCs includes the various purchased (including additional free transferred) distressed assets and other assets lawfully entitled to disposal rights, including but not limited to:

- Credit assets: NPLs acquired by AMCs and interests thereupon;
- Equity assets: equities of DES Companies held by AMCs and various equities of enterprises received from other forms such as asset replacement and assets in satisfaction of debt .
- Real assets: various real assets which AMCs are legally entitled to the ownership of and disposition, including foreclosed goods and those recovered by disposal of mortgage (pledge) loans; and
- Other equity assets: intangible assets, etc.

After the disposal program is formulated for assets within the scope of announcement, the asset disposal announcement shall be both made on the website and in newspaper.

Supervision and Inspection

AMCs shall establish a due diligence and post-disposal inspection system for asset disposal, and audit the asset disposal of branch offices on a regular or irregular basis.

In addition to the special regulations of the Administrative Measures of Asset Disposal by Financial Asset Management Companies (revised) (《金融資產管理公司資產處置管理辦法（修訂）》) mentioned above, AMCs shall, in the process of asset disposal, comply with the regulations regarding the management of state-owned financial assets such as the Administrative Measures of Transfer of State-owned Assets in Financial Enterprises (MOF Order No.54) (《金融企業國有資產轉讓管理辦法》(財政部令第54號)) promulgated by the MOF on March 17, 2009 and effective from May 1, 2009, the Interim Administrative Measures of Appraisal Supervision of State-owned Assets in Financial Enterprises (MOF Order No.47) (《金融企業國有資產評估監督管理暫行辦法》(財政部令第47號)) promulgated by the MOF on October 12, 2007 and effective from January 1, 2008, and the Notice of the Ministry of Finance on Issues Concerning the Supervision and Administration of Appraisal of State-owned Assets of Financial Enterprises (Cai Jin [2011] No.59) (《財政部關於金融企業國有資產評估監督管理有關問題的通知》(財金[2011]59號)) promulgated by the MOF and effective from June 16, 2011.

Other Relevant Regulations Regarding the Methods of Asset Disposal

According to the Administrative Measures of Investment Business Risks in Financial Asset Management Companies (《金融資產管理公司投資業務風險管理辦法》) and Administrative Measures of Authorized Agency Business Risks in Financial Asset Management Companies (《金融資產管理公司委託代理業務風險管理辦法》) attached with the Notice on Publication of 'Administrative Measures of Business Risks in Asset Management Companies' (《關於印發〈金融資產管理公司有關業務風險管理辦法〉的通知》), AMCs may adopt either additional investment of assets in satisfaction of debt or commissioned agency to manage and dispose of distressed assets.

Additional Investment of Assets in Satisfaction of Debt

According to Administrative Measures of Investment Business Risks in Financial Asset Management Companies (《金融資產管理公司投資業務風險管理辦法》), AMCs can, with the purpose of improving the recovery value of asset disposal, utilize cash capital funds to add necessary investment to the assets in satisfaction of debt resulting from policy and commercialized acquisition of NPLs and ultimately realize cash recovery.

Commissioned Agency

According to the Administrative Measures of Authorized Agency Business Risks in Financial Asset Management Companies (《金融資產管理公司委託代理業務風險管理辦法》), AMCs can accept the custody of distressed assets from an entrusting party, as agreed by both parties, to represent the entrusting party in the management and disposal of their assets. Regarding the management and disposal of distressed assets, the scope of the commissioned agency business, includes the management and disposal business of distressed assets entrusted by the MOF, PBOC, state-owned banks, and other financial institutions and enterprises.

Disposal of Assets by Using Foreign Funds

According to the Interim Provisions on Drawing Foreign Capital into the Asset Restructuring and Disposal by Financial Asset Management Companies (Order of the Ministry of Foreign Trade and Economic Cooperation, MOF and PBOC [2001] No.6) (《金融資產管理公司吸收外資參與資產重組與處置的暫行規定》(對外貿易經濟合作部、財政部、中國人民銀行令2001年第6號)) promulgated by the Ministry of Foreign Trade and Economic Cooperation, MOF and PBOC and effective from October 26, 2001, and the Notice on Strengthening Approval Management of Foreign Investment Disposal of Distressed Assets (Shang Wai Zi Zi [2005] No.37) (《關於加強外商投資處置不良資產審批管理的通知》(商外資字[2005]37號)) promulgated by the Ministry of Commerce and effective from April 29, 2005, drawing foreign capital into the asset restructuring and disposal by AMCs shall conform with the industrial policies for foreign investment guided by the state. Foreign investment enterprises for the purpose of drawing foreign capital for asset disposal should report to the Ministry of Commerce for approval, and each local commerce department and state-level economic and technological development zone should not arbitrarily approve the establishment of such enterprises.

Foreign Debt Administration During Disposal of Assets

According to the Notice on Regulating the Archival Filing Administration of Transferring Bad Claims to Foreign Parties by Domestic Financial Institutions (Fa Gai Wai Zi [2007] No.254) (《關於規範境內金融機構對外轉讓不良債權備案管理的通知》(發改外資[2007]254號)) promulgated by the NDRC and the SAFE on February 1, 2007 and effective from April 1, 2007, where a domestic enterprise bears foreign debts resulting from AMCs transferring of bad claims to an overseas investor, the domestic enterprise shall be subject to the administration of foreign debts. The AMC shall, within 20 working days after the signing of an agreement for transferring bad claims to foreign parties, report the situation to the NDRC for filing, and copy to the MOF and CBRC. The NDRC shall, within 20 working days after the receipt of complete filing materials, issue a filing confirmation to the AMC. The AMCs shall, within 15 working days after the receipt of the filing confirmation issued by the NDRC, report to the SAFE and deliver the relevant documents. After getting the approval and consent from the SAFE, the AMC shall complete receipt and settlement procedures in the designated branch of the SAFE, and the foreign investor subject to the transfer of distressed debts or its agent shall complete transfer filing registration procedures in the designated branch of the SAFE.

According to the Administrative Measures for Registration of Foreign Debts (Hui Fa [2013] No.19) (《外債登記管理辦法》(匯發[2013]19號)) and its attached Guidelines on the Administration of Registration of Foreign Debts (《外債登記管理操作指引》) promulgated by the SAFE on April 28, 2013 and effective from May 13, 2013, AMCs transferring domestic distressed assets to foreign parties shall, within 15 working days after the receipt of the filing or approval by the NDRC, apply for the approval by the SAFE regarding the balance of foreign exchange and the exchange management arrangement during the process of transfer of the distressed assets to foreign entities. All overseas income of AMCs obtained from the transfer of distressed assets to foreign entities shall be transferred back to China in full amount immediately. When handling the filing and registration of distressed asset foreign transfer, foreign investors shall state clearly the security of the distressed asset foreign transfer made by the guarantor for foreign investors and the detailed list of the security items. Such security shall be excluded from foreign security management and no examination and approval and no registration procedure as required by the foreign security management regulation are required.

Lawsuits related to Acquisition, Management and Disposal of Distressed Assets

According to the Provisions on Issues Concerning Applying the Law in the Trial of the Cases Involving Assets Resulting from Acquisition, Management and Disposal of NPLs of State-owned Banks by Financial Asset Management Companies (Fa Shi [2001] No.12) (《關於審理涉及金融資產管理公司收購、管理、處置國有銀行不良貸款形成的資產的案件適用法律若干問題的規定》(法釋[2001]12號)) promulgated by the Supreme People's Court on April 11, 2001 and effective from April 23, 2001:

- After the accepting of state-owned bank's debt by an AMC, the People's Court, for cases already brought by the original creditor bank but pending prior to the transfer, the application made by the original creditor bank or AMC may be based as to change the subject of litigation claims into the AMC accepting the claims;
- The lawsuit brought by an AMC against the debtor should be governed by the People's Court at the domicile of the defendant. Where an original creditor bank has an agreement with the debtor regarding the jurisdiction, if not inconsistent with the law, this agreement remains in force;
- Where an original creditor bank publicizes credit transfer announcement or notification on national or provincial newspapers after accepting state-owned bank credits by an AMC, the People's Court can determine that the Creditor has performed the notification obligation stipulated in Clause 80.1 in the Contract Law of the People's Republic of China (《中華人民共和國合同法》);
- Where a debtor counterpleas that the original creditor bank does not perform notification obligation for the transfer during the case hearing, the People's Court may summon the original creditor bank to the court for investigation the transfer fact and order the bank to notify the debtor about the transfer fact;
- Where a debtor stamps on the credit transfer agreement or notification or signs to acknowledge the receipt of debt collection notice, limitation interruption will occur. Where an original creditor bank includes debt collection information in the credit transfer announcement or notification published on national or provincial newspaper, such announcement or notification can be served as the evidence of limitation interruption.

According to the Reply of the Supreme People's Court on the Letter for Instructions on Several Issues regarding the Implementation of the Judicial Interpretation of the Supreme People's Court on the "12 Articles" (Fa Han [2002] No.3) (《對〈關於貫徹執行最高人民法院"十二條"司法解釋有關問題的函〉的答覆》(法函[2002]3號)) promulgated by the Supreme People's Court and effective from January 7, 2002, where the limitation interruption results from the publishing of credit transfer announcement or notification with collection information on the national or provincial newspaper by an AMC, it can be traced back to the date of the AMC accepting the transfer of credits of the original creditor bank; for credits undertaken, the AMC can obtain the evidence for limitation interruption by publishing collection announcement in the aforesaid newspaper.

According to the Notice on the Issues Regarding the Protection of Financial Credits According to Law and Preventing Any Loss of State-owned Assets in Civil Trial and the Enforcement Thereof (Fa [2005] No.32) (《關於在民事審判和執行工作中依法保護金融債權防止國有資產流失問題的通知》(法[2005]32號)) promulgated by the Supreme People's Court and effective from March 16, 2005 as well as Certain Opinions on Providing Judicial Safeguard and Legal Services to Maintain the All-round and

Sustainable Development of National Financial Security and Economy (Fa Fa [2008] No.38) (《關於為維護國家金融安全和經濟全面協調可持續發展提供司法保障和法律服務的若干意見》(法發[2008]38號)) effective from December 3, 2008, it is required that the People's Court of each level to the largest extent protect financial credits and prevent any loss of state-owned assets in trial of bad financial credit dispute cases.

According to the Supplementary Notice on the Acquisition and Disposal of Distressed Assets by Financial Asset Management Companies (Fa [2005] No.62) (《關於金融資產管理公司收購、處置銀行不良資產有關問題的補充通知》(法[2005]62號)) promulgated by the Supreme People's Court and effective from May 30, 2005, where the distressed assets are disposed of by way of debt transfer after a state-owned commercial bank (including state-owned holding bank) transfers NPLs to an AMC or the AMC accepts the transfer of NPLs, judicial interpretations issued by the Supreme People's Court can be applied, such as the Provisions on Issues Concerning Applying the Law in the Trial of the Cases Involving Assets Resulting from Acquisition, Management and Disposal of NPLs of State-owned Banks by Financial Asset Management Companies (《關於審理涉及金融資產管理公司收購、管理、處置國有銀行不良貸款形成的資產的案件適用法律若干問題的規定》) and the Reply of the Supreme People's Court on the Letter for Instructions on Several Issues regarding the Implementation of the Judicial Interpretation of the Supreme People's Court on the "12 Articles" (《對〈關於貫徹執行最高人民法院"十二條"司法解釋有關問題的函〉的答覆》). Where a state-owned commercial bank (including state-owned holding bank) transfers NPLs to an AMC or the AMC acquires and disposes of the NPLs, the corresponding security shall also be transferred without requiring the consent from the guarantor, and that the guarantor shall continue to undertake its guarantee responsibility to the transferee within the scope of original security.

According to the Notice on Issues Concerning the Trial of Claim Dispute Cases Involving the Separation of Self-established Companies from State-owned Commercial Banks (Fa [2008] No.130) (《關於審理國有商業銀行剝離其自辦公司的債權糾紛案件有關問題的通知》(法[2008]130號)) promulgated by the Supreme People's Court and effective from April 14, 2008, as for such cases already under procedure, the People's Court shall give guidance to the parties concerned for negotiation and adopt possible mediatory methods to solve disputes. If the disputes cannot be settled by mediation, and the transferee directly accepts the distressed debts from the AMC, the People's Court shall give a judgment to cancel the debt transfer contract between the AMC and the transferee. Where the transferee obtains the debts by reassignment, the People's Court shall give a judgment to cancel a series of debt transfer contracts between the AMC and the transferor as well as between the transferor and the transferee. After the debt transfer contract is ordered to be canceled, the transferee can claim loss compensation against the transferor in the limit of actual loss.

According to the Summary of the Symposium on the Trial of Cases Involving the Distressed Debt Transfer (Fa Fa [2009] No.19) (《關於審理涉及金融不良債權轉讓案件工作座談會紀要》(法發[2009]19號)) promulgated by the Supreme People's Court and effective from March 30, 2009, in a lawsuit where a transferee claims creditor's rights against a SOE debtor, the SOE debtor proposes a plea of nullity for distressed debt transfer contract on the ground that the distressed debt transfer induced damages on the state-owned assets, the People's Court shall advise the debtor to pursue the nullity of distressed debt transfer contract in the same People's Court separately. If no separate procedure is petitioned by the SOE debtor, the People's Court will not support its plea. If a separate procedure for the nullity of distressed debt transfer contract is petitioned by the SOE debtor, the People's Court shall terminate the hearing of transferor's claim for creditor's rights against the SOE debtor. After the nullity suit of distressed debt transfer contract is heard, two cases will be proceeded together.

According to the Notice of the Supreme People's Court on the Issue of the Validity of External Guarantee Contracts involved in the Trial of Cases of Utilization of Foreign Capitals by Financial Asset Management Companies in Disposing of Distressed Debts (Fa Fa [2010] No.25) (《關於審理金融資產管理公司利用外資處置不良債權案件涉及對外擔保合同效力問題的通知》(法發[2010]25號)) promulgated by the Supreme People's Court and effective from July 1, 2010, as for cases of disputes arising from using foreign capitals to dispose of distressed debts by AMCs before January 1, 2005, if a party concerned can provide evidence to prove that the relevant formalities for approval or registration have been handled in accordance with the prevailing provisions, the People's Court shall not determine the security contract invalid on the ground that it is not approved by or registered with the competent authorities. As for such cases of disputes arising from AMCs which handled distressed debts by using foreign funds after January 1, 2005, if a party concerned can provide evidence to prove that an AMC has informed the original guarantor of the principal contract, a foreign investor or his agent has clearly stated the specific security in the materials submitted for handling the filing and registration of distressed assets transfer, and that the transfer of distressed assets is filed and registered upon the approval of a local foreign exchange authority, the People's Court shall not deem the security contract as invalid on the ground that the transfer is made without the consent of the guarantor or without the approval of or registration with the competent authorities.

Debt-to-Equity Swap

Examination and Approval of Debt-to-Equity Swap

Since 1999, AMCs have been converting distressed debt obtained by acquisition of NPLs of state-owned large- and medium-sized enterprises from banks into equities according to the procedures required under the relevant national policies and requirements. In accordance with Regulations on Financial Asset Management Companies (《金融資產管理公司條例》), AMCs may convert the credit rights obtained by acquisition of NPLs of state-owned banks into the equity of the borrowing enterprises; the DES companies shall be recommended by State Economic and Trade Commission ("SETC") to the AMCs. AMCs shall independently evaluate the recommended enterprises, formulate the DES proposals and sign DES agreements with relevant enterprises. The proposals and agreements for DES shall be reviewed by the SETC, the MOF and the PBOC, and submitted to the State Council for approval before enforcement.

Management and Disposal of Debt-to-Equity Swap

In accordance with the Regulations on Financial Asset Management Companies (《金融資產管理公司條例》) and the Circular of the General Office of State Council on Forwarding 'Opinions on Further Improvement of Debt-to-Equity Swap Work of State-owned Enterprises' of State Economic and Trade Commission, the Ministry of Finance and the People's Bank of China (Guo Ban Fa [2003] No.8, promulgated and implemented on February 23, 2003) (《國務院辦公廳關於轉發國家經貿委、財政部、人民銀行〈關於進一步做好國有企業債權轉股權工作意見〉的通知》(國辦發[2003]8號, 2003年2月23日頒佈並施行), the enterprises implementing DES shall change the operation mechanism, establish standardized corporate governance structure and strengthen enterprise management in accordance with the requirements of modern enterprise system; AMCs, after DES, as the shareholders of the enterprises, may dispatch their personnel to participate in the board of directors and board of supervisors of the enterprises to legally exert their shareholder's rights. In the agreements and proposals for DES entered into by AMCs and existing enterprises, the terms under which the existing enterprise shall acquire the DES companies equities obtained by the AMC in full shall be abolished.

In accordance with the Notice of the General Office of the State Council on Transmitting the Opinions of the Ministry of Finance and Other Departments on Promoting and Regulating State-owned Enterprises' Debt-to-equity Swap (Guo Ban Fa [2004] No.94) (《國務院辦公廳轉發財政部等部門關於推進和規範國有企業債權轉股權工作意見的通知》(國辦發[2004]94號)), promulgated and implemented on December 30, 2004, existing state-owned investors of DES companies and AMCs shall establish new companies according to the proposals for DES approved by the State Council and in compliance with relevant laws and regulations such as the Company Law (《公司法》). Shareholders of the new companies shall standardize and improve corporate governance, and further specify and adjust the duties and authority of shareholders' meeting, board of directors, board of supervisors and senior management in accordance with the requirements of modern enterprise system. Shareholders of the new companies shall enjoy and exercise their rights according their shareholding.

In accordance with the Provisional Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (《金融資產管理公司併表監管指引(試行)》), DES companies held by AMCs in short term or on a transitional basis may be excluded from the scope of supervision of AMCs on a financial statement consolidation basis. AMCs shall formulate withdrawal plans for DES companies held on a transitional basis and submit the same to the CBRC for filing. DES companies which have not been withdrawn after the planned withdrawal period and under actual control shall be included in the scope of supervision on a financial statement consolidation basis.

In accordance with regulatory requirements by the MOF, DES equities and equities in satisfaction of debt converted from credit assets held by AMCs shall not be reduced during the listing of enterprises and shall proportionally reduce social insurance contribution payable by such equities. In addition to the above two kinds of equities, reduced holding of state-owned shares of enterprises invested by AMCs when listed at the domestic and/or overseas stock exchanges shall be subject to regulations stated in Interim Administrative Measures Concerning Reduced Holding of State-owned Shares to Raise Social Security Fund (Guo Fa [2001] No. 22) (《關於減持國有股籌集社會保障資金管理暫行辦法》(國發[2001]22號)) promulgated by the State Council and effective from June 6, 2001, Implementation Measures on Transfer of Part of State-owned Shares Listed at the Domestic Stock Exchanges to National Social Security Fund (Cai Qi [2009] No.94) (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》(財企[2009]94號)) promulgated by the MOF, the SASAC, the CSRC and the NSSF and effective from June 19, 2009, and Notice on Further Clarifying Issues Regarding the Transfer of State-owned Shares by Financial Enterprises (《關於進一步明確金融企業國有股轉持有關問題的通知》(財金[2013]78號)), promulgated by the MOF, the SASAC, the CSRC and the NSSF and effective from August 14, 2013.

For further detailed provisions on the disposal of DES assets, please refer to relevant parts of Regulatory Environment—Management and Disposal of Distressed Assets.

Commercialized Debt-to-Equity Swap

Apart from converting the credit rights into equities as an investment according to the national policies and procedures as mentioned above, AMCs may also convert the credit rights held by them into equities in accordance with the negotiation with the debtors and relevant shareholders. Pursuant to Administrative Measures for Debt-to-Equity Swaps of Companies (《公司債權轉股權登記管理辦法》) promulgated on November, 23, 2011 by the State Administration for Industry and Commerce of the PRC and effective from January 1, 2012, the creditors may convert the credit rights owned by them legally in the limited liability companies or companies limited incorporated within the territory of China into equities, and increase the registered capitals to the companies. DES shall be evaluated by qualified asset evaluation agencies, with capital verified and capital verification certificates issued by capital verification agencies, and the registration for changes of registered capital and changes of paid-in capital shall be handled with companies registered in accordance with law.

Custody and Liquidation of Distressed Entities

In accordance with Administrative Measures of Authorized Agency Business Risks in Financial Asset Management Companies (《金融資產管理公司委託代理業務風險管理辦法》), besides the distressed asset management and disposal businesses entrusted by the MOF, the PBOC and state-owned banks and other financial institutions and enterprises, the major scope of commissioned agency businesses of AMCs also include winding up and liquidation of financial institutions approved by financial regulation authorities and other custody businesses approved by competent authorities.

In accordance with Regulations on Financial Management Issues Relevant with Custody Businesses of Financial Asset Management Companies (Cai Jin [2004] No.108) (《金融資產管理公司託管業務有關財務管理問題的規定》(財金[2004]108號)) promulgated by the MOF and effective from October 30, 2004, the custody businesses of AMCs belong to the scope of commissioned agency business; for custody businesses of AMCs entrusted after January 1, 2004, custody businesses and other businesses shall be distinguished strictly for the receiving of registration work of entrusted assets; entrusted assets shall be incorporated into off-balance sheet for computation after liquidation and recognition, to strengthen the internal control of custody businesses and effectively insulate financial risks. After signing the custody agreements, AMCs shall declare them with the MOF for filing.

AMCs may also participate in liquidation management of enterprise bankruptcy as custodians. In accordance with Regulations on Designation of Custodians for Hearing of Enterprise Bankruptcy Cases (Fa Shi [2007] No.8) (《關於審理企業破產案件指定管理人的規定》(法釋[2007]8號)) promulgated on April 12, 2007 by the Supreme People's Court of China and effective from June 1, 2007, if the liquidation team is designated as the custodian, the People's Court may designate relevant government departments, social agencies included into custodian register and AMCs as the members of liquidation team.

Investment and Asset Management Business

Investment by Equity Fund

Equity Investment

Pursuant to the Provisional Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (《金融資產管理公司併表監管指引(試行)》), when AMCs make use of their capital for equity investment, entities with legal person status invested by and under actual control of AMCs shall be included in the scope of consolidated supervision. The CBRC is authorized to determine and adjust the scope of consolidated supervision according to the equity structural changes and the risk category of the AMCs. The investees shall also be included in the consolidated supervision if the investees are not controlled by the AMCs but on the basis of risk correlation their general risks may have material impacts on the financial conditions and risk level of the AMCs, or the damages and loss incurred by their compliance risks and reputation risks have material impacts on the reputation of the AMCs.

AMCs may exclude the following organizations from the consolidated supervision, namely organizations which are closed or declared bankruptcy or in the liquidation procedure due to closure, investees which are intended to be sold within three years with AMCs holding their equity interest of 50% or above, overseas subsidiaries which are subject to the foreign exchange regulations of the places where they are located, other contingencies or restrictions on capital allocation, or DES companies which are held by AMCs in short term or on a transitional basis.

Trust and Wealth Management Product Investment

In accordance with Circular on Standardization of Trust and Financing Product Investments of Financial Asset Management Companies (Yin Jian Fa [2011] No.92) (《關於規範金融資產管理公司投資信託和理財產品的通知》(銀監發[2011]92號)) promulgated by the CBRC and the MOF and effective from September 28, 2011, the AMCs which have carried out shareholding reform and are intending to engage in trust and financing product investments shall perform corresponding corporate governance procedures, while the companies that have not carried out shareholding reform shall report to the MOF for approval. AMCs shall pay close attention to the risk transmission and transfer that may be caused by trust and financing product investments conducted through their affiliates so as to strengthen risk isolation and prevent investment risks.

In accordance with Circular on Risk Alerts for Such Businesses as Trust Credit Enhancement and Future Acquisition by Financial Asset Management Companies (Yin Jian Si Fa [2012] No.4) (《關於金融資產管理公司開展信託增信及其遠期收購等業務風險提示的通知》 (銀監四發[2012]4號)) promulgated by the CBRC and effective from January 17, 2012, without the approval of regulatory authorities, AMCs shall not perform such businesses as trust product guarantee and future acquisition of distressed assets, and this kind of project that has been signed shall be liquidated as soon as possible, and risk prevention and control work shall also be conducted.

Private Equity Asset Management

Management Authorities

In accordance with the Circular on Division of Duties of Private Equity Fund Management (《關於私募股權基金管理職責分工的通知》) published by the State Commission Office for Public Sector Reform, the CSRC is responsible for the supervision and administration of private equity funds and the implementation of appropriate supervision to protect investors' interests and rights while the NDRC is responsible for formulating the policy and measures to facilitate the development of private equity funds, and determining the standards and regulations for the government to invest in private equity funds through discussion with the competent departments.

Establishment, Capital Raising and Investment Areas

In accordance with the Circular on Promoting the Standardized Development of Equity Investment Enterprises (Fa Gai Ban Cai Jin [2011] No.2864) (《關於促進股權投資企業規範發展的通知》(發改辦財金[2011]2864號)) promulgated by the NDRC and implemented since November 23, 2011, equity investment enterprises shall follow the following provisions in the establishment, capital raising and investment areas:

Establishment

Equity investment enterprises shall be established in compliance with relevant provisions of the Company Law of the People's Republic of China (《中華人民共和國公司法》) and the Partnership Enterprise Law of the People's Republic of China (《中華人民共和國合夥企業法》).

Capital Raising

The capital of equity investment enterprises may only be raised through private sources. The capital raising enterprise shall fully reveal the investment risks and possible investment losses to investors, and shall not guarantee recovery of investment principal or gain any fixed return. The capital raising objectives are certain qualified investors who shall be a single investor with minimum equity investment fund contribution of not less than RMB10 million. Wholly state-owned company, state-owned enterprise, listed company or public interest institution shall not become a general partner of the equity investment fund.

Subscription of Capital

- Investors shall only subscribe for their capital contributions with their own legitimate monetary fund. Capital payment may be made by means of a promissory system, *i.e.*, the payment may be made in agreed upon installments in the investment operation stage of equity investment funds in accordance with the relevant organization documents, including articles of association and partnership agreements;
- No investor may invest in equity investment funds by entrusting any other investor to hold the fund on their behalf;
- The total amount of capital contributions subscribed by all investors shall not be less than RMB100 million or the equivalent in foreign currency;
- The initial capital contribution made by an investor shall not be less than 20% of capital contribution subscribed by him.

Number of Investors

- In the case of a company limited by shares incorporated in accordance with the relevant laws of China, there shall be no more than 200 investors, and in the case of a limited liability company or limited liability partnership, there shall be no more than 50 investors;
- Where the investors are collective fund trusts, partnership enterprises and other unincorporated entities, it must be verified that the ultimate natural person investors and legal person investors are qualified investors, and the total number of such investors shall be counted.

- An equity investment fund of funds may be considered as a single investor when complying with the following conditions: (1) the equity investment fund of funds is initiated and managed by a professional management organization; (2) the qualification and number of investors of the equity investment fund of funds meet relevant requirements; (3) the equity investment fund of funds has completed the record-filing procedures.

Investment Areas

The investment is limited to non-publicly traded equity, and idle money may only be deposited in the bank or used to purchase government bonds and other fixed-income investment products. The investment direction shall comply with relevant national industrial policies, investment policies and macro-control policies. The investment projects of equity investment funds shall comply with relevant compliance management procedures of fixed assets investment projects. The foreign equity investment funds shall comply with the investment project approval procedures.

Record-keeping

In accordance with the Circular on Promoting the Standardized Development of Equity Investment Enterprises (《關於促進股權投資企業規範發展的通知》), equity investment funds engaged in non-publicly traded corporate equity investment businesses (including equity investment funds targeted at equity investment funds) in China shall apply for record-keeping within 1 month after registration with the Administration for Industry and Commerce, except for (1) venture investment funds for which record-keeping has been completed in accordance with the Interim Measures of Administration for Venture Capital Fund (《創業投資基金管理暫行辦法》), and (2) equity investment funds which are wholly invested by a single organization or single natural person, or jointly invested by an organization and its wholly-owned subsidiary, and jointly invested by a number of wholly-owned subsidiaries of an organization. An equity investment fund with capital (including capital already paid and capital subscribed by not yet paid) up to RMB500 million or the equivalent in foreign currency shall be filed to the NDRC for the record, and an equity investment fund with capital less than RMB500 million or the equivalent in foreign currency shall be filed to the record management department designated by the provincial government.

Where equity investment enterprises and their entrusted management organization fail to apply to the record management department for record-keeping, the record management department shall urge them to apply for handling the record-keeping filing formalities within 20 working days. Any organization which fails in record-keeping filing in due time shall be regarded as "an equity investment enterprise who avoids record-keeping monitoring or a custodian organization who avoids record-keeping monitoring", and it will be announced to the public through the portal website of the record management department.

Risk Control

In accordance with the Circular on Promoting the Standardized Development of Equity Investment Enterprises (《關於促進股權投資企業規範發展的通知》) and the Circular on Publication of the Guideline/Sample of Equity Investment Enterprises and Summary of National Working Conference on Filing Administration of Equity Investment Enterprises (Fa Gai Ban Cai Jin [2012] No. 1595) (《關於印發全國股權投資企業備案管理工作會議紀要和股權投資企業備案文件指引／標準文本的通知》 (發改辦財金

[2012]1595號)) promulgated by the NDRC and effective from June 14, 2012, an equity investment fund shall comply with the following provisions in risk control:

- Investment risk control. Equity investment fund shall not be provided as any guarantee for any enterprise other than the invested enterprises. For making an investment decision to any affiliate, the investor recuse system shall apply and shall be specified in the relevant organization document;
- Incentive and restriction mechanism. The relevant performance incentive mechanism, risk restraint mechanism and relevant investment operation decision-making procedures shall be clearly set forth in the articles of association or partnership agreement and other legal documents of an equity investment enterprise and its custodian organization. The equity investment enterprise may specify its duration;
- Examination and evaluation of custodian management. An equity investment enterprise may, pursuant to relevant custodian agreement and other legal documents, regularly or irregularly examine and evaluate on the custodian organization's investment operations of the capital of the equity investment enterprise;
- Asset custodian. Unless otherwise agreed by all the investors, the capital of the equity investment enterprise shall be entrusted by an independent custodian institution. Where a custodian organization is a wholly foreign invested company or sino-foreign joint venture, its assets shall be entrusted to an independent custodian institution with legal person qualification in China.

Disclosure of Information

In accordance with the Circular on Promoting the Standardized Development of Equity Investment Enterprises (《關於促進股權投資企業規範發展的通知》) and its record-keeping guidelines, an equity investment enterprise shall submit an annual business report and an audited annual financial report to the record administration department within 4 months after each accounting period in addition to disclosing the investment operation information to its investors in accordance with its articles of association and partnership agreement. The custodian organization and the entrustment organization shall submit an annual asset management report and an annual asset entrustment report to relevant record-keeping departments within four months after each accounting period.

Moreover, an equity investment enterprise must report to the record-keeping administration department within 10 working days about the following major events: (1) the articles of association, partnership agreement and the custodian agreement and other relevant documents of the equity investment fund or its custodian organization are revised; (2) the equity investment fund or its custodian organization changes the capital or adopts the measure of external debt financing; (3) the separation and merger of the equity investment fund or its custodian organization occurs; (4) there is a change of the custodian institution or the entrustment institution, including the changes of the senior management of the custodian institutions and other major changes; and (5) the equity investment fund is dissolved, bankrupt or its assets are taken over.

Real Estate Business

Establishment and Qualification

In accordance with the Administrative Regulations on Urban Real Estate Development and Operation (Order of the State Council No.248) (《城市房地產開發經營管理條例》 (國務院令第248號))

promulgated by State Council and effective from July 20, 1998, the establishment of real estate development enterprises shall not only comply with the incorporation conditions of enterprises specified by relevant laws and administrative rules, but also shall have registered capital of RMB1 million or above and a specified number of full-time technicians and full-time accountants engaging in real estate and architectural engineering sectors.

In accordance with Administrative Regulations on Qualifications of Real Estate Development Enterprises (Order of the Ministry of Construction No.77) (《房地產開發企業資質管理規定》(建設部令第77號)) promulgated by Ministry of Construction and effective from March 29, 2000, real estate enterprises shall be divided into four qualification levels as per enterprise conditions. The enterprises passing qualification examination will be issued with qualification certificates of corresponding levels by qualification examination departments. The real estate enterprises failing to obtain real estate development qualification certificates shall not engage in real estate development and operation.

Business Operation

In accordance with the relevant regulations, when engaging in the real estate development project within the territory of China, the enterprises shall obtain approvals or permissions from the relevant competent department, such as land use right certificates, land planning licenses, construction project planning licenses and the construction licenses, to fulfill the condition for sale or presale of commodity housing.

Real Estate Regulations

To stabilize housing prices, the State Council and relevant ministries and commissions issued a series of policies and measures to strengthen the real estate market regulation, including: (1) Circular on Promoting Land Saving and Intensive Use (Guo Fa [2008] No.3) (《關於促進節約集約用地的通知(國發[2008]3號)》) promulgated by the State Council and implemented on January 3, 2008; (2) Circular on Resolutely Suppressing the Soaring of Housing Prices in Some Cities (Guo Fa [2010] No.10) (《關於堅決遏制部分城市房價過快上漲的通知 (國發[2010]10號)》) promulgated by the State Council and effective from April 17, 2010; (3) Circular on Issues of Further Improvement of Real Estate Regulation (Guo Ban Fa [2011] No.1) (《關於進一步做好房地產市場調控工作有關問題的通知 (國辦發[2011]1號)》) promulgated by the General Office of the State Council and effective from January 26, 2011; (4) Circular on Issues Relating to Further Regulation of Real Estate Market (Guo Ban Fa [2013] No.17) (《關於繼續做好房地產 市場調控工作的通知 (國辦發[2013]17號)》) promulgated by the General Office of the State Council and effective from February 26, 2013.

Financial Services

Securities Business

Presently, the CSRC is the industry regulatory authority of securities companies and the businesses engaged by them. Securities companies are regulated by the CSRC mainly in accordance with the following laws, regulations and normative documents: Securities Law (《證券法》), Regulations on Supervision and Administration of Securities companies (《證券公司監督管理條例》), Trial Provisions on Establishment of Subsidiaries by Securities Companies (《證券公司設立子公司試行規定》), Provisions on Regulation of Subsidiaries of Securities Companies (《證券公司分支機構監管規定》), Administrative

Measures for Qualifications of Securities Practitioners (《證券業從業人員資格管理辦法》), Measures for the Supervision and Administration of Qualifications of Directors, Supervisors and Senior Management of Securities Companies (《證券公司董事、監事和高級管理人員任職資格監管辦法》), Rules for Governance of Securities Companies (《證券公司治理準則》), Guidelines for Internal Control of Securities Companies (《證券公司內部控制指引》), Provisions on Classified Regulation of Securities Companies (《證券公司分類監管規定》), Regulations on Risk Disposal of Securities Companies (《證券公司風險處置條例》), Administrative Measures of Risk Control Indices of Securities Companies (《證券公司風險控制指標管理辦法》), Provisions on Calculation Basis for Risk Capital Reserves of Securities Companies (《證券公司風險資本準備計算標準的規定》), and Circular on Matters Regarding Information Publication by Securities Companies (《證券公司公示有關事項的通知》), etc.

Industry Access

In accordance with the Securities Law (President Order [2013] No.5) (《證券法》(主席令2013年第5號)) amended by National People's Congress of PRC on June 29, 2013, the incorporation of a securities company shall be examined and approved by the CSRC and the establishment of a securities company shall meet the following requirements: (1) an articles of association that meets relevant laws and administrative rules shall be formulated; (2) the major shareholders have sustainable profitability, enjoy good credit standing, without major law or rule-breaking record in the last three years and with net assets of no less than RMB200 million; (3) where a securities company engages in the operation of securities brokerage, securities investment consultation, financial advisory business relating to the activities of securities trading or securities investment, its minimum registered capital shall be RMB50 million. Where a securities company engages in one of the business of securities underwriting and sponsorship, proprietary trading of securities, securities asset management or other securities business, its minimum registered capital shall be RMB100 million. Where a securities company engages in two or more businesses of securities underwriting and sponsorship, proprietary trading of securities, securities asset management or other securities business, its minimum registered capital shall be RMB500 million. The registered capital of a securities company shall be paid-in capital; and (4) the directors, supervisors and senior management thereof have the qualification for their appointment and its practitioners have the qualification to engage in the securities business.

Restriction on Shareholding by Foreign Investor

According to the Working Guidelines for the Examination and Approval Concerning the Administrative Licensing of Securities Companies No.10—Share Increase and Changes in Equity Interests of Securities Companies (Ji Gou Bu Bu Han [2010] No.505) (《證券公司行政許可審核工作指引第10號—證券公司增資擴股和股權變更》(機構部部函[2010]505號)) promulgated by the CSRC and effective from September 19, 2010, the shareholding in securities companies held indirectly by foreign investors shall not exceed 5%. A foreign investor may be exempted from such restriction when meeting all of the following requirements: (1) the foreign investor indirectly holds equity interest in a securities company through investing a listed company; (2) the largest shareholder, controlling shareholder or de facto controller of the listed company is a Chinese investor; (3) if there is a change in the shareholding structure of the listed company in the future and the foreign investor indirectly controls the equity interest of the securities company by holding the controlling interests in the listed company, thereby violating the PRC opening-up policy, the matter shall be rectified within a specified period, and the relevant equity interest shall carry no voting right if the matter is not rectified after the period; and (4) the foreign investor shall not establish any joint venture securities company with a domestic securities company or make strategic investment in a listed securities company when indirectly owning not less than 5% of the equity interest in one or more domestic securities companies.

Business Scope

In accordance with the provisions of Securities Law (《證券法》) and with the approval of the CSRC, a security company may engage in some or all of the following activities: (1) securities brokerage; (2) securities investment consultation; (3) financial advisory relating to securities trading or securities investment; (4) securities underwriting and sponsorship; (5) proprietary trading of securities; (6) securities asset management; and (7) other securities businesses.

A securities company shall obtain a special business qualification permit before engaging in margin financing and securities lending business, sales of securities investment funds business, public offering securities investment fund management business and direct investment business.

Regulation and Administration

In accordance with the Provisions on the Classified Regulation of Securities Companies (CSRC Notice [2010] No.17) (《證券公司分類監管規定》(中國證監會公告[2010]17號)) promulgated by the CSRC on May 26, 2009 and revised on May 14, 2010, securities companies are divided into five categories, including 11 levels—A (AAA, AA, A), B, (BBB, BB, B), C (CCC, CC, C), D and E by the CSRC from high to low based on the risk management capacities of securities companies. Based on the classified regulation principle, the CSRC requires each category of securities companies to comply with corresponding risk control index standards and calculation ratio for risk capital reserves and distinguishes them in allocation of regulatory resources, on-site inspection and off-site inspection frequency.

In accordance with Measures for the Risk Control Indexes of Securities Companies (CSRC Order No.55) (《證券公司風險控制指標管理辦法》 (中國證監會令55號)) implemented by the CSRC on November 1, 2006 and revised on June 24, 2008, if a securities company engages in the securities brokerage business, its net capital shall be not less than RMB20 million. If a securities company engages in any of such businesses as securities underwriting and sponsorship, proprietary trading of securities, securities asset management and other securities businesses, its net capital shall be not less than RMB50 million. If a securities company engages in the brokerage business and concurrently in any one of such businesses as securities underwriting and sponsorship, proprietary trading of securities, securities asset management or other securities businesses, its net capital shall not be less than RMB100 million. If a securities company engages in two or more of such businesses as securities underwriting and sponsorship, proprietary trading of securities, securities asset management and other securities businesses, its net capital shall not be less than RMB200 million.

A securities company shall consistently conform to the risk control index standards as follows: (1) The proportion of the net capital to the sum of all risk capital reserves shall not be less than 100%; (2) The proportion of the net capital to the net assets shall not be less than 40%; (3) The proportion of the net capital to the liabilities shall not be less than 8%; and (4) The proportion of the net assets to the liabilities shall not be less than 20%.

Futures Business

At present, the CSRC is the regulatory authority of futures companies and relevant businesses engaged by them. Futures companies are regulated by the CSRC mainly in accordance with the following laws, regulations and normative documents: Administrative Measures for Futures Companies (《期貨公司管理辦法》), Regulations on Administration of Futures Trading (《期貨交易管理條例》), Administrative Measures of Futures Practitioners (《期貨從業人員管理辦法》), Provisions on Regulating Issues Concerning Holding Controlling Shares or Holding Shares in Futures Companies (《關於規範控股、參股期貨公司有關問題的規定》), Provisions on Classified Regulation of Futures Companies (《期貨公司分類監管規定》), Administrative Measures for Qualifications of Directors, Supervisors and Senior Management of Futures Companies (《期貨公司董事、監事和高級管理人員任職資格管理辦法》), Administrative Measures of Risk Regulation Indexes of Futures Companies (《期貨公司風險監管指標管理辦法》), Provisions on Calculation Basis for Risk Capital Reserves of Futures Companies (《關於期貨公司風險資本準備計算標準的規定》) and Administrative Provisions on Information Publication of Futures Companies (《期貨公司信息公示管理規定》), etc.

Industry Access

In accordance with the Regulations on Administration of Futures Trading (the State Council Order No.627) (《期貨交易管理條例》(國務院令第627號)) promulgated by the State Council on March 6, 2007 and revised on October 24, 2012, and the Administrative Measures for Futures Companies (CSRC Order No.43) (《期貨公司管理辦法》(中國證監會令第43號)) promulgated by the CSRC on April 9, 2007 and effective from April 15, 2007, the establishment of a futures company shall be subject to the examination and approval by the CSRC and comply with the following conditions: (1) its minimum registered capital shall be RMB30 million; (2) its directors, supervisors and senior management have obtained the qualifications for assuming their posts and there are at least three senior management with the qualifications for assuming their posts, and its employees have obtained the futures practising qualifications and there are at least 15 employees with the futures practising qualifications; (3) it has its articles of association conforming to the laws and administrative regulations; (4) its main shareholders and actual controllers have a sustainable profit-making capacity and a good reputation, and none of them has any record of serious law and rule violation in the last three years.

Restriction on Shareholding by Foreign Investor

In accordance with the Provisions on Issues Concerning the Change of Registered Capital or Equity Interest of Futures Companies (CSRC Notice [2012] No.11) (《關於期貨公司變更註冊資本或股權有關問題的規定》(中國證監會公告[2012]11號)) promulgated by the CSRC and effective from May 10, 2012, the equity interest or voting rights in futures companies held indirectly by a single foreign investor shall be less than 5%, while the equity interest or voting rights of related parties shall be consolidated with those of the foreign investor. A foreign investor may be exempted from such restriction when meeting any of the following requirements, subject to relevant requirements on the investment in futures companies by foreign investors under the Catalogue of Industries for Guiding Foreign Investment (《外商投資產業指導目錄》): (1) the foreign investor indirectly holds equity interest or voting rights in a futures company through a listed company, and the controlling shareholder, largest shareholder or de facto controller of the listed company is a Chinese investor; (2) the foreign investor indirectly holds equity interest or voting rights in a futures company through holding equity interest in a securities company which has obtained not less than three types of business qualification, such as securities brokerage, proprietary trading of securities and securities asset management and etc.

Scope of Business

In accordance with the Regulations on Administration of Futures Trading (《期貨交易管理條例》) and Administrative Measures for Futures Companies (《期貨公司管理辦法》), a futures company shall be subject to the licensing system. The CSRC will grant licenses in accordance with the business types of commodity futures and financial futures. A futures company established under the above-mentioned conditions may engage in commodity futures brokerage business, and shall obtain corresponding business qualification to engage in any other futures business. Besides domestic futures brokerage, a futures company may apply to engage in overseas futures brokerage, futures investment consultation and other futures businesses as prescribed by the futures regulatory institution of the State Council.

Regulation and Administration

In accordance with Provisions on Classified Regulation of Futures Companies (CSRC Notice [2011] No.9) (《期貨公司分類監管規定》(中國證監會公告[2011]9號)) promulgated by the CSRC and effective from April 12, 2011, futures companies are divided into five categories, including 11 levels—A (AAA, AA, A), B, (BBB, BB, B), C (CCC, CC, C), D and E by the CSRC from high to low based on the risk management capacities of futures companies. Based on the classified regulation principle, the CSRC requires each category of futures companies to comply with corresponding risk control index standards and calculation ratio of risk capital reserves and distinguishes them in allocation of regulatory resources, on-site inspection and off-site inspection frequency.

In accordance with Administrative Measures of Risk Regulation Indexes of Futures Companies (CSRC Notice [2013] No.12) (《期貨公司風險監管指標管理辦法》(中國證監會公告[2013]12號)) promulgated by the CSRC on February 21, 2013 and effective from July 1, 2013, a futures company shall always comply with the following risk regulation indexes: (1) its net capital shall not be less than RMB15 million; (2) the proportion of its net capital to its risk capital reserves shall not be less than 100%; (3) the proportion of its net capital to net assets shall not be less than 40%; (4) the proportion of its current assets to current liabilities shall not be less than 100%; (5) the proportion of its liabilities to net assets shall not be more than 150%; (6) it complies with the specified requirement of minimum settlement reserves.

Trust Business

At present, the CBRC is the regulatory authority of trust companies and the businesses engaged by them. Trust companies are regulated by the CBRC mainly in accordance with the following laws, regulations and normative documents: Trust Law (《信託法》), Administrative Measures of Trust Companies (《信託公司管理辦法》), Guidelines for Governance of Trust Companies (《信託公司治理指引》), Guidelines on Supervisory Rating and Classified Regulation of Trust Companies (《信託公司監管評級與分類監管指引》), Administrative Measures of Net Capital of Trust Companies (《信託公司淨資本管理辦法》), Notice on the Publication of Matters of Standard Calculation of Net Capital of Trust Companies (《關於印發信託公司淨資本計算標準有關事項的通知》), Guidelines on Business Cooperation between Banks and Trust Companies (《銀行與信託公司業務合作指引》), Administrative Measures of Trust Companies' Trust Plans of Assembled Funds (《信託公司集合資金信託計劃管理辦法》) and Interim Measures on Administration of Information Disclosure of Trust Investment Companies (《信託投資公司信息披露管理暫行辦法》), etc.

Industry Access

In accordance with the Trust Law (President Order No.50) (《信託法》 (主席令第50號)) promulgated by the Standing Committee of the National People's Congress on April 28, 2001 and effective from October 1, 2001, and Administrative Measures of Trust Companies (CBRC Order [2007] No.2) (《信託公司管理辦法》(中國銀監會令2007年第2號)) promulgated by the CBRC on January 23, 2007 and effective from March 1, 2007, the establishment of a trust company shall be subject to the approval by the CBRC and after approval, with a finance license be issued. A trust company shall also comply with the following conditions: (1) its articles of association complies with the provisions of the Company Law (《公司法》) and the provisions of the CBRC; (2) the shareholders shall satisfy the shareholding qualification stipulated by the CBRC; (3) its minimum registered capital shall be RMB300 million or the equivalent of freely convertible currency and the registered capital shall be paid in capital; (4) it has directors and senior management satisfying the appointment qualification set by the CBRC and other staff relevant with trust businesses.

Restriction on Shareholding by Foreign Investor

In accordance with Implementation Measures for the Matters relating to Administrative Licensing for Non-bank Financial Institutions (《非銀行金融機構行政許可事項實施辦法》) and the Administrative Measures for the Investment and Shareholding in Domestic-Funded Financial Institutions by Foreign Financial Institutions (《境外金融機構投資入股中資金融機構管理辦法》) promulgated by the CBRC, the shareholding of a single foreign institution in trust companies shall not exceed 20%. However, no specific restriction on the indirect shareholding of trust companies by foreign investors is set out under such measures.

Scope of Business

In accordance with Administrative Measures of Trust Companies (《信託公司管理辦法》), trust companies may apply to engage in part or all of the following business activities in RMB or foreign currencies: (1) fund trusts; (2) trusts of movable property; (3) real estate trusts; (4) securities trusts; (5) trusts of other property or property rights; (6) acting as the promoter of an investment fund or a fund management company and engaging in fund investment business; (7) enterprise asset restructuring, mergers and acquisitions, project financing, corporate finance, financial consulting, etc. (8) entrusted securities underwriting business as approved by relevant departments of the State Council; (9) mediation, advising, credit investigation business among others. (10) bailment and safe deposit locker facility business; and (11) any other business stipulated by laws and rules or approved by the CBRC.

In addition, the own assets operations of trust companies may include interbank deposit, interbank loan, loan, leasing, investment and other businesses. The investment business activities shall be restricted to equity investments in financial enterprises, investments in financial products and investments in fixed assets for individual use. Subject to the regulations of the CBRC, trust companies shall not use their own assets for industrial investment. Trust companies shall not engage in debt business other than interbank loan and the balance of interbank borrowing shall not exceed 20% of their respective net assets subject to the regulations of the CBRC. Trust companies shall provide guarantee to third parties. However, the provision of guarantee by trust companies to third parties shall not be more than 50% of their respective net assets.

Regulation and Administration

In accordance with the Administrative Measures of Trust Companies (《信託公司管理辦法》), trust companies shall allocate 5% of their after-tax profit to the trust compensation reserves annually; but the trust companies may cease making further allocations to the trust compensation reserves when the total amount accumulated thereunder reaches 20% of the company's registered capital. The trust compensation reserves of a trust company shall be deposited at a domestic commercial bank with good standing and of a certain scale, or used for the purchase of low-risk, high-liquidity securities such as treasury bonds.

In accordance with the Administrative Measures of Net Capital of Trust Companies (CBRC Order [2010] No.5) (《信託公司淨資本管理辦法》(中國銀監會令2010年第5號) promulgated by the CBRC and effective from August 24, 2010, the net capital of a trust company shall be subject to supervision by the CBRC and calculated in accordance with the following formula: net capital = net assets – risk deductions of various assets – risk deductions of contingent liabilities – other risk deductions determined by the CBRC. The net capital of a trust company shall be not less than RMB200 million. A trust company shall always comply with the following risk control indices: (1) its net capital shall not be less than 100% of the sum of the various risk capitals; (2) its net capital shall not be less than 40% of the net assets.

Financial Leasing Business

At present, the CBRC is the regulatory authority of financial leasing companies and the businesses engaged by them. Financial leasing companies are regulated by the CBRC mainly in accordance with the Administrative Measures of Financial Leasing Companies (《金融租賃公司管理辦法》) and relevant laws, regulations and normative documents.

Industry Access

In accordance with Administrative Measures of Financial Leasing Companies (CBRC Order [2007] No.1) (《金融租賃公司管理辦法》 (中國銀監會令2007年第1號)) promulgated by the CBRC on January 23, 2007 and implemented on March 1, 2007, the establishment of a financial leasing company shall comply with the following conditions: (1) the capital contributors satisfy the provisions of Administrative Measures of Financial Leasing Companies (《金融租賃公司管理辦法》); (2) the minimum registered capital shall be RMB100 million or the equivalent of freely convertible currency and the registered capital shall be paid in capital; (3) the articles of association satisfies the provisions of the Company Law (《公司法》) and the Administrative Measures of Financial Leasing Companies (《金融租賃公司管理辦法》); and (4) the directors and senior management satisfy the appointment qualification stipulated by the CBRC and qualified employees familiar with financial leasing.

Restriction on Shareholding by Foreign Investor

According to the Administrative Measures for the Investment and Shareholding in Domestic-Funded Financial Institutions by Foreign Financial Institutions (《境外金融機構投資入股中資金融機構管理辦法》) promulgated by the CBRC, the shareholding of a single foreign financial institution in a domestic-funded financial institution shall not exceed 20%. However, no specific restriction on the indirect shareholding of financial leasing companies by foreign investors is set out under such measures and the Administrative Measures of Financial Leasing Companies (《金融租賃公司管理辦 法》).

Scope of Business

In accordance with Administrative Measures of Financial Leasing Companies (《金融租賃公司管理辦法》), a financial leasing company may engage in part or all of the following businesses in RMB or foreign currencies with the approval by the CBRC: (1) financial leasing business; (2) accepting fixed deposits of one year or more from shareholders but shall not accept any deposit of a bank shareholder; (3) accepting lease deposits from lessees; (4) transferring rental receivables to a commercial bank; (5) issuing financial bonds upon approval; (6) interbank lending; (7) taking loans from a financial institution; (8) overseas borrowings in foreign currencies; (9) realization and disposal of residual values of leased properties; (10) economic consulting; and (11) any other businesses approved by the CBRC.

Regulation and Administration

In accordance with Administrative Measures of Financial Leasing Companies (《金融租賃公司管理辦法》), financial leasing companies shall implement a five-level classification system for risk assets, formulate a bad debt reserve system pursuant to the relevant provisions and promptly make adequate reserve for bad debts. No profits shall be distributed before reserve for bad debt is fully made. In addition, financial leasing companies shall comply with the following major regulatory indices: (1) the net capital shall not be lower than 8% of the risk-weighted assets; (2) the balance of financing to a single lessee shall not exceed 30% of the net capital. The security deposit provided by a lessee upon the granting of credit shall be deducted when calculating the financing balance; (3) the balance of financing to one affiliate shall not exceed 30% of the net capital of the financial leasing company; (4) the balance of financing to all affiliates shall not exceed 50% of the net capital of the financial leasing company; and (5) the balance resulting from interbank borrowing shall not exceed 100% of the net capital of the financial leasing company.

Securities Investment Fund Business

At present, the CSRC is the regulatory authority of securities investment fund management companies and the businesses engaged by them. Securities investment fund management companies are regulated by the CSRC mainly in accordance with the following laws, regulations and normative documents: Securities Investment Fund Law (《證券投資基金法》), Administrative Measures of Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》), Interim Provisions on Administration of Subsidiary Companies of Securities Investment Fund Management Companies (《證券投資基金管理公司子公司管理暫行規定》), Circular on Relevant Issues Regarding the Drawing of Risk Reserves by Fund Management Companies (《關於基金管理公司提取風險準備金有關問題的通知》), Guidelines for Governance of Securities Investment Fund Management Companies (Provisional) (《證券投資基金管理公司治理準則（試行）》), Guiding Opinions on Internal Control of Securities Investment Fund Management Companies (《證券投資基金管理公司內部控制指導意見》), Administrative Measures of Post-holding of Senior Management of Securities Investment Fund Management Companies (《證券投資基金管理公司高級管理人員任職管理辦法》), Administrative Measures of the Securities Investment Fund Entrustment Business (《證券投資基金運作管理辦法》), Administrative Measures of Information Disclosure of Securities Investment Fund (《證券投資基金信息披露管理辦法》), Administrative Measures of Sales of Securities Investment Fund (《證券投資基金銷售管理辦法》) and Guiding Opinions on Fair Trading Rules of Securities Investment Fund Management Companies (《證券投資基金管理公司公 平交易制度指導意見》).

Industry Access

In accordance with the Securities Investment Fund Law (President Order No.71) (《證券投資基金法》(主席令第71號)) revised by the Standing Committee of the National People's Congress on December 28, 2012 and effective from June 1, 2013, and the Administrative Measures of Securities Investment Fund Management Companies (CBRC Order No.84) (《證券投資基金管理公司管理辦法》

(中國證監會令第84號)) revised and adopted by the CSRC on June 19, 2012 and effective from November 1, 2012, the establishment of a securities investment fund management company shall be subject to the examination and approval by the CSRC and comply with the following conditions: (1) its articles of association complies with the laws and regulations; (2) its registered capital shall not be less than RMB100 million and shall be paid in capital; (3) its substantial shareholders shall have good track record, good financial situation and good social reputation in operating financial businesses or management of financial institutions and their scale of assets shall reach the standards required by the State Council and there is no record of violations in the last three years; (4) the number of qualified employees is in compliance with the statutory requirement; and (5) its directors, supervisors and senior management shall meet corresponding employment qualifications.

Restriction on Shareholding by Foreign Investor

In accordance with the Administration Measures for the Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》) promulgated by the CSRC, shareholding or equity interest directly or indirectly held by foreign investors in sino-foreign fund management joint ventures shall not exceed 49% in aggregate. Pursuant to the Regulations on Issues Regarding the Implementation of Administration Measures of Securities Investment Fund Management Companies (關於實施〈證券投資基金管理公司管理辦法〉有關問題的規定) (CSRC Notice [2012] No. 26), promulgated by the CSRC on September 20, 2012 and effective from November 1, 2012, in calculation of the proportion of foreign interests in a sino-foreign fund management joint venture, in principle, the foreign shareholding in the domestic shareholders of the joint venture, if any, shall be multiplied by their shareholding in the joint venture plus the shareholding directly held by foreign shareholders of such joint venture. In the event of the following two situations, calculation shall be carried out as follows: (1) if the domestic shareholder (including the de facto controller) conducts overseas listing or additional shares issuance, the additional foreign equity interest in such domestic shareholder shall not be consolidated with that of the foreign shareholders in the joint venture; and (2) if the domestic shareholder (including the de facto controller) is an A share listed company with QFIIs holding its shares, the foreign equities held by the QFIIs in such domestic shareholder shall not be consolidated with the foreign shareholding in such joint venture, except that the QFIIs hold shares of the domestic shareholder or de facto controller which results in the transfer of controlling rights of such domestic shareholder to foreign investors.

Scope of Business

In accordance with the Securities Investment Fund Law (《證券投資基金法》), Administrative Measures of Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》) and the Provisional Administrative Measures of Assets Management of Selected Customers of Fund Management Companies (《基金管理公司特定客戶資產管理業務試點辦法》) and subject to the relevant conditions and approval by the CSRC, fund management companies may engage in the following businesses: (1) management of publicly-raised securities investment funds; (2) asset management for selected customers; (3) special asset management by subsidiaries; (4) provision of investment consultation for QFIIs, domestic insurance companies and other selected entities which are legally established and operated; (5) management of investment of social security fund; (6) investment management of annuity funds; (7) management of overseas equity investment portfolio by using funds raised in China as a QDII; and (8) other businesses provided by laws and regulation and approved by the CSRC.

Regulation and Administration

Pursuant to the Administrative Measures of Securities Investment Fund Management Companies (《證券投資基金管理公司管理辦法》), the establishment of fund management companies and the qualifications of senior management of fund management companies shall be supervised by the CSRC in accordance with the relevant laws, administrative rules and the regulations of the CSRC and the principle of prudent regulation. Off-site and on-site inspections on the corporate governance, internal control, operations, risk profile and relevant business activities of fund management companies shall also be conducted by the CSRC.

In addition to the above-mentioned regulations, for securities investment fund management business, the CSRC has amended the Administrative Measures of Securities Investment Fund Management Companies (CSRC Order No.84) (《證券投資基金管理公司管理辦法》(證監會令第84號)) in accordance with laws and regulations in respect of securities investment funds to reflect the development of the fund management industry in recent years. The CSRC has also drafted the Administrative Measures of Fund Managers of Publicly-raised Securities Investment Fund (《公開募集證券投資基金管理人管理辦法》) and the related regulations for public consultation, which have not been promulgated and taken effect officially.

Insurance Business

The CIRC is the regulatory authority of the insurance companies and insurance business engaged by them. The CIRC regulates insurance companies in the areas of industry access, operation, corporate governance and risk control mainly in accordance with the following laws, regulations and normative documents: Insurance Law (《保險法》), Provisions on the Administration of Insurance Companies (《保險公司管理規定》), Administrative Measures of Shareholdings of Insurance Companies (《保險公司股權管理辦法》), Guidance on the Governance of Insurance Companies (Provisional) (《關於規範保險公司治理結構的指導意見（試行）》), the Opinions on Regulating the Bylaws of Insurance Companies (《關於規範保險公司章程的意見》), the Basic Rules for the Internal Control of Insurance Companies (《保險公司內部控制基本準則》), the Guidelines for the Compliance Management of Insurance Companies (《保險公司合規管理指引》), Guidance on the Risk Control of Insurance Companies (Provisional) (《保險公司風險管理指引（試行）》), Provisional Administrative Measures of Connected Transactions of Insurance Companies (《保險公司關聯交易管理暫行辦法》), Administrative Provisions on Solvency of Insurance Companies (《保險公司償付能力管理規定》), Administrative Measures of Fixed Subordinated Debts of Insurance Companies, (《保險公司次級定期債務管理辦法》), Administrative Measures of Controlling Shareholder of Insurance Companies (《保險公司控股股東管理辦法》), Measures for Classified Management of Business Scope of Insurance Companies (《保險公司業務範圍分級管理辦法》) and Disclosure of Information of Insurance Companies (《保險公司信息披露管理辦法》).

Industry Access

In accordance with the Insurance Law (President Order No.11) (《保險法》（主席令第11號）) amended by the Standing Committee of the National People's Congress on February 28, 2009 and effective from October 1, 2009 and the Administrative Provisions of Insurance Companies (CIRC Order No.1 of 2009) (《保險公司管理規定》（中國保監會令2009年第1號）) promulgated by the CIRC on September 25, 2009 and effective from October 1, 2009, the establishment of an insurance company shall be examined and approved by the CIRC and subject to the following conditions: (1) its substantial shareholders shall have sustainable profitability and good reputation and have no major records of violations in the last three years and their net asset shall not be less than RMB200 million; (2) its articles of association draft shall comply with the Insurance Law (《保險法》) and Company Law (《公司法》); (3) investors promise to make contribution or subscribe to the shares and its proposed registered capital shall not be less than RMB200 million and shall be paid-in capital; (4) its directors, supervisors and senior management shall have the requisite expertise and experience in the relevant business.

Restriction on Shareholding by Foreign Investor

The Administrative Measures of Shareholding of Insurance Companies (《保險公司股權管理辦法》) (CIRC Order [2010] No.6) promulgated by the CIRC on May 6, 2010 and effective from June 10, 2010 shall govern the insurance companies where the duly registered foreign investment or shareholding of such companies shall not exceed 25% of its registered capital. However, no specific restriction on the indirect shareholding of insurance companies by foreign investors is set out under such measures.

Scope of Business

In accordance with the Insurance Law (《保險法》), an insurance company shall not concurrently engage in both life and health insurance business and property insurance business. However, an insurance company engaged in property insurance business may engage in short-term health insurance and accident insurance business if so approved by the CIRC. Subject to approval by the CIRC, an insurance company may engage in ceding in and out reinsurance business, and may also engage in any other insurance-related business approved by the CIRC.

In accordance with the Measures for Classified Management of Business Scope of Insurance Companies (Bao Jian Fa [2013] No.41) (《保險公司業務範圍分級管理辦法》(保監發[2013]41號)) promulgated by the CIRC and effective from May 2, 2013, the business scope of property insurance companies and life and health insurance companies is divided into basic category and extended category. The basic category for a property insurance company covers automobile insurance, corporate/family property insurance and engineering insurance, liability insurance, vessel/cargo insurance, short-term health/accident insurance, and the extended category covers agricultural insurance, special risk insurance, credit guarantee insurance, and investment insurance. The basic category of a life and health insurance company covers general insurance, health insurance, accident insurance, participating insurance, universal insurance, and the extended category covers investment-linked insurance and variable annuities. Thus the access qualifications corresponding to various businesses are determined. For the basic category, the registered capital requirements are specified. For extended category, three types of condition indices as financial conditions, risk management capacity and compliance management are specified.

Regulation and Administration

In accordance with the Provisions on Administration of Insurance Companies (《保險公司管理規定》), the CIRC shall supervise and administer insurance institutions by way of on-site and off-site supervision. The CIRC shall regard an insurance company as an important object for supervision and administration when it falls into any one of the four following circumstances: serious violation of law; insolvency; unusual financial condition; or other circumstances as specified by the CIRC.

In accordance with Administrative Provisions on Solvency of Insurance Companies (CIRC Order [2008] No. 1) (《保險公司償付能力管理規定》(中國保監會令2008年第1號)) promulgated by the CIRC on July 10, 2008 and effective from September 1, 2008, the proportion of actual capital to minimum capital of an insurance company, namely solvency margin ratio, shall be not less than 100%. The CIRC classifies insurance companies into three categories based on their solvencies: companies of inadequate solvency category, *i.e.*, insurance companies whose solvency margin ratio is less than 100%; companies of adequate solvency category I, *i.e.*, insurance companies whose solvency margin ratio is between 100% and 150%; and companies of adequate solvency category II, *i.e.*, insurance companies whose solvency margin ratio is higher than 150%.

The CIRC shall, in light of different circumstances, take one or more of the below supervisory measures against a company of inadequate solvency category: (1) ordering it to increase its capital or restrict the distribution of dividends to its shareholders; (2) limiting the remunerations and position-related consumption of its directors and senior management; (3) limiting its commercial advertisements; (4) restricting its establishment of more branches, limiting its business scope, ordering it to stop carrying out new business, ordering it to assign the insurance businesses or ordering it to cede insurance business; (5) ordering it to auction its assets or restricting its purchase of fixed assets; (6) restricting its use of capital; (7) adjusting its persons-in-charge and relevant managerial personnel; (8) taking it over; and (9) taking other supervisory measures the CIRC deems necessary. The CIRC may require a company of adequate solvency category I to submit and implement a plan on the prevention of inadequate solvency. Where there is any significant solvency risk in a company of adequate solvency category I or of adequate solvency category II, the CIRC may require it to make a rectification or take necessary regulatory measures against it.

In accordance with the Overall Framework of the Solvency Supervision System II of the PRC (《中國第二代償付能力監管制度體系整體框架》) promulgated by the CIRC and effective on May 3, 2013, the solvency supervision system II comprises three parts: system characteristics, regulatory elements and regulatory basis. The regulatory elements include quantitative capital requirements, qualitative regulatory requirements and market discipline mechanism. The regulatory basis relates to solvency administration of insurance companies.

HONG KONG REGULATORY ENVIRONMENT

Introduction

The SFO is the principal legislation regulating the securities and futures industry in Hong Kong, including the regulation of securities, futures and leveraged foreign exchange markets, the offering of investments to the public in Hong Kong, intermediaries and their conduct of regulated activities. In particular, Part V of the SFO deals with licensing and registration matters.

The SFO is administered by the SFC which is the statutory regulatory body that governs the securities and futures markets and non-bank retail leveraged foreign exchange market in Hong Kong.

Types of Regulated Activities

The SFO provides a single licensing regime under which a person needs only one license to carry on the different types of regulated activities as specified in Schedule 5 of the SFO. There are ten types of regulated activities, namely:

Type 1: dealing in securities;

Type 2: dealing in futures contracts;

Type 3:	leveraged foreign exchange trading;
Type 4:	advising on securities;
Type 5:	advising on futures contracts;
Type 6:	advising on corporate finance;
Type 7:	providing automated trading services;
Type 8:	securities margin financing;
Type 9:	asset management; and
Type 10:	providing credit rating services.

As of the Latest Practicable Date, the following Group companies are licensed under the SFO to carry out the regulated activities as stated below:

Group Companies	Types of Regulated Activities
Cinda International Capital Limited	Type 1 and Type 6
Cinda International Futures Limited	Type 2
Cinda International Research Limited	Type 4
Cinda International Securities Limited	Type 1
Cinda International Asset Management Limited	Type 4 and Type 9

Overview of Licensing Requirements

Under the SFO, any person who:

(a) carries on a business in a regulated activity; or

(b) holds itself out as carrying on a business in a regulated activity,

must be licensed under the relevant provisions of the SFO for carrying on such regulated activity, unless one of the exceptions under the SFO applies. It is a serious offense for a person to conduct any regulated activity without the appropriate license.

Further, if a person (whether by itself or another person on his behalf, and whether in Hong Kong or from a place outside of Hong Kong) actively markets to the public in Hong Kong any services that it provides and such services, if provided in Hong Kong, would constitute a regulated activity, then that person is also subject to the licensing requirements under the SFO.

In addition to the licensing requirements on corporations, any individual who:

(a) performs any regulated function in relation to a regulated activity carried on as a business; or

(b) holds himself out as performing such regulated function,

must be licensed separately under the SFO as a licensed representative accredited to his principal.

For each regulated activity conducted by a licensed corporation, it must appoint no less than two responsible officers, at least one of whom must be an executive director, to supervise the business of the regulated activity. A responsible officer is an individual approved by the SFC to supervise the regulated activity or activities of the licensed corporation to which he is accredited. In addition, every director of the licensed corporation who actively participates in or is responsible for directly supervising the licensed corporation's regulated activity or activities must apply to the SFC to become a responsible officer.

Fit and Proper Requirement

Persons applying for licenses under the SFO must satisfy and continue to satisfy after the grant of such licenses by the SFC that they are fit and proper persons to be so licensed. In simple terms, a fit and proper person means one who is financially sound, competent, honest, reputable and reliable.

On-going Obligations of Licensed Corporations

Licensed corporations, licensed representatives and responsible officers must remain fit and proper as defined under the SFO at all times. They are required to comply with all applicable provisions of the SFO and its subsidiary rules and regulations as well as the codes and guidelines issued by the SFC.

Outlined below are some of the key on-going obligations of a licensed corporation:

- maintenance of minimum paid-up share capital and liquid capital, and submission of financial returns to the SFC, in accordance with the requirements under the Securities and Futures (Financial Resources) Rules (as discussed in more detail below);
- maintenance of segregated account(s), and custody and handling of client securities in accordance with the requirements under the Securities and Futures (Client Securities) Rules;
- maintenance of segregated account(s), and holding and payment of client money in accordance with the requirements under the Securities and Futures (Client Money) Rules;
- issuance of contract notes, statements of account and receipts, in accordance with the requirements under the Securities and Futures (Contract Notes, Statements of Account and Receipts) Rules;
- record-keeping requirements prescribed under the Securities and Futures (Keeping of Records) Rules;
- submission of audited accounts and other required documents in accordance with the requirements under the Securities and Futures (Accounts and Audit) Rules;
- maintenance of insurance against specific risks for specified amounts in accordance with the requirements under the Securities and Futures (Insurance) Rules;
- notification to the SFC of certain changes and events, in accordance with the requirements under Securities and Futures (Licensing and Registration) (Information) Rules;
- implementation of appropriate policies and procedures relating to client acceptance, client due diligence, record-keeping, identification and reporting of suspicious transactions and staff screening, education and training, in accordance with the requirements under the Guideline on Anti-Money Laundering and Counter-Terrorist Financing (the "Guideline") issued by the SFC (as discussed in more detail below); and
- business conduct requirements under the Code of Conduct for Persons Licensed by or Registered with the SFC, the Management, Supervision and Internal Control Guidelines for Persons Licensed by or Registered with the SFC, and other applicable codes and guidelines issued by the SFC.

Securities and Futures (Financial Resources) Rules ("Financial Resources Rules")

Subject to certain exemptions described below, a licensed corporation is required to maintain minimum paid-up share capital of:

- HK$5,000,000—in the case of (i) a corporation licensed for Type 1 regulated activity that does not provide securities margin financing; (ii) a corporation licensed for Type 2 or Type 7 regulated activity; (iii) a corporation licensed for Type 3 regulated activity that is an approved introducing agent; (iv) a corporation licensed for Type 4, Type 5, Type 9 or Type 10 regulated activity that is not subject to the licensing condition that it shall not hold client assets; or (v) a corporation licensed for Type 6 regulated activity that is subject to the no sponsor work licensing condition (but is not subject to the licensing condition that it shall not hold client assets);
- HK$10,000,000—in the case of (i) a corporation licensed for Type 1 regulated activity that provides securities margin financing; (ii) a corporation licensed for Type 8 regulated activity; or (iii) a corporation licensed for Type 6 regulated activity that is not subject to the no sponsor work licensing condition; or
- HK$30,000,000—in the case of a corporation licensed for Type 3 regulated activity that is not an approved introducing agent.

There is no minimum paid-up share capital requirement if the corporation is (i) licensed for Type 1 regulated activity and is an approved introducing agent or a trader; (ii) licensed for Type 2 regulated activity and is an approved introducing agent, a trader or a futures non-clearing dealer; (iii) licensed for Type 4, Type 5, Type 9 or Type 10 regulated activity which is subject to the licensing condition that it shall not hold client assets; or (iv) licensed for Type 6 regulated activity which is subject to both licensing conditions that it shall not hold client assets or engage in sponsor work.

Pursuant to the Financial Resources Rules, a licensed corporation shall also maintain minimum liquid capital of the higher of the amount of (a) and (b) below:

(a) the amount of:

  - HK$100,000—in the case of a corporation licensed for Type 4, Type 5, Type 6, Type 9 or Type 10 regulated activity which is subject to the licensing condition that it shall not hold client assets;
  - HK$500,000—in the case of (i) a corporation licensed for Type 1 regulated activity that is an approved introducing agent or trader; or (ii) a corporation licensed for Type 2 regulated activity that is an approved introducing agent, a futures non-clearing dealer or a trader;
  - HK$3,000,000—in the case of (i) a corporation licensed for Type 1 regulated activity that is not an approved introducing agent or a trader; (ii) a corporation licensed for Type 2 regulated activity that is not an approved introducing agent, a futures non-clearing dealer or a trader; (iii) a corporation licensed for Type 3 regulated activity that is an approved introducing agent; (iv) a corporation licensed for Type 4, Type 5, Type 6, Type 9 or Type 10 regulated activity which is not subject to the licensing condition that it shall not hold client assets; or (v) a corporation licensed for Type 7 or Type 8 regulated activity; or
  - HK$15,000,000—in the case of a corporation licensed for Type 3 regulated activity that is not an approved introducing agent.

(b) its variable required liquid capital, as defined in the Financial Resources Rules.

If the licensed corporation is licensed for more than one type of regulated activity, the minimum paid-up share capital and liquid capital that the corporation should maintain shall be the highest amount required among those regulated activities.

Anti-money Laundering and Counter-terrorist Financing

Licensed corporations are required to comply with the applicable anti-money laundering and counter-terrorist financing laws and regulations in Hong Kong as well as the Guideline.

The Guideline provides practical guidance to assist licensed corporations and their senior management in designing and implementing their own anti-money laundering and counter-terrorist financing policies, procedures and controls in order to meet the relevant legal and regulatory requirements in Hong Kong. Under the Guideline, licensed corporations should, among other things:

- assess the risks of any new products and services before they are introduced and ensure that appropriate additional measures and controls are implemented to mitigate and manage the associated money laundering and terrorist financing risks;
- identify the client and verify the client's identity using reliable, independent source documents, data or information, and take steps from time to time to ensure that the client information is up-to-date and relevant;
- conduct on-going monitoring of activities of the clients to ensure that they are consistent with the nature of business, the risk profile and source of funds, as well as identify transactions that are complex, large or unusual, or patterns of transactions that have no apparent economic or lawful purpose;
- maintain a database of names and particulars of terrorist suspects and designated parties which consolidates the various lists that have been made known to it, as well as comprehensive on-going screening of the client database; and
- conduct on-going monitoring for identification of suspicious transactions and ensure compliance with their legal obligations of reporting funds or property known or suspected to be proceeds of crime or terrorist property to the Joint Financial Intelligence Unit, a unit jointly run by the Hong Kong Police Force and the Hong Kong Customs & Excise Department to monitor and investigate suspected money laundering.

We set out below a brief summary of the principal legislation in Hong Kong that is concerned with anti-money laundering and counter terrorist financing.

(1) Anti-money Laundering and Counter-terrorist Financing (Financial Institution) Ordinance (Chapter 615 of the Laws of Hong Kong) ("AMLO")

Among other things, the AMLO imposes requirements relating to client due diligence and record-keeping and provides regulatory authorities with the powers to supervise compliance with the requirements under the AMLO. In addition, the regulatory authorities are empowered to (i) ensure that proper safeguards exist to prevent contravention of specified provisions in the AMLO and (ii) mitigate money laundering and terrorist financing risks.

(2) Drug Trafficking (Recovery of Proceeds) Ordinance (Chapter 405 of the Laws of Hong Kong) ("DTROP")

Among other things, the DTROP contains provisions for the investigation of assets suspected to be derived from drug trafficking activities, the freezing of assets on arrest and the confiscation of the proceeds from drug trafficking activities. It is an offense under the DTROP if a person deals with any property knowing or having reasonable grounds to believe it to represent the proceeds of drug trafficking. The DTROP requires a person to report to an authorized officer if he/she knows or suspects that any property (directly or indirectly) represents the proceeds of drug trafficking or is intended to be used or was used in connection with drug trafficking, and failure to make such disclosure constitutes an offense under the DTROP.

(3) Organized and Serious Crimes Ordinance (Chapter 455 of the Laws of Hong Kong) ("OSCO")

Among other things, the OSCO empowers officers of the Police and the Customs and Excise Department to investigate organized crime and triad activities, and it gives the courts jurisdiction to confiscate the proceeds of organized and serious crimes, to issue restraint orders and charging orders in relation to the property of defendants of specified offences. The OSCO extends the money laundering offense to cover the proceeds of all indictable offences in addition to drug trafficking.

(4) United Nations (Anti-terrorism Measures) Ordinance (Chapter 575 of the Laws of Hong Kong) ("UNATMO")

Among other things, the UNATMO provides that it would be a criminal offense to: (i) provide or collect funds (by any means, directly or indirectly) with the intention or knowledge that the funds will be used to commit, in whole or in part, one or more terrorist acts; or (ii) make any funds or financial (or related) services available, directly or indirectly, to or for the benefit of a person knowing that, or being reckless as to whether, such person is a terrorist or terrorist associate. The UNATMO also requires a person to report his knowledge or suspicion of terrorist property to an authorized officer, and failure to make such disclosure constitutes an offense under the UNATMO.

OUR HISTORY

With the approval of the State Council, Cinda Corporation, the predecessor of our Company, was established in Beijing on April 19, 1999 with a registered capital of RMB10 billion contributed solely by the MOF. Cinda Corporation was established as a wholly state-owned non-bank financial institution with the aim of effectively mitigating financial risk, maintaining stability of the financial system and accelerating the reform and development of state-owned banks and enterprises. It was the first AMC to acquire, manage and dispose NPLs of state-owned banks.

Since 1999, Cinda Corporation, in the course of carrying out the Policy Business, purchased NPLs of RMB396.3 billion divested from, among others, CCB and CDB at the Original Value financed by issuance of financial bonds to CCB and CDB and borrowings from the PBOC. In addition, in order to support the reform and development of medium and large SOEs and assist in optimizing their asset and liability structures, Cinda Corporation, as an investment entity, selectively converted distressed debt assets into equity in such medium and large SOEs pursuant to the Opinions on Certain Issues Regarding Converting Debt into Equity (關於實施債權轉股權若干問題的意見) issued by State Economic and Trade Commission and the PBOC. We completed DES for approximately 400 SOEs in the PRC since our inception. Our distressed debt asset and DES Assets acquired during the Policy Phase were collectively referred to as "Policy Business", while other businesses are referred to as "Commercial Business". Specifically, the features of Policy Business are: (i) the price for and financing of these distressed asset acquisitions were determined or arranged by the PRC government; (ii) we managed and disposed of these distressed assets in accordance with performance evaluation benchmarks determined by the MOF; and (iii) our losses incurred from the acquisition and disposal of Policy Business were handled in a manner as proposed by the MOF and approved by the State Council. As we have not acquired any Policy Distressed Assets after the year of 2000, all distressed assets we acquired during the Track Record Period were Commercial Distressed Assets. The MOF implemented performance evaluation benchmarks for the four AMCs, which took Cash Recovery Ratio and Expense Ratio of Policy Businesses as the evaluation criteria. In 2005, Cinda Corporation was the first, among the Four AMCs, to exceed the targets for Policy Business ahead of schedule with the highest Cash Recovery Ratio.

In 2004, Cinda Corporation acquired NPLs divested from BoCOM prior to its listing at the Original Value of RMB64 billion through innovative transaction structure, and acquired all NPLs divested from BOC and CCB with the Original Value of RMB278.7 billion prior to their listings through competitive bidding process, making us the largest primary wholesaler in the distressed asset management market at that time. In 2005, Cinda Corporation further acquired NPL packages divested from ICBC with the Original Value of RMB58.1 billion prior to its listing through competitive bidding process. During 2004 and 2005, the acquisitions of NPLs divested from state-owned commercial banks by Cinda Corporation through competitive bidding process were at market prices and funded by borrowings from PBOC. This series of transactions demonstrated the commercialization of our business models.

In 2005, Cinda Corporation acquired NPLs with the Original Value of RMB3 billion from Bank of Shanghai backed by commercial financing, which was the first distressed asset acquisition sourced and financed on commercial basis by an AMC. Since then, we have actively captured the opportunities arising from the disposal of distressed assets by Joint-stock Commercial Banks and city commercial banks, and successfully acquired distressed asset packages of China Everbright Bank, Hua Xia Bank, Shenzhen City Commercial Bank and Bank of Xi'an, etc., and further solidified our leading industry position. In addition, we have conducted custody, liquidation and restructuring of financial institutions with financial and operational issues, and established an integrated platform of financial services covering securities, futures, trust company, leasing, fund management and insurance with a focus on our distressed asset management business in order to provide customized financial solutions to our clients.

In 2008, in accordance with the applicable regulations, Cinda Corporation established separate accounts for its Policy Business and Commercial Business as of the end of 2006 to manage the two businesses independently of each other. In 2008, Cinda Corporation commenced its joint-stock reform process, and conducted an independent appraisal of its Policy Business and Commercial Business as at June 30, 2009. This appraised value was used to determine the value of the capital contribution by MOF for the establishment of China Cinda and the valuation for the acquisition by Cinda of all of the remaining assets of the Policy Business.

With the approval of the State Council, Cinda Corporation was renamed "China Cinda Asset Management Co., Ltd." on June 29, 2010. Cinda was established as a joint stock company with the MOF as its sole promoter, and assumed all of the assets, subsidiaries, branches, businesses, personnel and relevant policies of Cinda Corporation. The MOF subscribed for 25,155,096,932 shares at par value of RMB1.00 per share, corresponding to the appraised net asset value of the Commercial Business of Cinda Corporation of RMB25,155,096,932. As one part of our financial restructuring, we acquired the remaining assets comprising the Policy Business of Cinda Corporation from the MOF at a consideration of approximately RMB48,568 million to form part of our Commercial Business. The consideration was settled by installments payable on a yearly basis and reflected as accounts payable in the Accountant's Report. After this acquisition, we managed and assumed losses arising from these assets on our own account. Therefore, this acquisition represents the termination of our Policy Business and no asset is considered to be Policy Distressed Assets on our balance sheet thereafter.

At the same time, as the other part of our financial restructuring, the obligation to repay all principal and interest on debts related to the Policy Business of Cinda Corporation was waived or satisfied through the establishment of a jointly-managed fund to repay the principal of the existing bond, as described further below.

In 1999, Cinda Corporation acquired distressed assets from CCB with an aggregate book value of RMB250 billion for consideration of RMB3.0 billion cash and the issuance of financial bond, referred to as the existing bond, of principal RMB247 billion, with an initial term of 10 years and carrying an interest rate of 2.25% per annum. In September 2004, the MOF issued a notice which provided that: (i) beginning from January 1, 2005, in the event that Cinda Corporation is unable to pay interest payments on the existing bond in full, the MOF will provide financial support, and (ii) if necessary, the MOF will also provide financial support with respect to Cinda Corporation's repayment of the principal of the existing bond. In September 2009, the MOF issued a further notice which provided that: (i) the term of the existing bond was to be extended to 20 years, and (ii) the MOF will continue to provide support with respect to the repayment of the principal and interest on the existing bond.

In 2010, pursuant to the overall restructuring plan approved by the State Council, the MOF established a jointly-managed fund to manage the repayment of the principal of the existing bond which is removed from our balance sheet. Pursuant to the arrangements in connection with the jointly-managed fund, the sources of the fund are enterprise income taxes payable by CCB and Cinda during the life of the jointly-managed fund and other capital allocated by the MOF. The funds contained in the jointly-managed fund will then be utilized to make principal payments on the existing bond. The interest on the existing bond is paid by the general budget of the MOF.

The jointly-managed fund will operate for a term from July 1, 2009 to September 21, 2019. In the event that the principal of the existing bond is fully repaid before September 21, 2019, the jointly-managed fund may be terminated. In the event that the jointly-managed fund is insufficient to repay the principal of the existing bond as at September 21, 2019, the MOF may settle the outstanding principal of existing bonds by further extending the term of the existing bond and the jointly-managed fund, or by providing additional financial support with the approval of the State Council.

As at December 31, 2010, 2011 and 2012 and June 30, 2013, the outstanding principal of the existing bond was approximately RMB206,261 million, RMB131,761 million, RMB57,622 million and RMB52,794 million.

Haiwen & Partners, our PRC legal advisor, considers that the restructure of Cinda Corporation had been approved by relevant authorities of PRC and was in compliance with the relevant laws and regulations in the PRC.

After the completion of our joint-stock reform, we became the only AMC permitted to acquire distressed assets from non-financial enterprises. Since then, we actively expanded the management of distressed assets from non-financial enterprises and provided debt restructuring support to companies with temporary financial and operational issues. By efficiently coordinating our businesses, we also participated in M&A and restructuring businesses in key industries with focus on Distressed Entities. In addition, we expanded into new businesses including third party asset management business with reference to the experience of leading international asset management companies and the common practice of the industry.

In April 2012, we completed the introduction of strategic investment by NSSF, UBS, CITIC Capital (through its wholly-owned subsidiary CITIC Capital Financial Holding) and Standard Chartered (through its wholly-owned subsidiary Standard Chartered Financial Holdings). After the completion of the transactions, our registered capital increased to RMB30,140,024,035. The four strategic investors hold an aggregate of 16.54% of our issued share capital before the completion of the Global Offering. In addition, we also entered into master strategic cooperation agreements with our strategic investors. For more details relating to the rights of our strategic investors and strategic cooperation with them, please refer to the section headed “Strategic Investors”.

As of the Latest Practical Date, the MOF holds 83.46% of our issued share capital. The MOF is a ministry under the State Council and holds equity interests in various state-owned banks, insurance companies and asset management companies in China. The MOF, despite being the controlling shareholder of the Company, performs supervisory function over state-owned equity interests on behalf of the State Council. For details on the supervisory function of the MOF, please refer the section headed “Regulatory Environment—The PRC Regulatory Environment—Major Regulators—MOF”. The MOF is therefore not involved in the daily management of the Company. The Company is not aware of any policy or action of the MOF that will specifically prejudice or favor a particular AMC.

Key Milestones

Important milestone events in our history are set out below:

Year	Milestone Events
Policy Phase	
1999	Cinda Corporation was incorporated in Beijing as the first AMC established by the PRC Government Acquired NPLs of RMB250.0 billion from CCB and commenced the specialized disposal of distressed assets of state-owned banks Entered into DES agreement with Beijing Cement Plant and completed the first DES transaction of SOE in the PRC Acquired NPLs of RMB100.0 billion from CDB
2000	Acquired three batches of doubtful debts with a total amount of RMB23.0 billion from CCB Became the first AMC to engage in securities underwriting business by participating in the IPO of Gansu Jiu Steel Group Hongxing Iron & Steel Co., Ltd. on Shanghai Stock Exchange Restructured one of our debtors Bengbu Heat & Power by introducing foreign strategic investors, and became the first AMC to adopt such method
2001	Acquired NPLs of RMB14.0 billion from CDB
2002	Started selling distressed assets to overseas investors through structured transactions with a total amount of RMB12.3 billion in three batches as of 2003 Entrusted by the MOF to liquidate China Trust and Investment Corporation for Economic Development
2003	Entrusted to dispose of distressed assets of 12 subsidiaries of one of the largest telecom operators in China, becoming what we believe as the first AMC engaging in entrusted disposal of distressed assets of non-financial enterprises Completed restructuring and relisting of Zhengzhou Baiwen Co., Ltd as the principal creditor, marking the first restructuring of listed company led by a creditor
Transition Phase	
2004	Acquired NPLs of RMB64.0 billion divested from BoCOM before its listing through structured transaction Acquired NPLs of RMB278.7 billion of CCB and BOC through competitive bidding process, and became the largest primary wholesaler of distressed assets in the PRC at that time Commenced the development of new businesses including commercial acquisition of distressed assets, entrusted disposal of distressed assets and additional investment in assets for debt repayment, as approved by the CBRC Entrusted by the CSRC to take over the management of Hantang Securities and Liaoning Securities Entrusted by the MOF to dispose of NPLs amounting to RMB56.9 billion written-off during the joint-stock reform of CCB
2005	Acquired distressed assets of RMB3 billion from the Bank of Shanghai on commercial basis Became the first of the Four AMCs to meet the MOF's performance evaluation benchmarks on the disposal of Policy Distressed Assets, finishing ahead of schedule and surpassing the MOF's performance benchmarks and achieving the highest Cash Recovery Ratio and lowest Expense Ratio amongst the Four AMCs Acted as the chairman of creditors' committee to lead the restructuring of a listed company (Xin Jiang Hops Co., Ltd) on a commercial basis

Year	Milestone Events
	Acquired five NPL packages of ICBC in Beijing and Guangdong with a total amount of RMB58.1 billion through competitive bidding
2006	Expanded into fund management business by establishing First State Cinda Fund, a joint venture with Colonial First State Group Ltd., an affiliate of Commonwealth Bank of Australia Issued "Xinyuan 2006-1 Restructuring ABS", a listed senior asset-backed security, of RMB3 billion with the approval of PBOC and CBRC, the first batch of distressed assets securitization product in the PRC
2007	Expanded into securities business by establishing Cinda Securities Expanded into life insurance business by establishing Happy Life Acquired distressed assets package of Shenzhen City Commercial Bank on commercial basis
2008	Expanded into futures business by acquiring Zhejiang Jindi Futures Brokerage Co., Ltd., (浙江金迪期貨經紀有限公司) and renamed it as Cinda Futures Co., Ltd. Led the liquidation team which acted as the bankruptcy manager of Huaxia Securities Expanded into offshore securities businesses by acquiring Hantec Investment Holdings Limited which was renamed as Cinda International Cinda Capital Management Co., Ltd. was incorporated to carry out private equity business Re-issued asset pool securitization product "Xinyuan 2008-1" with distressed assets as underlying securities, the offer size of listed senior asset-backed security is RMB 2 billion China Cinda acted as the advisor on assets for the credit asset securitization transactions of CCB and held subordinated asset-backed securities, being the first AMC to participate in the disposal of distressed assets of banks through asset securitization Completed the reverse takeover of Beijing Tianqiao Beida Jade Bird Sci-Tech Co., Ltd., a company listed on the SSE, and renamed it in 2009 as Cinda Real Estate, hence achieving the listing of our real estate business Acquired distressed assets package of China Everbright Bank on commercial basis
2009	Became a shareholder of Bank of Xi'an through financial restructuring transactions such as acquisition of distressed assets package Expanded into P&C insurance business by establishing Cinda P&C Expanded into the trust business through restructuring and re-registration of Jingu Trust
Commercial Phase	
2010	Cinda Corporation was converted into China Cinda with the approval of the State Council, and became the first AMC to complete joint-stock reform Expanded into financial leasing business by establishing Cinda Leasing upon the restructuring of West Financial Leasing Co., Ltd. ("West Financial Leasing") Started acquisition of distressed assets from non-financial enterprises with the approval of CBRC
2011	Participated in the nationwide interbank borrowing market with the approval of PBOC Acquired distressed assets of Beijing Rural Commercial Bank on commercial basis, marking a breakthrough in acquisition method of distressed assets from banks
2012	Completed the introduction of strategic investments by NSSF, UBS, CITIC Capital and Standard Chartered with the approval of the State Council and CBRC, and became the first AMC to introduce strategic investors Issued financial bonds of RMB10 billion in the interbank bond market, and became the first AMC to issue domestic financial bonds Entered into a new stage of third party asset management business by jointly promoting and establishing Ningbo Qiushi Investment Management Partnership (Limited Partnership) with Kunlun Trust Co., Ltd., a subsidiary of CNPC

Year	Milestone Events
	Issued offshore Renminbi denominated bonds of RMB2 billion in Hong Kong through Well Kent International, and became the first AMC to issue offshore Renminbi bonds
	Participated in the establishment of China Agriculture Industry Development Fund by way of promotion, and our subsidiary Cinda Capital obtained the qualification of fund manager through competitive bidding process

OUR MAJOR OPERATING SUBSIDIARIES

We have 31 branches across 30 provinces in the PRC, mainly engaged in distressed asset management, financial investment and asset management, and financial service businesses. In addition, we have nine principal subsidiaries, of which six are engaged in financial service sectors, namely: securities and futures, trust, financial leasing, fund management, P&C insurance and life insurance, while the other three are engaged in financial investment and asset management business. Descriptions of our major operating subsidiaries of the Group are set forth below.

Cinda Securities

We co-founded Cinda Securities with Zhonghai Trust and Investment Co., Ltd. (currently known as Zhonghai Trust Co., Ltd.) and China National Materials Industry Corporation (currently known as China National Materials Group Corporation Ltd.) by way of promotion in September 2007 with a registered capital of RMB1,511 million. Our Company, Zhonghai Trust and Investment Co., Ltd. and China National Materials Industry Corporation held 99.27%, 0.60% and 0.13% interest in Cinda Securities, respectively. As of the Latest Practicable Date, Cinda Securities had a registered capital of RMB2,569 million and was held by as to 99.33%, 0.60% and 0.08% by our Company, Zhonghai Trust Co., Ltd. and China National Materials Group Corporation Ltd., respectively.

The businesses of Cinda Securities include securities brokerage; securities investment consulting; financial advisory in securities trading and investment; securities underwriting and promotion; proprietary securities trading; securities asset management; securities margin trading, and financial brokerage business. Cinda Securities also holds 100% equity interests in Cinda Futures. Cinda Futures has a registered capital of RMB 300 million and its major businesses include futures and commodities brokerage, financial futures brokerage and futures investment advisory.

Jingu Trust

China Jingu International Trust Investment Co., Ltd., the predecessor of Jingu Trust, was jointly established by eight institutions with a registered capital of RMB250 million. We purchased 63% equity interest in China Jingu International Trust Investment Co., Ltd. from its then controlling shareholder, China National Bluestar (Group) Co, Ltd. in 2008 with China Women Activity Center and China Overseas Engineering Group Co., Ltd. held the remaining 30% and 7% equity interest in China Jingu International Trust Investment Co., Ltd., respectively. In September 2009, as approved by the CBRC, Jingu Trust was re-registered and commenced operation as China Jingu International Trust Co., Ltd. We increased our shareholding in Jingu Trust to 92.29% by subscribing for new shares. The registered capital of Jingu Trust increased to RMB1,200 million. As of the Latest Practicable Date, the registered capital of Jingu Trust remained unchanged. Our Company, China Women Activity Center and China Overseas Engineering Group Co., Ltd. held 92.29%, 6.25% and 1.46% of its equity interest, respectively.

The businesses of Jingu Trust include capital trust; property trust; real estate trust; marketable securities trust; other property or property right trust; engagement in investment fund business as a promoter of investment funds or fund management companies; conducting restructuring of company assets, M&A and project financing, corporate wealth management and financial advisory; custody operation of securities underwriting business as approved by the relevant authorities of the State Council; brokerage, consultancy, and credit investigation; custody and safe deposit box service; application of inherent properties by due from banks, placement with banks, loans, leasing and investment; provision of guarantee with inherent properties; inter-bank lending and borrowing.

Cinda Leasing

Gansu Province Leasing Company, the predecessor of Cinda Leasing, was jointly established by Gansu branch of CCB, Complete Machinery & Equipment Company of Gansu Province, Gansu Machinery Industry Corporation, Gansu Machinery Engineering Company and Second Engineering Company of Northwest Power Construction Bureau in July 1988 with an initial registered capital of RMB24 million. It was subsequently re-registered as a limited company in December 1996 and was renamed as West Financial Leasing Co., Ltd. in January 2002. In 2005, we acquired 0.30% of equity interest in West Financial Leasing in satisfaction of debt. In May 2010, as a part of the reorganization of West Financial Leasing, we obtained 98.7% of its equity interest through acquisition and subscription of its new shares. West Financial Leasing was then renamed as Cinda Financial Leasing Co., Ltd. As of the Latest Practicable Date, the registered capital of Cinda Leasing increased to RMB2,001 million. Our Company, Zhongrun Development (our subsidiary) and eight other independent third party corporate shareholders held 99.36%, 0.20% and 0.44% of its equity interest, respectively.

The businesses of Cinda Leasing include financial leasing business; time deposits with maturity of one year or more; accept premium for lease; transfer lease receivables to commercial banks; issue approved financial debentures; inter-bank lending and borrowing; borrowing from financial institutions; offshore foreign exchange borrowings; sale and disposal of lease residuals; economic consulting; and other businesses approved by the CBRC.

First State Cinda Fund

First State Cinda Fund is a Sino-foreign asset management joint venture established by our Company and Colonial First State Group Ltd. in June 2006 with a registered capital of RMB100 million. Our Company and Colonial First State Group Ltd. held 54% and 46% of equity interest in First State Cinda Fund, respectively. As of the Latest Practicable Date, the registered capital of First State Cinda Fund was RMB100 million. Our Company continued to hold 54% of equity interest in First State Cinda Fund while Colonial First State Group Ltd. held the remaining 46%.

The businesses of First State Cinda Fund include fund raising, fund sales, asset management and other businesses permitted by the CSRC.

Cinda P&C

Cinda P&C was established in August 2009 with a registered capital of RMB1,000 million. Our Company, Cinda Investment and China Economic Trust Investment Co., Ltd. held 20%, 20%, 11% of equity interest in Cinda P&C, respectively, and ten other corporate shareholders held the remaining

49%. As of the Latest Practicable Date, the registered capital of Cinda P&C was RMB3,000 million. Our Company and 15 corporate shareholders held 51% and 49% of its equity interest, respectively.

The businesses of Cinda P&C include property insurance; liability insurance; credit insurance and guarantee insurance; short-term health insurance and accident insurance; reinsurance business of the above-mentioned insurances; insurance fund utilization permitted by PRC laws and regulations; and other businesses approved by the CIRC.

Happy Life

Happy Life was established in November 2007 with a registered capital of RMB1,159 million. Cinda Investment, a subsidiary of our Company, Hainan Wanquan Tropical Agricultural Investment Co., Ltd. and China Economic Trust Investment Co., Ltd. held 17.26% of equity interest each (51.78% in total) in Happy Life and other 12 corporate shareholders jointly held the remaining 48.22%. As of the Latest Practicable Date, the registered share capital of Happy Life was RMB3,330 million. Our Company directly and indirectly held 61.59% of its equity interest. Happy Life entered into a transaction with a third-party investor for the issue of 566,666,667 ordinary shares at a price of RMB1.5 per share in April 2013. This transaction was approved by the shareholders' general meeting of Happy Life in April 2013 and the CIRC in September 2013, and is undergoing the change of registration with the administration for industry and commerce.

The businesses of Happy Life include personal insurance business, such as life insurance, health insurance and personal accident insurance; reinsurance business of the above-mentioned insurance; insurance fund utilization allowed by PRC laws and regulations; and other businesses approved by the CIRC.

Cinda Investment

Cinda Investment was established in August 2000 with a registered capital of RMB300 million and with our Company, Hainan Jianxin Investment Management Co., Ltd., Shanghai Liren Investment Management Co., Ltd., Shenzhen Jianxin Investment Development Co., Ltd. and Beijing Jianxin Industry Co., Ltd. as the promoters, which held 95.00%, 1.67%, 1.67%, 1.00% and 0.67% of equity interest in Cinda Investment, respectively. As of the Latest Practicable Date, the registered share capital of Cinda Investment has been increased to RMB2.0 billion and was wholly-owned by our Company.

The businesses of Cinda Investment include outbound investment and asset management. As of the Latest Practicable Date, Cinda Investment holds interest in Cinda Real Estate (a company listed on the SSE (stock code: 600657)) as to 54.75% directly, and 1.99% and 1.79% indirectly through Hainan Jianxin Investment Management Co., Ltd., which is held as to 94.2% and 5.8% by Cinda Investment and Shenzhen Jianxin Investment Development Co., Ltd, respectively, and Shenzhen Jianxin Investment Development Co., Ltd., a wholly-owned subsidiary of Cinda Investment, respectively. Cinda Real Estate, which mainly engages in property development, is our operation platform for property development business. In addition, Cinda Investment holds interest in Shanghai Tongda Venture Capital Co., Ltd. ("Tongda Venture", a company listed on the SSE (stock code: 600647)) as to 40.68% directly and 0.34% indirectly through Hainan Jianxin Investment Management Co., Ltd., which is held as to 94.2% and 5.8% by Cinda Investment and Shenzhen Jianxin Investment Development Co., Ltd, respectively. Tongda Venture mainly engages in high-tech industry investment, industrial investment and asset management, agricultural development, operation and domestic trade (subject to special regulations).

Well Kent International

Well Kent International was incorporated in Hong Kong in December 1998. As of the Latest Practicable Date, Well Kent International had an issued share capital of HKD1.4 billion and was wholly-owned by our Company.

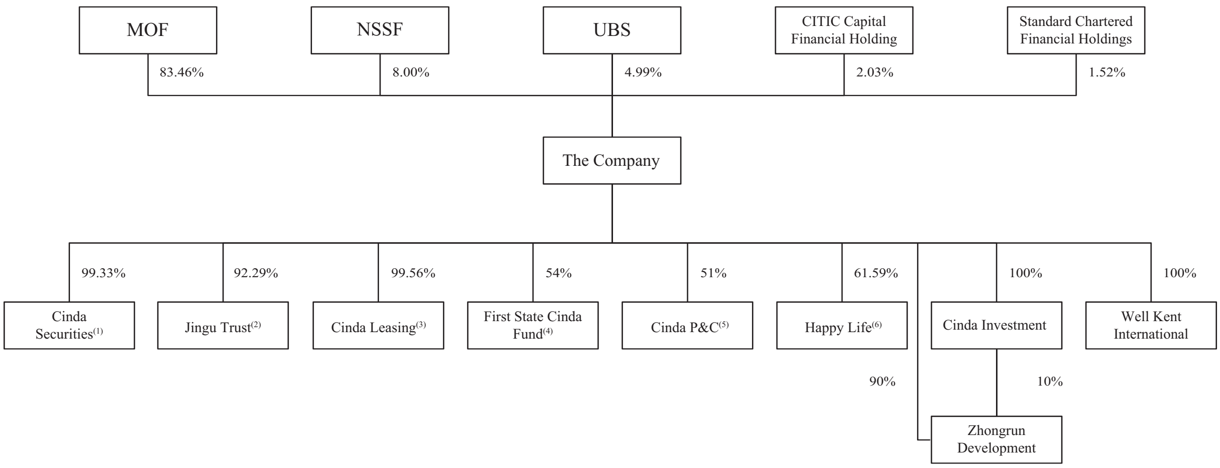
Well Kent International serves as a key platform for us to conduct offshore asset management business and provides offshore financial services. We conduct equity investment, securities investment and asset management business globally through Well Kent International and its subsidiaries. Well Kent International also engages in overseas investment banking business through Cinda International (Hong Kong Stock Exchange stock code: 00111). As of the Latest Practicable Date, Cinda International is held by Sinoday as to 63.87% and by Silver Grant International Industries Limited (listed on the Hong Kong Stock Exchange, stock code: 00171) as to 7.87%. Silver Grant International Industries Limited is held indirectly by Well Kent International as to 19.54%. Cinda International, which mainly engages in corporate financing, securities, futures, asset management and wealth management, is an important platform for us to develop overseas business.

Zhongrun Development

Zhongrun Development was established in April 1996 with a registered capital of RMB30 million, which is held as to 90% and 10% by China Trust and Investment Corporation for Economic Development and Beijing Yihong Economic Development Company, respectively. In May 2000, the 10% interest held by Beijing Yihong Economic Development Company was transfered to Beijing Lingchuang Technology Development Company Limited, a subsidiary of China Trust and Investment Corporation for Economic Development. In July 2003, MOF allocated the 90% interest held by China Economic Development Trust Investment Co., Ltd. in Zhongrun Development to our Company. We further acquired the remaining 10% interest of Zhongrun Development through Cinda Investment in December 2012. As of the Latest Practicable Date, Zhongrun Development had a registered capital of RMB30 million and was held as to 90% and 10% by our Company and Cinda Investment, respectively. The businesses of Zhongrun Development include assets under trust and management, corporate restructuring and financial consulting.

OUR SHAREHOLDING AND GROUP STRUCTURE

The following chart sets forth the shareholding and group structure of our Company and our major operating subsidiaries immediately prior to the completion of the Global Offering. For more information regarding our shareholding and group structure prior to the completion of the Global Offering, please refer to the section headed "Share Capital".



(1) The remaining equity interest of Cinda Securities was held by Zhonghai Trust Co., Ltd. and China National Materials Group Corporation Ltd. as to 0.60% and 0.08%, respectively. Zhonghai Trust Co., Ltd. and China National Materials Group Corporation Ltd. are independent third parties of our Company.

(2) The remaining equity interest of Jingu Trust was held by China Women Activity Center and China Overseas Engineering Group Co., Ltd. as to 6.25% and 1.46%, respectively. China Women Activity Center and China Overseas Engineering Group Co., Ltd are independent third parties of our Company.

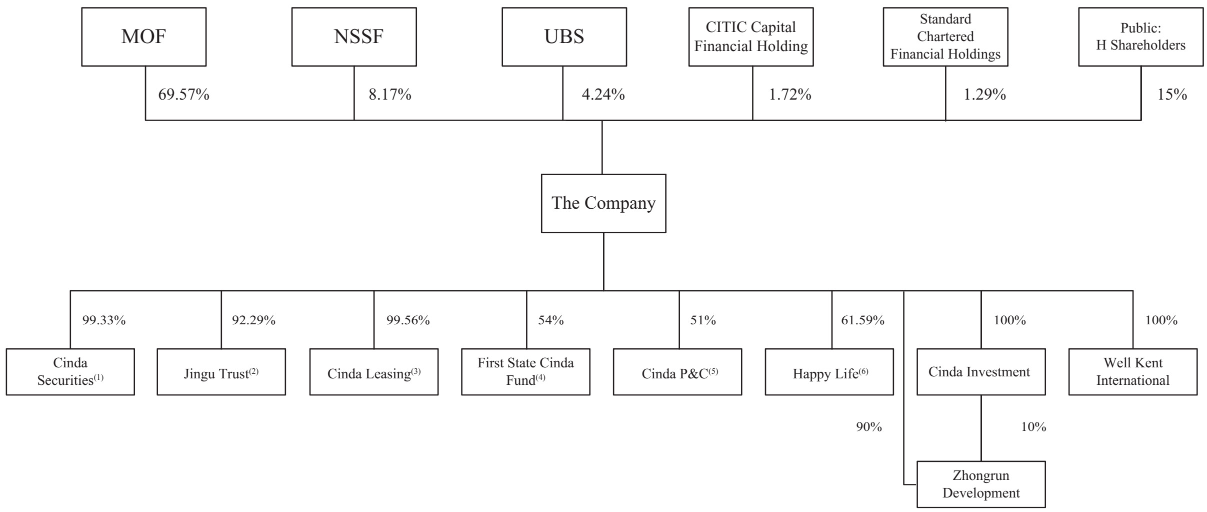
(3) Cinda Leasing is directly held by our Company as to 99.36% and indirectly held by Zhongrun Development, our subsidiary, as to 0.20%. The other eight independent third party corporate shareholders hold the remaining 0.44% equity interest.

(4) The other 46% equity interest of First State Cinda Fund is held by Colonial First State Group Ltd.. Colonial First State Group Ltd. is a connected person of our Company because it is a substantial shareholder of First State Cinda Fund.

(5) Cinda P&C is held by our Company as to 51.0%, Chongqing Liangjiang New District Development and Investment Group Limited as to 13.3%, Beijing Dongfang Xinda Asset Management Corporate as to 6.7%, Taizhou Wanbang Property Development Company Limited as to 6.7%, Luenmei Holding Co., Ltd. as to 6.0%, Shanghai Mingjia Property Development Company Limited as to 3.3%, Shenzhen Qiaoshang Investment Management Company as to 3.3% and Yima Coal Industry Group Co., Ltd. as to 2.0%. Other eight corporate shareholders hold the remaining 7.7% equity interest, with less than 2.0% shareholding each, in Cinda P&C. Except for Chongqing Liangjiang New District Development and Investment Group Limited, which is a connected person of our Company because it is a substantial shareholder of Cinda P&C, all other shareholders of Cinda P&C are independent third parties of our Company.

(6) Happy Life is held by our Company directly as to 17.71% and indirectly through Cinda Investment as to 15.48%, Hainan Wanquan Tropical Agricultural Investment Co., Ltd. as to 14.20% and China Economic Trust Investment Co., Ltd. as to 14.20% (61.59% in total). Shaanxi Coal and Chemical Industry Group Company Limited, Chery Automobile Co. Ltd., Wuhu Construction Investment Company Limited, Datong Coal Mine Group Limited, China Travel (Group) Corporation, Shanghai Zhongfang Property Development Co. Ltd and Beijing Century Huifeng Investment Company Limited hold 9.58%, 6.01%, 5.17%, 3.09%, 3.00%, 3.00% and 2.52% of equity interest of Happy Life, respectively. Other eight corporate shareholders hold the remaining 6.05%, with less than 2% shareholding each, in Happy Life. Our Company directly and indirectly holds 61.59% equity interest in Happy Life. In order to comply with regulatory requirements of the CIRC, the shareholding of our Company in Happy Life will be reduced to 51% through capital injection and share transfer, the procedures of which have been approved by the CIRC and are undergoing the change of registration with the administration for industry and commerce. Except for Shaanxi Coal and Chemical Industry Group Company Limited and Wuhu Construction Investment Company Limited, which are connected persons of our Company, and Cinda Investment Co., Ltd., Hainan Wanquan Tropical Agricultural Investment Co., Ltd. and China Economic Trust Investment Co., Ltd., which are direct or indirect subsidiaries of our Company, all other shareholders of Happy Life are independent third parties of our Company.

The following chart sets forth the shareholding and group structure of our Company and our major operating subsidiaries upon the completion of the Global Offering, assuming that the Over-allotment Option is not exercised. For more information regarding our shareholding structure and share capital upon the completion of the Global Offering, please refer to the section headed "Share Capital".



(1) The remaining equity interest of Cinda Securities was held by Zhonghai Trust Co., Ltd. and China National Materials Group Corporation Ltd. as to 0.60% and 0.08%, respectively. Zhonghai Trust Co., Ltd. and China National Materials Group Corporation Ltd. are independent third parties of our Company.

(2) The remaining equity interest of Jingu Trust was held by China Women Activity Center and China Overseas Engineering Group Co., Ltd. as to 6.25% and 1.46%, respectively. China Women Activity Center and China Overseas Engineering Group Co., Ltd. are independent third parties of our Company.

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(6) Happy Life is held by our Company directly as to 17.71% and indirectly through Cinda Investment as to 15.48%, Hainan Wanquan Tropical Agricultural Investment Co., Ltd. as to 14.20% and China Economic Trust Investment Co., Ltd. as to 14.20% (61.59% in total). Shaanxi Coal and Chemical Industry Group Company Limited, Chery Automobile Co. Ltd., Wuhu Construction Investment Company Limited, Datong Coal Mine Group Limited, China Travel (Group) Corporation, Shanghai Zhongfang Property Development Co. Ltd and Beijing Century Huifeng Investment Company Limited hold 9.58%, 6.01%, 5.17%, 3.09%, 3.00%, 3.00% and 2.52% of equity interest of Happy Life, respectively. Other eight corporate shareholders hold the remaining 6.05%, with less than 2% shareholding each, in Happy Life. Our Company directly and indirectly holds 61.59% equity interest in Happy Life. In order to comply with regulatory requirements of the CIRC, the shareholding of our Company in Happy Life will be reduced to 51% through capital injection and share transfer, the procedures of which have been approved by the CIRC and are undergoing the change of registration with the administration for industry and commerce. Except for Shaanxi Coal and Chemical Industry Group Company Limited and Wuhu Construction Investment Company Limited, which are connected persons of our Company, and Cinda Investment Co., Ltd., Hainan Wanquan Tropical Agricultural Investment Co., Ltd. and China Economic Trust Investment Co., Ltd., which are direct or indirect subsidiaries of our Company, all other shareholders of Happy Life are independent third parties of our Company.

SUMMARY

In December 2011, we entered into the Strategic Investment Agreements with NSSF, UBS, CITIC Capital and CITIC Capital Financial Holding, and Standard Chartered Bank and Standard Chartered Financial Holdings, respectively, and completed the change of registration with the administration of industry and commerce on April 24, 2012. Furthermore, in order to enhance corporate governance standards and promote business growth, we established non-exclusive strategic cooperation arrangements with the Strategic Investors.

STRATEGIC INVESTMENTS

Share subscription

The table below sets out the basic information of the strategic investments.

	NSSF	UBS	CITIC Capital [1]	Standard Chartered Bank [2]
Date of agreement	December 26, 2011	December 30, 2011	December 23, 2011	December 23, 2011
Number of shares subscribed	2,411,201,923	1,503,987,199	611,278,846	458,459,135
Consideration	RMB5,015,299,999.84	RMB3,128,293,373.92	RMB1,271,459,999.68	RMB953,595,000.80
Date of consideration payment/closing date	March 7, 2012	March 13, 2012	March 7, 2012	March 7, 2012
Basis of consideration	The consideration was determined based on the principle of fairness with reference to the valuation of the business of the Company.			
Consideration per share	RMB2.08 per share			
Discount to IPO price [3]	20.10%			
Use of proceeds	Investment from NSSF totaling RMB5,015 million was used as the working capital of the Company mainly to promote the development of distressed asset management business. Investment from UBS, CITIC Capital, and Standard Chartered Bank totaling RMB5,353 million (converted at the exchange rate of the date of remittance), of which, RMB1,325 million, RMB1,326 million and RMB1,000 million were used as capital contribution to Happy Life, Cinda P&C and Cinda Leasing, respectively. The remaining amount was used for the investment business of the Company. The aforesaid proceeds has been fully used.			
Shareholding in the Company prior to the Global Offering	8.00%	4.99%	2.03%	1.52%
Shareholding in the Company upon the completion of the Global Offering [4]	8.17%	4.24%	1.72%	1.29%
Strategic benefit on the Company	The strengthening of cooperation and the provision of working capital.			

1 CITIC Capital holds Shares through its wholly-owned subsidiary CITIC Capital Financial Holding.

2 Standard Chartered Bank holds Shares through its wholly-owned subsidiary Standard Chartered Financial Holdings.

3 The discount rate is calculated based on an indicative price of HK\$3.29 per H Share (being the midpoint of the price range of HK\$3.00 to HK\$3.58 as set out in this prospectus) and an indicative exchange rate of HK\$1 = RMB0.7913.

4 The shareholdings are calculated based on (1) the indicative Global Offering size of 5,318,840,000 H shares without considering the exercise of any over allotment option, and (2) the transfer of state-owned shares held by MOF and NSSF to NSSF.

Our Strategic Investors

NSSF

The National Social Security Fund is managed and operated by NSSF. The National Social Security Fund is a social security fund under the centralized management of the PRC government. As an important strategic reserve of China, it is mainly used to meet the demand for social security for the future aging population in China. The National Social Security Fund is funded by government appropriations, proceeds and equity assets from disposals or transfers of state-owned shares and other capital raising activities approved by the State Council and its own investment returns. As at the end of 2012, the total fund assets managed by NSSF amounted to RMB1,106,037 million with an average annual investment return of 8.29%.

UBS

UBS draws on its 150-year heritage to serve private, institutional and corporate clients worldwide, as well as retail clients in Switzerland. Its business strategy is centered on its pre-eminent global wealth management businesses and its universal bank in Switzerland. Together with a client-focused investment bank and a strong, well-diversified global asset management business, UBS will expand its premier wealth management franchise and drive its further growth.

UBS is present in all major financial centers worldwide. It has offices in more than 50 countries, and employs more than 62,000 people, with about 36% of its employees working in the Americas, 35% in Switzerland, 17% in the rest of Europe, the Middle East and Africa and 12% in Asia Pacific. Its shares are listed on the SIX Swiss Exchange and the New York Stock Exchange.

CITIC Capital

CITIC Capital is an alternative investment management and advisory company primarily engaging in direct investment, real estate funds, structured finance, asset management and ventures with funds under management of over US$4 billion. By leveraging on its deep understanding of the business environment and capital market in China and a quality team with rich experience of domestic and overseas market and superb skills, CITTC Capital provides various investment products and services and creates satisfactory investment returns for domestic and overseas investors. CITIC Capital has set up subsidiaries or offices in Hong Kong, Shanghai, Beijing, Tokyo and New York and currently employs more than 200 employees. CITIC Capital Financial Holding is a wholly-owned subsidiary of CITIC Capital.

Standard Chartered Bank

Standard Chartered Bank is a leading international banking group. It has operated for over 150 years in some of the world's most dynamic markets and earns around 90 per cent of its income and profits in Asia, Africa and the Middle East. This geographic focus and commitment to developing deep relationships with clients and customers has driven its growth in recent years. Standard Chartered PLC is listed on the London and Hong Kong stock exchanges as well as the Bombay and National Stock Exchanges in India.

With 1,700 offices in 70 markets, Standard Chartered PLC offers exciting and challenging international career opportunities for 87,000 staff. It is committed to building a sustainable business over the long term and is trusted worldwide for upholding high standards of corporate governance, social responsibility, environmental protection and employee diversity. Standard Chartered's heritage and values are expressed in its brand promise, "Here for good". Standard Chartered Financial Holdings is a wholly-owned subsidiary of Standard Chartered Bank.

All Strategic Investors are independent from the Company and are not connected persons of the Company. Therefore, the shares held by Strategic Investors form a part of the public float for the purpose of Rule 8.08 of the Listing Rules.

Rights and obligations of Strategic Investors

According to the Strategic Investment Agreements, the rights and obligations of the Strategic Investors include the following:

Anti-dilution right

In connection with the issue of any new ordinary shares (the "Additional Shares"), prior to an IPO, the Strategic Investors shall have the right to purchase such number of the Additional Shares as shall, together with the ordinary shares owned by the Strategic Investors, result in the total ordinary shares owned by the Strategic Investors as a proportion of the total issued and outstanding ordinary shares being not lower than such proportion immediately prior to the completion of the issue of shares by the Company.

Most favorable terms

Except pursuant to certain specified issuances, prior to an IPO, the Company undertakes that it will not issue any ordinary shares to any person other than the Strategic Investors on terms more favorable than the terms on which any ordinary shares were issued to Strategic Investors pursuant to the Strategic Investment Agreements.

Right of nomination of directors

According to the NSSF Strategic Investment Agreement, NSSF shall have the right to nominate one director of the Company. In the event that the total number of Shares of the Company held by NSSF is no more than 5% of the total issued and outstanding Shares of the Company, the director nominated by NSSF shall resign from the Board or waive all powers and rights as a member of the Board on the date of the next annual general meeting or on the date of expiry of his term of office, whichever is earlier.

Pursuant to the UBS Strategic Investment Agreement, UBS shall be entitled to nominate a candidate of independent director of the Company during the period of such agreement, and the Company shall procure the Board to propose such person as a candidate of independent director in compliance with the Articles and PRC laws and shall take all corporate actions as permitted under PRC laws to allow such independent director candidate to be lawfully elected as a member of the Board.

The right of nomination of directors of both NSSF and UBS will terminate upon the listing of the Shares of the Company on a qualified stock exchange (including the Hong Kong Stock Exchange).

Dividends

According to the Strategic Investment Agreements, prior to an IPO, the Company shall use commercially reasonable efforts to procure that the aggregate amount of all dividends declared by the Company in respect of 2012 and each subsequent financial year ending seven months prior to the initial closing of the IPO shall be not less than 15% (or 25% to 30% for the best interests of the Company and its Shareholders at the discretion of the Company) of the net profit of the Company for such financial year as set forth in the Company's audited consolidated statement of income for such financial year.

Right of information

Prior to an IPO, the Company shall furnish to the Strategic Investors certain information, including the consolidated financial reports and management accounts. Where the Company provides any report, circular or document to the holders of ordinary shares in respect of their shareholding, copies of the same shall be provided to the Strategic Investors.

Transfer restrictions

The Strategic Investment Agreements provide the following restrictions on the transfer of shares held by the Strategic Investors:

(i) Except for permitted transfers, the Strategic Investors shall not transfer their Shares in the Company to any person until but excluding the third anniversary of the closing date;

(ii) Strategic Investors shall not transfer any relevant securities to major direct competitors of the Company, however, (1) in the case of NSSF, after the listing of the ordinary shares, NSSF may sell any of the ordinary shares on a qualified stock exchange or transfer such shares on the request of PRC government authorities; (2) in the case of the other Strategic Investors, subject to (i) above, in the event that they or the placing agent or broker which effect the sales on their behalf is unable to confirm or control the identity of the acquirer, the provisions of (ii) shall not restrict the sale of any ordinary shares by them to the acquirer, unless they or such placing agent or broker actually know that the acquirer is a major direct competitor or the agent of a major direct competitor of the Company.

Company's right of first refusal

If, prior to an IPO, the Strategic Investors desire to transfer any of their Shares in the Company to any third party to the extent permissible under the Strategic Investment Agreements, they shall first submit an offer to the Company. Where the Company fails to reply in writing within the prescribed period or refuse to repurchase the Shares, the Strategic Investors may transfer such Shares to any other third parties based on terms and conditions not more favorable than those set forth in the offer within nine months from the date of offer ("Transfer Period"). The Company shall assist to effect the transaction between the Strategic Investors and any third parties. If the Strategic Investors fail to enter into any binding transfer agreement in respect of the securities to be sold within the Transfer Period or the proposed transfer is rejected, the Strategic Investors shall go through the above procedures again before the completion of such transfers.

Share conversion of strategic investors

If the Company seeks to conduct a public offering of ordinary shares outside the PRC, the Strategic Investors may convert all or part of their Shares in the Company it held into overseas listed foreign invested shares.

Termination of rights

According to the Strategic Investment Agreements, to the extent any right of the Strategic Investors under the agreement conflicts with or would cause the Company to be in violation of the applicable securities laws and the applicable listing rules of any eligible stock exchanges or otherwise impede the Company's ability to achieve a listing of the Company, such rights shall be terminated immediately. In accordance with Guidance Letter HKEx-GL43-12, all such rights described above shall terminate on the Listing Date.

Given the relevant arrangement of the above strategic cooperation agreements and that the relevant transactions of strategic cooperation agreements had been completed at least 28 days before the first application of the Company for listing being submitted to the Hong Kong Stock Exchange, the Joint Sponsors consider that the relevant transactions are in compliance with the requirements under the Provisional Guidance, Guidance Letter HKEx-GL44-12 and Guidance Letter HKEx-GL43-12 for pre-IPO investment.

STRATEGIC COOPERATION

Other than the Strategic Investment Agreements, we have also established strategic cooperation with the Strategic Investors. We have entered into separate strategic cooperation agreements with each of UBS, CITIC Capital and Standard Chartered Bank. According to such strategic cooperation agreements, the term of strategic cooperation between us and UBS, CITIC Capital and Standard Chartered Bank is three years starting from the closing date of agreements. To facilitate effective strategic cooperation, we have established a steering committee, a liaison office and a working group. The steering committee is responsible for the overall strategies and supervision of the strategic cooperation. The liaison office prepares the annual cooperation plans, implements the decisions of the steering committee and coordinates the work of the working group. The working group manages the implementation and supervises the progress according to the cooperation plans as agreed by both parties and reports to the steering committee. The arrangement of the strategic cooperation between us and NSSF is included in the NSSF Strategic Investment Agreement.

Scope of cooperation with NSSF

According to the NSSF Strategic Investment Agreement, NSSF will further enhance the market position and market share of the Company in areas of equity investment and financial services and strengthen the profitability of the Company by leveraging on the outstanding market position and image of NSSF. The Company and NSSF will further enlarge the scope of business cooperation. In particular, NSSF will refer the Company to the commercial banks in which it invests to conduct businesses such as the management of non-performing assets, give first priority to the equity under the management of the Company as the target of its equity fund investment and to the trust companies controlled by the Company as the trustee of the trust loans in which it invests, and make co-investments with the Company in domestic and foreign stock and bond markets.

Scope of cooperation with UBS, CITIC Capital and Standard Chartered Bank

According to the strategic cooperation agreements between us and UBS, CITIC Capital and Standard Chartered Bank ("Strategic Cooperation Partners"), the scope of cooperation mainly includes corporate governance, management and business flows, cooperation in major business segments, risk management and internal control, and human resources and training.

Corporate governance

The Strategic Cooperation Partners will share their experience in corporate governance and the formulation and implementation of systems with the Company with an aim to assist the Company to establish its corporate governance, improve the balance and operation of the governance systems, provide assistance and suggestions to the Company for the improvement of corporate governance, assist the Company to form and improve the management and operation systems for the maintenance of investor relations, set up the information disclosure system in compliance with the requirements of listing and establish the investor relations management team, website, information management and database.

Management and business flows

Each of the Strategic Cooperation Partners will also provide technical support, advice, recommendations and training in respect of the following issues of management and business flows:

- strategic development and planning;
- organizational structure of the Group;
- business flows of asset management, investment and capital transactions;
- treasury management, including comprehensive budget management, assets and liabilities management, capital transactions and operation management and pricing mechanism for internal fund transfer;
- capital management system;
- client relationship management system; and
- internal cross-selling arrangements.

Major scope of business cooperation

Wealth management business

The Strategic Cooperation Partners will share with the Company their experience in and knowledge of design and establishment of organizational structure, formulation of business flows and product designs and cooperate with the Company to design and develop products fulfilling the specific requirements of the customers. Key personnel of the Strategic Cooperation Partners and the Company will maintain close communication, and on-site visits to the wealth management department of the Strategic Cooperation Partners will be arranged for the management and key wealth management business personnel of the Company. The Company and the Strategic Cooperation Partners will promote cross-selling of their products to their respective clients. In addition, the Company will proactively refer wealth management business to the Strategic Cooperation Partners.

Financing lease business

The Strategic Cooperation Partners will form financing lease cooperation with the Company and refer customers and business to the Company by taking advantage of their network and customer resources in order to facilitate the Company to develop as a leader in the financing lease segment market with extensive experience in financial and capital operation business and expertise in the financial industry.

Asset management business

The Strategic Cooperation Partners will share with the Company its experience in asset management, provide suggestions to the Company for the improvement of asset management and optimization of overall asset portfolio, assist the Company in developing overseas investment products and cooperate with the Company with respect to non-performing asset investment business outside the PRC. Both parties will actively develop cooperation in the innovation of financial products for the acquisition, management and disposal of non-performing financial assets and other non-performing assets. The Strategic Cooperation Partners will provide assistance or suggestions to the Company on the development, transaction approval and business flow of financial derivative instruments and products. Both parties will initiate business cooperation regarding QFII and QDII.

Investment business

The Strategic Cooperation Partners will assist the Company in the development of investment business by forming all-rounded cooperation in respect of fund raising, selection of projects, due diligence investigation, decision and implementation of projects and portfolio management. The Strategic Cooperation Partners will jointly develop domestic and overseas investment products with the Company, assist the Company in the establishment of transaction platform for interest rates, foreign exchange, credits, commodities and relevant derivative instruments, and share with the Company the experience in the design and transactions of overseas leverage and hedging tools.

Investment banking business

The Strategic Cooperation Partners and the Company will refer domestic and overseas investment banking businesses to each other, including but not limited to domestic and overseas sponsorship, underwriting of stocks or bonds and financial advisory for cross-border M&A. The Strategic Cooperation Partners will provide advices for the major customers of the Company in respect of their development requirements such as overseas M&A and financing, and jointly offer international financial services to the customers. The Strategic Cooperation Partners and the Company will refer investment banking business and projects to each other.

Risk management and internal control

The Strategic Cooperation Partners will provide assistance to the Company to establish a comprehensive risk management system suitable for the business features and management requirements of the Group, develop risk measurement models and management procedures for credit risk, market risk, liquidity risk and operational risk and establish a risk monitoring and assessment system, stress tests and an information system. The Strategic Cooperation Partners will also assist the Company in the establishment of industry, product or customer specific risk exposure limit management systems and overall limit management systems, the establishment of a regular risk reporting system for the timely, comprehensive and transparent risk disclosures to the stakeholders and advise the Company on the adoption of key risk management assessment indicators and the formulation of policies, procedures and risk measurement and monitoring methods for intra-group connected transactions. The Strategic Cooperation Partners will also share with the Company its experience in internal control and assist the Company in the establishment of a sound internal control system, and provide training and technical support regarding the risk management and internal control cooperation mentioned above.

Human resources and training

In addition to the abovementioned training and advisory services, as a part of the strategic investments, pursuant to the Strategic Cooperation Agreements between us and UBS, CITIC Capital and Standard Chartered Bank, the Strategic Cooperation Partners will organize training and internship of major businesses covering wealth management, asset management, treasury management and risk management for the middle and senior management members and employees of the Company. The Strategic Cooperation Partners will also provide technical support to the Company by assigning experts to the Company or through other ways.

Besides the training and technical support as mentioned above, the Strategic Cooperation Partners will provide support and advice to the Company on the improvement of the performance appraisal and evaluation system, remuneration and incentive mechanisms and human resource management system of the Group.

Progress of cooperation

As at the Latest Practicable Date, we have achieved significant progress in our cooperation with the Strategic Cooperation Partners, details of which are as follows:

Meetings and sharing of senior management

The Strategic Investors and senior management of the Company have held 18 meetings since 2012. The Chairman of the Board, President and Chairman of the Board of Supervisors of the Company held various meetings with the senior management of UBS, CITIC Capital and Standard Chartered Bank to share their views on major topics including macroeconomic conditions, industry prospects and the strategic developments of their respective companies.

Business exchange and cooperation

Since 2012, 17 meetings have been held by relevant departments, branches and subsidiaries of the Company and the representatives of Strategic Investors in respect of topics covering non-performing asset acquisition, business coordination, project cooperation, internal control, risk management and cooperation on information technology. The research department of the Company has established a sound cooperative relationship with Standard Chartered Bank. They share research results with each other and have meetings regularly. At the level of branches, Strategic Investors and our branches such as the Gansu branch have discussions about the cooperation on relevant wind power projects and regional property projects. At the level of subsidiaries, Strategic Investors and our subsidiaries, including Cinda Leasing, Well Kent International and Cinda Real Estate, maintain close communication and have achieved successful cooperation in various businesses.

Training

The Company has entered into cooperative training memorandums with UBS, CITIC Capital and Standard Chartered Bank. Since 2012, the Company has cooperated with the above three strategic investors to hold seven sessions of training covering the fields of corporate strategy, corporate governance, customer management and corporate culture. Over 1,200 employees, including department heads and key business personnel, of the Company have taken the training courses in the form of visits, research and seminars with specialists.

Cooperation on information technology

In 2012, the information technology department of the head office of the Company and UBS exchanged views on the role of information technology in realizing strategic goals. Based on the design of UBS, the network system of the Company provides a safe platform for employees to share information with each other and with customers. In terms of information technology, we have also cooperated with Strategic Investors in developing information systems for subsidiaries and introducing and applying relevant information technology products.

Unless indicated otherwise, all data and information with respect to China's distressed asset management industry in this section, including those on business performance comparison of the Four AMCs, come from the CBRC. Such data and information may be compiled according to standards different from the requirements of IFRS and therefore may not be comparable to numbers in the IFRS report in Appendix I of this prospectus.

OVERVIEW

We are the leading AMC in China. We focus on distressed asset management and provide customized financial solutions and differentiated asset management services to our clients through the synergistic operation of our diversified business platforms. As at December 31, 2010, 2011, 2012 and June 30, 2013, our total assets were RMB150,701.4 million, RMB173,124.0 million, RMB254,614.4 million and RMB283,553.0 million, respectively, and our net assets were RMB42,501.6 million, RMB42,842.7 million, RMB60,884.8 million and RMB62,745.3 million, respectively.

We were the first AMC approved for establishment by the State Council. As a result of our distressed asset management capabilities, business performance, innovation and brand, we have achieved many industry milestones. Among the Four AMCs:

- We were the first to convert into a joint stock company as approved by the State Council, which effectively drove the market-oriented transformation of the entire industry.
- We are the first and only AMC to introduce strategic investors, which has diversified our equity capital sources and enhanced our corporate governance.
- We are the first and only AMC approved by the CBRC to acquire NFE Distressed Assets on a pilot scheme, which has further expanded the scope of our distressed asset management business and enhanced our sustainable business growth model.

We are the leader of China's distressed asset management industry in terms of income, profit, business scale and cash recovered:

- We had the highest income and profit among the Four AMCs from 2010 to 2012.
- We were rated "Outstanding" ("AA" level of A-grade) for three consecutive years from 2009 to 2011 in the MOF's Performance Evaluation of State-owned Financial Enterprises.
- Our net assets were RMB60.88 billion as of December 31, 2012, ranking first among the Four AMCs.
- We had acquired distressed assets with an aggregate Original Value of RMB1,106.1 billion as of December 31, 2012, representing a market share of 35.5% among the Four AMCs.
- In addition to obtaining equity, real assets and other non-cash assets, we had cumulatively recovered cash in the amount of RMB276.9 billion from the disposal of distressed assets as of December 31, 2012, representing a market share of 38.3% among the Four AMCs.

Our principal business segments include (i) distressed asset management, (ii) financial investment and asset management and (iii) financial services. The table below sets forth a breakdown of the major business lines of each principal business segment.

Distressed Asset Management	Financial Investment and Asset Management	Financial Services
• Distressed debt asset management • Management of DES Assets • Custody, liquidation and restructuring services for Distressed Entities	• Principal investment • Asset management (Private equity fund) • Others(1)	• Securities and futures • Trust • Financial leasing • Fund management • Insurance

(1) Mainly includes consultancy and financial advisory services by the Company, Cinda Investment and Well Kent International.

For the six months ended June 30, 2013, our income from business segments of distressed asset management, financial investment and asset management and financial services represented 53.8%, 17.7% and 29.5% of our total income, respectively, and these segments' profit before tax represented 72.3%, 22.3% and 5.5% of our total profit before tax, respectively.

Distressed asset management is our core business. We possess leading capabilities in sourcing, managing and disposing of distressed assets. Our distressed asset management business has achieved a Pre-Tax ROAE of 43.0%, 44.5%, 31.4% and 30.4% (annualized) in 2010, 2011, 2012 and the six months ended June 30 2013, respectively. We believe we held the largest SOE DES Company portfolio among the Four AMCs as at June 30, 2013. According to a report issued by American Appraisal China Limited, an independent valuation specialist, as at June 30, 2013, the Calculated Value of our top 20 Unlisted DES Assets in terms of book value was RMB62,300 million, compared with a book value of RMB27,689 million. As at the same day, the top 20 Unlisted DES Assets in terms of book value and included in the calculated value report accounted for 80.5% of the total book value of our Unlisted DES Assets. Such Calculated Value is not fair value appraised in accordance with IFRS and you should not place undue reliance on it. For details of risks involved in relying on the Calculated Value, see the section titled "Risk Factors" in this prospectus.

We have developed diversified business platforms covering securities, futures, trust, financial leasing, fund management, insurance, investment and real estate businesses based on our distressed asset management business. Operating synergistically across our diversified business platforms is one of our most important strategies and has become an integral part of our culture embodied in our "One Cinda" principle. As at June 30, 2013, we have established 31 Company Branches in 30 provinces and formed a nationwide business network. As of the same date, we have entered into strategic cooperation agreements with 343 local governments, financial institutions, enterprises and other entities. Under the unified management of the Group, our diversified business platforms share the business network and these strategic clients, providing a solid base for both the independent business development of each subsidiary and joint business development across subsidiaries. We leverage our diversified business platforms to provide customized financial solutions and differentiated asset management services to meet the demand for diversified services from clients of our distressed asset management business. At the same time, our subsidiaries compete with other market participants in their respective industries on a differentiated basis by leveraging the Group's strengths in the distressed asset management business to develop their business.

We believe the development and structural transformation of China's economy provides significant opportunities for our distressed asset management business, including a steadily increasing supply of distressed assets, more active corporate and industry-related restructurings and industry consolidation, as well as more segmented financial markets and services. Our strategy is to continue to develop and refine our differentiated business model and to deliver sustainable and competitive returns to our shareholders through further consolidating and extending our leadership in the distressed asset management sector, actively developing our asset management business and operating our diversified business platforms synergistically.

OUR STRENGTHS

As the pioneer and the leader of China's distressed asset management industry, we play a unique role in China's economy and are well positioned to continue to capture the significant opportunities arising from China's economic transformation and development

We were the first AMC approved for establishment by the State Council. As a result of our distressed asset management capabilities, business performance, innovation and brand, we have advanced the development of China's distressed asset management industry and achieved many industry milestones. Among the Four AMCs:

- We were the first to meet the MOF's performance evaluation benchmarks on the disposal of Policy Distressed Assets, finishing ahead of schedule and surpassing the MOF's performance benchmarks and achieving the highest Cash Recovery Ratio and lowest Expense Ratio. This performance helped establish our position as the industry leader.
- We were the first to acquire distressed asset packages from Large Commercial Banks through competitive bidding and innovative transaction structures and the first to commercially acquire distressed assets from Joint-stock Commercial Banks, ushering in the era of commercial acquisition of distressed assets.
- We were the first to receive approval from the State Council to convert into a joint stock company, which effectively drove the market-oriented transformation of the entire industry.
- We are the first and only AMC to introduce strategic investors, which has diversified our equity capital sources and enhanced our corporate governance.
- We are the first and only AMC approved by the CBRC to acquire NFE Distressed Assets based on a pilot scheme, which has further expanded the scope of our distressed asset management business and enhanced our sustainable business growth model.
- We were the first to commercially raise funds from other financial institutions, to obtain the interbank borrowing qualification and to issue bonds both in China and overseas, all of which significantly diversified our fund-raising channels.

We are the leader of China's distressed asset management industry in terms of income, profit, business scale and cash recovered:

- We had the highest income and profit among the Four AMCs during from 2010 to 2012.
- We were rated "Outstanding" ("AA" level of A-grade) for three consecutive years from 2009 to 2011 in the MOF's Performance Evaluation of State-owned Financial Enterprises.
- Our net assets were RMB60.88 billion as at December 31, 2012, ranking first among the Four AMCs.

- We had acquired distressed assets with an aggregate Original Value of RMB1,106.1 billion as at December 31, 2012, representing a market share of 35.5% among the Four AMCs. As at the same date, our market share among the Four AMCs in terms of the Original Value of Commercial Distressed Assets acquired was 42.1%, which was 14.4% higher than our market share in terms of the Original Value of Policy Distressed Assets acquired.
- In addition to obtaining equity, real assets and other non-cash assets, we had cumulatively recovered cash in the amount of RMB276.9 billion from the disposal of distressed assets as at December 31, 2012, representing a market share of 38.3% among the Four AMCs.
- As at June 30, 2013, we have swapped distressed assets to equity in approximately 400 SOE DES Companies, ranking first among the Four AMCs in terms of number of companies and number of shares. We believe we had the largest SOE DES Company portfolio among the Four AMCs as at June 30, 2013.

As the pioneer and the leader of China's distressed asset management industry, we play an important role in risk mitigation, value creation and industry consolidation in China's economy:

- We have reduced systemic risk in the financial system and identified and significantly enhanced the value of distressed assets through our acquisition and market-oriented disposal of distressed assets and through our role as a professional service provider engaging in the custody, liquidation and restructuring of entities with financial or operational issues. As a result, we have (i) developed vast experience in managing distressed assets and strong capabilities in the custody, liquidation and restructuring of Distressed Entities, and (ii) developed and solidified our unique position in China's financial services sector and our differentiated business model.
- Our client base covers enterprises at all stages of their development. We focus on clients facing financial or operational issues and lacking ready access to conventional financing channels. By providing these clients with customized financial solutions and appropriate financial resources, we help them improve their financial condition and enterprise value as well as share in their future value appreciation.
- Our investment and financing product offerings cover the full spectrum of the capital structure from debt through equity and are tailored to the individual business needs of our clients through the synergistic operation of our diversified business platforms.

The development and structural transformation of China's economy provides significant opportunities for our distressed asset management business, including a steadily increasing supply of distressed assets, more active corporate and industry-related restructuring and industry consolidation, as well as more segmented financial markets and services:

- *An increasing supply of distressed assets from financial institutions*. According to the CBRC, the amount of NPLs held by China's commercial banks increased for seven consecutive quarters to RMB539.5 billion at the end of the second quarter of 2013 from RMB407.8 billion at the end of the third quarter of 2011, an increase of 32.3%. We believe the total amount of NPLs in China's banking sector will continue to rise due to significant increases in total loans. The supply of distressed assets from financial institutions will further increase due to (i) the continuous need of commercial banks to remove NPLs from their balance sheets and to deleverage, (ii) the financial restructuring of city commercial banks, rural commercial banks and credit cooperatives and (iii) the structural adjustments of non-bank financial enterprises such as trust companies.

- *An increasing supply of distressed assets from non-financial enterprises*. According to the NBSC, the accounts receivable of Domestic Sized Enterprises increased from RMB6.5 trillion at the end of 2010 to RMB8.2 trillion at the end of 2012 and RMB8.9 trillion at June 30, 2013, representing a CAGR of 12.8% from 2010 to 2012. We believe that the distressed assets contained in these accounts receivable will provide a promising prospect for our NFE Distressed Assets business.
- *More active corporate and industry-related M&A and restructuring opportunities*. We believe the structural adjustments to the economy and industry consolidation will become more common and will generate significant business opportunities such as M&A, restructuring, custody and liquidation.
- *More segmented financial markets and services*. Compared with more developed economies, China's financial market is still in a relatively preliminary stage and there exists significant potential to develop more diversified market segments and a broader client base. Our unique business model meets market needs that cannot be effectively met by conventional financial institutions such as banks and is driving the development of a segmented financial service market in China by expanding the depth and breadth of financial products in the market. This enables us to capture significant business opportunities through differentiated competition against conventional financial institutions.

We have achieved sustainable business growth based on our leading distressed asset management capabilities and through continued business innovation

We possess leading capabilities in sourcing, managing and disposing of distressed assets. Our distressed asset management business has achieved a Pre-Tax ROAE of 43.0%, 44.5%, 31.4% and 30.4% (annualized) in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively:

- *Leading capabilities in sourcing distressed assets*.

  —*Capabilities in due diligence, evaluation and pricing*. Based on our management of distressed assets over the past 14 years, we have compiled extensive case studies on the disposal of distressed assets and also developed an industry-leading distressed asset evaluation model by cooperating with leading academic institutions in China. We have effectively utilized our due diligence and evaluation systems incorporating the information from more than 60,000 distressed debt assets in the acquisition and management of distressed assets. We have also established long-term cooperative relationships with approximately 600 professional asset appraisal firms and property exchanges in China. Such relationships enable us to fully utilize both internal and external professionals and market trading systems to evaluate and price the assets we acquire and manage.

  —*Capabilities in devising and innovating deal structures*. We are capable of utilizing varied and flexible deal structures such as structured transactions involving both equity and debt, securitization, public sales on exchanges and acquisition of subordinated interests to meet the individual needs of clients and aim to improve our distressed asset acquisition capabilities through precise design and continuous innovation of deal structures.

—In addition, our brand, track record in distressed asset disposal, extensive business and client service networks and our deep cooperative relationships with local governments, many large financial institutions and other strategic clients all constitute an important basis for developing our leading capabilities in sourcing distressed assets and have enabled us to maintain and further develop the most extensive deal sourcing channels for distressed assets among the Four AMCs.

- *Leading capabilities in managing distressed assets*.

  —*Differentiated capabilities in managing distressed assets*. We provide our clients with diversified yet customized services such as debt restructuring, liquidity support and industry consolidation on the basis of analyzing features of different obligors and by collaborating across our diversified business platforms. These services help improve the value of the debt assets we manage. In addition, we also swapped distressed assets to equity in enterprises that we believe have significant value appreciation potential so as to benefit from such appreciation.

  —*Capabilities in assessing macro-economic and industry trends*. We established the first financial-risk research center among the Four AMCs and attach great importance to enhancing the value of the assets we manage through developing insights into macro-economic developments and industry trends.

- *Leading and diversified capabilities in disposing of distressed assets*. We have consistently adhered to the management principle of identifying and enhancing the value of distressed assets, and specialize in utilizing diversified asset disposal plans and tailoring these disposal plans according to the features of different distressed assets. In order to achieve maximum recovery value, we consistently innovate asset disposal plans based on our in-depth knowledge of the local judicial and social environment and capital market operations. We completed the first DES transaction involving large-scale SOEs in China, completed the first batch of distressed asset securitization in China and the first securitization of distressed assets from China in the overseas market and assisted one of our DES Companies with the introduction of foreign strategic investors, the first such initiative for all DES companies. In addition, we were the first in the industry to proactively restructure the obligor through the establishment of a creditors' committee as the leading creditor, which contributed to the development of relevant legal regimes.

- *In-depth understanding of Distressed Entities' industries and industry-leading capabilities in custody, liquidation and restructuring*. Based on the experience accumulated from our custody, liquidation and restructuring of eight non-bank financial enterprises, including securities, trust and leasing companies, as well as our custody, reorganization and disposal of approximately 2,400 enterprises and nearly 1,000 investment projects entrusted by a large bank, we have developed industry-leading capabilities in the custody, liquidation and restructuring of distressed assets and relevant entities. Our vast experience gained in the course of liquidating numerous enterprises in the financial services and real estate sectors provides us with a strong competitive advantage in those industries. In addition, we have developed a professional team familiar with the custody, liquidation and restructuring businesses through our custody, liquidation and restructuring of numerous Distressed Entities and have accumulated vast experience in managing Distressed Entities and improving their value. This professional team and its experience provide a solid foundation for developing our debt and equity investment, M&A and restructuring businesses in relevant industries.

While we focus on distressed asset management as our core business, we have also successively innovated our business model, actively expanded our business scope and broadened our fund-raising channels, thus enabling us to achieve sustainable business growth:

- When the disposal of Policy Distressed Assets entered its later stage, we acquired distressed asset packages from BoCOM, BOC, CCB and ICBC through innovative means such as structured transactions and competitive bidding, making us the largest primary wholesaler of distressed assets in the market at that time. We also acquired distressed asset packages from Bank of Shanghai on a commercial basis, which introduced the concept of the commercial acquisition of distressed assets to the industry.
- Through the custody, liquidation and restructuring of distressed financial institutions, we strategically selected and restructured certain distressed companies in the securities, trust and financial leasing industries, and integrated them into our diversified financial service platforms. Under the unified management of the Group, these financial subsidiaries serve to enhance the value of our distressed assets and provide customized financial solutions to our clients, constituting additional driving forces for the continuing development of our business.
- Leveraging our extensive experience in distressed asset management, strong risk management capabilities and in-depth knowledge of industries such as real estate, we identified and captured significant business opportunities in the NFE Distressed Assets market and further expanded the scope of our business when we became the first company approved by the CBRC to conduct NFE Distressed Assets management business in June 2010. We developed this business rapidly and the book value of our NFE Distressed Assets increased to RMB49.3 billion as at June 30, 2013 from RMB428 million as at December 31, 2010.
- Based on our vast experience in distressed asset management, in-depth knowledge of enterprises along the industry chain of distressed assets and first-mover advantage in the NFE Distressed Assets business, we have developed a differentiated third-party asset management business which includes (i) the establishment of high-yield investment funds and buyout funds focusing on distressed assets and (ii) participating in the establishment and managing the first national-level agriculture investment fund. These initiatives have expanded the funding channels available to our business, increased our fee and commission income and optimized our business and profit-generating models.
- We have actively and successfully broadened our fund-raising channels from the PBOC loans on which we primarily relied at our establishment to the market-oriented fund-raising on which we primarily rely now. We have established diversified fund-raising channels in the capital markets, expanding to include bank loans, inter-bank market borrowing and bond issuance. As at June 30, 2013, we had strategic cooperative relationships with 101 bank headquarters, bank branches and non-bank financial enterprises. We were the first among the Four AMCs to enter the inter-bank market, which provides us with relatively low-cost funds. In 2012, we received equity investments from four strategic investors and successfully issued financial bonds in China and RMB-denominated bonds in Hong Kong. In addition, we have further expanded our funding sources by actively developing third-party asset management businesses including private equity, trust and fund management.

Our large DES Asset portfolio provides us with significant value appreciation potential, extensive equity investment management experience and strong support for our business development

We have a large DES Assets portfolio which has a book value of RMB43.7 billion as at June 30, 2013.

We have achieved significant economic returns through the professional management and disposal of DES Assets. During the Track Record Period, we disposed of DES Assets with a total cost of RMB9,906 million and realized a net disposal gain of RMB13,043 million. Proceeds from disposals of DES Assets were 2.32 times their costs.

Our DES Assets have significant potential for value appreciation. According to a report issued by American Appraisal China Limited, an independent valuation specialist, as at June 30, 2013, the Calculated Value of our top 20 Unlisted DES Assets in terms of book value was RMB62,300 million, compared with a book value of RMB27,689 million. Such Calculated Value is not fair value appraised in accordance with IFRS and you should not place undue reliance on it. For details of risks involved in relying on the Calculated Value, see the section titled "Risk Factors" in this prospectus.

Our DES Assets cover key resource industries such as coal, chemicals and metals. The DES Companies in our DES Assets portfolio included seven of the top 50 coal companies in China in terms of output in 2011 and 24 subsidiaries of these top 50 coal companies, as well as the largest potash fertilizer producer in China in terms of output in 2012 and the third largest phosphorus fertilizer producer in terms of sales income in 2011.

Based on our management of DES Assets in approximately 400 SOE DES Companies through June 30, 2013, we have developed a professional team familiar with investee company operations, industry restructuring and capital markets. This has effectively supported the development of our equity investment and M&A businesses. We have assisted some of the DES Companies with debt restructuring, introduction of strategic investors, IPOs and industry consolidation, which enhanced the value of our equity stakes by improving the overall enterprise value of these companies. As a result, many DES Companies have become our loyal clients and have established close cooperative relationships with us in many areas. They provide us with business opportunities such as cross-selling and follow-on equity investments and have provided a broader base for our business development.

Our diversified business platforms operate synergistically and share our extensive business network, broad client base and strong government relationships, achieving synergy in our operations and improving overall operating efficiency

Based on our distressed asset management business, we have developed diversified business platforms covering businesses such as securities, futures, trust, financial leasing, fund management, insurance, investment and real estate. We commit to providing our clients with customized financial solutions through the integrated design and development of multiple products, at the same time enhancing the value of our asset portfolios. Operating synergistically across our diversified business platforms is one of our most important strategies and has become an integral part of our culture embodied in our "One Cinda" principle. The synergies of our group operations can be primarily seen in our sharing of business and organizational networks, sharing of client resources and business development.

- *Business network synergy*. We have established 31 Company Branches in 30 provinces, forming a nationwide business network. Our Company Branches are capable of adapting our Group strategies to local market conditions, and have robust project development and execution capabilities. Our Company Branches play an important role in establishing close relationships with our clients and in building and improving our relationships with local governments. They also provide professional assistance to our subsidiaries in project procurement, due diligence, sales, rent collection and post-investment management, effectively facilitating their business development. Our subsidiaries, particularly our insurance and securities subsidiaries, have also developed their own extensive business networks. For example, as at June 30, 2013, Happy Life and Cinda P&C had established approximately 300 local branches and outlets nationwide, and Cinda Securities had established approximately 70 securities brokerage branches in places such as Beijing, Shanghai and Guangdong Province. Under the unified management of the Group, these branches and outlets of our subsidiaries provide important support for the development of our businesses such as asset management.

- *Client synergy*. Through our long-term engagement in the distressed asset management business and custody, liquidation and restructuring of Distressed Entities, we have established sound cooperative relationships with local governments, major domestic financial institutions and numerous enterprises. As at June 30, 2013, we have entered into strategic cooperation agreements with 343 local governments, financial institutions, enterprises and other entities. Under the unified management of the Group, our diversified business platforms share these strategic clients, providing a broad client base for the independent business development of each subsidiary and joint business development across subsidiaries. In addition, our subsidiaries have also cultivated important client bases in the development of their respective businesses. As at June 30, 2013, we have developed a retail client base of more than 1,500,000 clients through our financial service subsidiaries that engage in the securities, trust, financial leasing, fund management and insurance businesses. With the economic development of China, these clients will have an increasing demand for diversified financial services and constitute a valuable source of referrals for cross-selling among our financial services subsidiaries.

- *Business development synergy*. Based on the demand for diversified services from clients of our distressed asset management business, we are able to leverage our diversified business platforms to provide our clients with customized financial solutions and differentiated asset management services, including acquisition and disposal of distressed assets, financing (such as financial leasing, trust and debt investment fund), equity investment (such as equity investment funds), asset management (such as securities, trust and fund management), financial and financing consulting services (through our securities subsidiary), insurance (P&C insurance and life insurance) and overseas financial services. At the same time, our subsidiaries can compete with other market participants in their respective industries on a differentiated basis by leveraging the Group's strengths in distressed asset management business to grow their business.

We have industry-leading risk management capabilities and a comprehensive and prudent risk management system

An integral part of our distressed asset management business involves handling distressed assets and Distressed Entities. In the course of the past 14 years, we have developed our unique capabilities and experience in preventing, identifying, managing and addressing various risks through (i) our acquisition of distressed assets with an Original Value of RMB1,106.1 billion and other distressed asset management businesses, which together involved approximately 470,000 debtors, (ii) our custody, liquidation, closure and restructuring of eight non-bank financial institutions including securities, trusts and leasing companies and (iii) our custody, reorganization and disposal of approximately 2,400 enterprises and almost 1,000 investment projects entrusted by a large bank. We have also developed deep insights into the causes of and management approaches for various categories of risk based on our extensive analysis and research of distressed asset cases. Based on this vast experience, we have developed systematic risk management protocols and procedures and industry-leading risk management capabilities.

We have developed a comprehensive and prudent risk management system and centrally manage major risks involved in various business lines at the Group level:

- Our corporate governance structure is the foundation of our risk management system. We have established a Risk Management Committee under our Board of Directors and have appointed a Chief Risk Officer to lead the formulation and execution of our overall risk management strategies. We have also established departments responsible for risk management at our subsidiaries and dedicated positions for risk management at our Company Branches.
- The departments responsible for risk management at our subsidiaries and dedicated positions for risk management at our Company Branches regularly report both to the senior management of their respective subsidiaries and Company Branches and to the risk management department of the Group, so that both the senior management of subsidiaries and Company Branches and the Group can monitor risk profiles of the subsidiaries and Company Branches on a timely basis.
- We manage risks quantitatively by using Capital Adequacy Ratio and other key regulatory benchmarks as required in the Provisional Regulatory Guidelines for Supervision of AMCs on a Financial Statements Consolidation Basis (金融資產管理公司並表監管指引(試行)) promulgated by the CBRC. As at June 30, 2013, the Company's Capital Adequacy Ratio was 17.8%, exceeding the regulatory requirement of 12.5%.

We have formulated standardized business management guidelines and approval procedures tailored to the features of our distressed asset management business:

- We apply the principles of "differentiated authorization and professional decision-making" to the approval of distressed assets projects and have established an "approval specialist" scheme comprising experienced business managers in order to effectively manage project approval risks through professional decision-making and professional advice. We have also established a consultation process for significant projects to ensure sufficient discussion and review of significant projects occurs before they are approved.
- We have established an ISO-accredited IT system, which provides IT support to risk management and enables us to standardize our risk management and internal control processes.
- We attach great importance to risk mitigation measures, and particularly emphasize securing debts with collateral that can be readily evaluated and realized. Based on our business experience, we have formulated general guidelines for the ratio of the value of accounts receivable to collateral value.

- We are committed to developing innovative approaches to protect our rights as creditors and have utilized innovative means such as third-party benefits trusts, the establishment of escrow accounts and the introduction of third-party joint obligors to provide enhanced protection to the realization of our rights.
- We have established an internal five-tier classification system for debt assets based on our business characteristics and experiences. We review and adjust this classification system from time to time based on our business development and make impairment and risk provisions by referring to this system, enabling us to manage risks on a quantitative basis by classification.

We have a strong shareholder base and an entrepreneurial and visionary management team

The unique background of our shareholders provide important support for our business development. In 1999, we were incorporated with the MOF as the sole shareholder; in 2012, NSSF, UBS, CITIC Capital and Standard Chartered made a strategic investment of RMB10,368.6 million, representing 16.54% of our total share capital after the investment. These four strategic investors are market leaders in their respective industries which include asset management, investment banking, private banking and commercial banking. They provide us with mutually beneficial opportunities in joint market development and business cooperation in China and abroad, as well as the sharing of business management experience and systems. We believe our strong shareholder base will enhance our clients' confidence in Cinda, broaden our client base, strengthen our working relationships with the government and provide us with more business opportunities.

Under the strong leadership of our senior management team over the past 14 years, we have become the pioneer and the leader of the distressed asset management industry in China and have developed into a group focusing on distressed asset management with synergistic operations of diversified business platforms providing clients with customized financial solutions and differentiated asset management services. Our senior management has, on average, 20 years of management experience in the financial services industry and has working experience at the PBOC, the Big Four Banks, important regulatory authorities and ministries, national-level economic development and reform research centers and large enterprises in different industries. Based on their vast experience in relevant industries, close working relationships with the government and management skills, our senior management is capable of identifying the development trends of the distressed asset management industry, leading us to achieve visionary business model innovation and capturing business opportunities. Our management team has also led us to achieve robust business development during the Track Record Period. Most of our senior management joined us at or shortly after our establishment and have developed their careers along with our development. This stability in our management team provides a strong reserve of talent to support our sustainable growth.

- Our chairman, Mr. Jianhang Hou, has 34 years of working and management experience in the financial industry. Prior to joining Cinda, Mr. Hou accumulated vast financial services industry management experience by working at both the head office and a local branch of CCB, in positions including director of the planning department, general manager of the credit management department and general manager of the credit risk management department, respectively, at CCB's head office, and as the deputy branch general manager of the Shandong Branch of CCB. Mr. Hou has served as the director of our creditors' rights management department, our vice president, president and chairman of the Board of Directors.

- Our president, Mr. Jingfan Zang, has 38 years of working and regulatory experience in the financial services industry. Prior to joining Cinda, Mr. Zang worked at various important posts at the Jilin Branch of the PBOC, Jilin Branch of SAFE, Shenyang Branch of the PBOC, Heilongjiang Branch of the CBRC and the Cooperative Finance Supervision Department of the CBRC.

OUR STRATEGIES

Our strategy is to continue to develop and refine our differentiated business model and to deliver sustainable and competitive returns to our shareholders through further consolidating and extending our leadership in the distressed asset management sector, actively developing our asset management business and operating our diversified business platforms synergistically.

Continue to capture the significant opportunities arising from China's economic development and transformation in order to consolidate and extend our leadership in the distressed asset management sector

- We will closely monitor and effectively capture opportunities to acquire distressed assets from commercial banks and non-bank financial enterprises by deepening our strategic cooperative relationships with various financial institutions.
- We will continue to capture the business opportunities arising from the market of NFE Distressed Assets, including those from the large corporate accounts receivable market and enhance the acquisition scale of NFE Distressed Assets subject to strict risk management. We will also continue to enhance our professional capabilities in managing distressed assets according to their industry features and strengthen our risk identification and pricing capabilities across different industries.
- We plan to increase our assets under management and fee income from intermediary business by focusing on developing our entrusted asset management business from banks and other institutions.

Actively develop SSI business

We believe the structural realignment and transformation of China's economy and the resulting industry consolidation will provide us with significant opportunities for SSI. We intend to develop our SSI business through leveraging our leading capabilities in distressed asset management and by implementing effective initiatives. Specifically:

- We intend to capture significant potential investment opportunities arising from industry consolidation and restructuring by providing customized financial solutions to our clients through focusing initially on industries in which we have the most extensive experience and fully utilizing our expertise, client base and professional personnel in these industries as well as the products and services offered by our diversified business platforms.
- We plan to establish our track-record and reputation in the SSI business and provide a solid foundation for us to capture future business opportunities through completing a number of landmark SSI deals by focusing on Distressed Entities with growth potential or high-value assets but facing financial and operational issues and by collaborating across our diversified business platforms.

- We will develop our SSI business by expanding and deepening our cooperative relationships with industry leaders and DES Companies as well as leveraging our Group-wide service capabilities and industry experience to participate alongside these business partners in industry M&A and restructuring and overseas expansions.
- We plan to continue to fully leverage the synergies from our diversified business platforms and innovate products and services during the course of expanding our SSI business in order to enhance our differentiated competitive strengths.

Further enhance and realize the value of our DES Assets

- We intend to better capture disposal opportunities for our DES Assets and optimize and realize the value of our DES Assets by strengthening our research capabilities in areas including macroeconomic developments, industry trends and regional markets and continuing to enhance our cooperative relationships with local governments and DES Companies.
- We will enhance our DES Assets' contribution to revenue by strengthening client development of DES Companies and providing customized financial solutions to DES Companies. We also intend to identify and capture M&A, restructuring and SSI opportunities in relevant industries by establishing comprehensive cooperative relationships with, and providing services to, the DES Companies' suppliers and clients.
- We plan to develop a team of professional investment personnel who focus on industry research, corporate governance, equity valuation, capital market operation and other related aspects of the DES Assets management business in order to support the development of our asset management business.

Actively expand our third-party asset management business

- We will prioritize the development of specialized distressed asset investment funds by leveraging our expertise and experience in distressed asset management and continue to increase the scale of and return from the distressed assets under our management.
- We will focus on developing investment funds specialized in SSI in order to establish our brand-name in this business and increase our scale and profitability.
- We will further develop our private equity business and enhance our recognition among fund investors and their confidence in our professionalism and investment capabilities by continuing to improve the performance of the China Agriculture Industry Development Fund and other private equity funds we currently manage by fully leveraging our experience and capabilities in equity investments.
- We will support the development of our asset management business through our asset management business platforms, including our securities, trust and fund management subsidiaries and enhance the scale of the Group's AUM and diversify our product offerings. In addition, we intend to develop our differentiated asset management business by supporting the relevant subsidiaries to develop their distressed assets-related asset management businesses.

Further diversify our funding sources

- We intend to better meet the funding needs of the Group by identifying the appropriate timing and utilizing cost-effective vehicles to issue bonds and other capital instruments in both domestic and foreign capital markets.
- We intend to fully capture the potential of bank financing by continuing to develop strategic relationships with Large Commercial Banks and Joint Stock Commercial Banks at the Group level and enhancing the cooperation of the Company Branches and subsidiaries with regional branches of Large Commercial Banks and Joint Stock Commercial Banks and with regional banks such as city commercial banks and rural commercial banks.
- We also intend to further enhance our capabilities in utilizing off-balance sheet financing through the active development of our third-party asset management business.

Continue to enhance the synergies across our diversified business platforms

- We will further enhance synergies across our various business platforms by more actively providing our clients with customized financial solutions and differentiated asset management services. In particular, we will pay special attention to improving the efficiency of our synergistic operations by utilizing the SSI business as a driving force and by providing customized financial solutions to Distressed Entities with financial and operational issues.
- We plan to further improve our client information development and sharing system across all business platforms. We also plan to deepen our cooperative relationships with existing clients by providing more diversified services, and establish cooperative relationships with additional clients through executing strategic cooperation agreements.
- We plan to further enhance the capability of the Company Branches in covering and developing the regional markets in order to provide a solid foundation for further business development across our business platforms in these markets. We also plan to leverage the business network and marketing capabilities of the subsidiaries in regional markets to expand distribution channels for the products and services of the entire Group.
- We intend to integrate the Group's middle and back office resources by establishing a centralized corporate center consisting of finance, IT, human resources, administration, legal and other support functions of the Group in order to support the business development of Company Branches and subsidiaries and reduce costs and the duplication of resources.
- We will deepen cooperation with strategic investors at the Group level and enable all business platforms to share the benefits from this cooperation in areas such as professional expertise, risk management, information systems and personnel training in order to enhance the profitability and brand value of the Group and each of its business platforms.

Continue to enhance the centralized management of all business platforms by the Group

- *With respect to strategic planning and capital management*: We intend to further enhance strategic control and capital management at the Group level, timely adjust the capital allocation for our various businesses, in particular for our subsidiaries, according to the

Group's overall strategy, and develop practical measures to achieve more efficient use of the Group's capital.

- *With respect to financial management*: We intend to develop a Group-wide financial information management system that covers all of our businesses and strengthen the Group's budget management and supervision of all subsidiaries and Company Branches.

- *With respect to risk management*: We intend to build a more sophisticated IT system to strengthen the Group's management of risks related to our subsidiaries and Company Branches. We also intend to further refine the Group's integrated risk management system and strengthen the Group's capabilities in managing different types of risks through introducing international best practices and advanced risk management technology.

- *With respect to information technology*: We intend to provide solid IT support for the business development of the Group by enhancing the Group's overall IT and information risk management capabilities through consolidating Group-wide IT systems and information resources and establishing an integrated IT platform that covers areas such as asset management, capital and financial accounting, information management and client relationship management.

- *With respect to human resources*: We intend to further enhance the Group's human resources management mechanisms, including adopting market-based performance review and incentive mechanisms, strengthening the Group's management with respect to recruiting, appointment, training and retention of talent, and providing our employees with diversified career development paths in order to better attract and retain all talent.

OUR PRINCIPAL BUSINESSES

Our principal business segments include our (i) distressed asset management business, (ii) financial investment and asset management business and (iii) financial services business. The table below sets forth a breakdown of the major business lines, sources of income and operating entities of each principal business segment.

	Distressed Asset Management	Financial Investment and Asset Management	Financial Services
Business Lines	• Distressed debt asset management • Management of DES Assets • Custody, liquidation and restructuring services for Distressed Entities	• Principal investment • Asset management (Private equity fund) • Others[(1)]	• Securities and futures • Trust • Financial leasing • Fund management • Insurance
Sources of Income	• Income from distressed debt assets • Investment income • Fee and commission income from (i) management and disposal of entrusted distressed assets and (ii) custody, liquidation and restructuring services for Distressed Entities	• Investment income • Income from sales of real properties • Fund management fee income	• Fee and commission income • Interest income from financial leasing • Investment income • Fund management fee income • Insurance premium income
Operating Entities	• Company	• Company • Cinda Investment (Cinda Capital) • Well Kent International[(2)] • Zhongrun Development	• Cinda Securities • Cinda International • Jingu Trust • Cinda Leasing • First State Cinda Fund • Cinda P&C • Happy Life

(1) Mainly includes the consulting and financial advisory services of the Company, Cinda Investment and Well Kent International.
(2) Excludes the financial results of Cinda International, in which Well Kent International held a 63.87% equity interest as at June 30, 2013. The financial results of Cinda International are included in our financial services segment.

In the six months ended June 30, 2013, income from our distressed asset management business, financial investment and asset management business and financial services business accounted for 53.8%, 17.7% and 29.5%, respectively, of our total income. Profit before tax from the aforementioned three business segments accounted for 72.3%, 22.3% and 5.5%, respectively, of our total profit before tax in the six months ended June 30, 2013.

The tables below set forth, for the periods indicated, our total income and profit before tax by business segment.

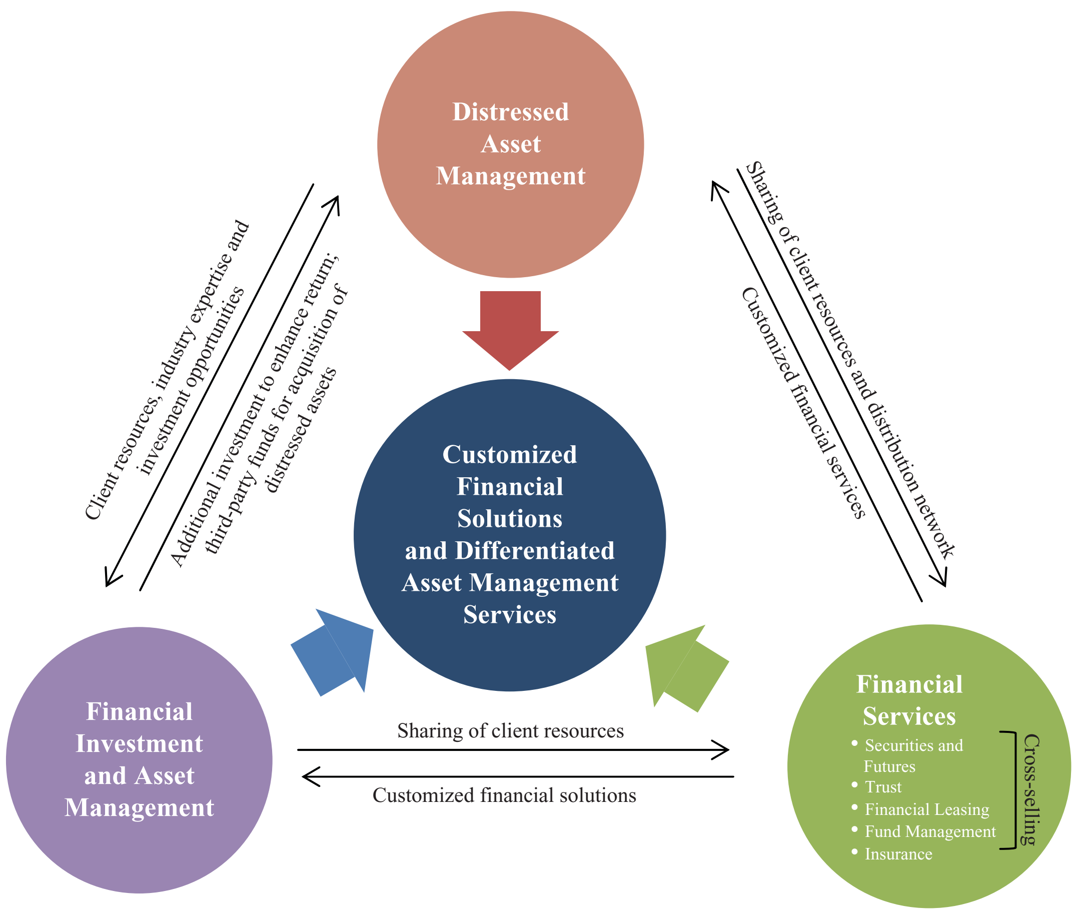
	For the year ended December 31,						For the six months ended June 30,	
	2010		2011		2012		2013	
	Total income	% of total	Total income	% of total	Total income	% of total	Total income	% of total
	(in millions of RMB, except percentages)							
Distressed Asset Management	9,812.6	40.4	9,956.6	40.8	14,392.0	44.5	10,049.1	53.8
Financial Investment and Asset Management	7,042.8	29.0	5,946.1	24.4	7,911.3	24.5	3,304.4	17.7
Financial Services	7,718.3	31.8	9,230.9	37.9	10,552.6	32.6	5,511.9	29.5
Elimination	(313.3)	(1.2)	(751.5)	(3.1)	(520.7)	(1.6)	(196.0)	(1.0)
Total	**24,260.4**	**100.0**	**24,382.1**	**100.0**	**32,335.2**	**100.0**	**18,669.4**	**100.0**

	For the year ended December 31,						For the six months ended June 30,	
	2010		2011		2012		2013	
	Profit before tax	% of total	Profit before tax	% of total	Profit before tax	% of total	Profit before tax	% of total
	(in millions of RMB, except percentages)							
Distressed Asset Management	7,464.9	75.0	7,201.8	79.5	6,234.0	65.0	3,710.7	72.3
Financial Investment and Asset Management	2,332.7	23.4	2,488.3	27.5	3,284.6	34.2	1,147.3	22.3
Financial Services	180.3	1.8	(207.0)	(2.3)	164.3	1.7	283.7	5.5
Elimination	(21.5)	(0.2)	(424.9)	(4.7)	(87.0)	(0.9)	(4.3)	(0.1)
Total	**9,956.4**	**100.0**	**9,058.2**	**100.0**	**9,595.9**	**100.0**	**5,137.4**	**100.0**

We are China's first AMC approved by the State Council and distressed asset management is our core business. Our leading position in China's distressed asset management industry is evidenced by many industry milestones during our development in the last 14 years. Leveraging the vast industry experience we have acquired, the product and risk management capabilities we have accumulated and the quality client base and professional talent we have cultivated from our distressed asset management business, we have successfully expanded into the financial investment and asset management business. Through custody, liquidation and restructuring of distressed financial institutions and through our own promotion and establishment, we have acquired financial services licenses that are otherwise difficult to obtain. As such, we established a comprehensive financial services platform, offering securities, futures, trust, financial leasing, fund management and insurance services.

Our three principal business segments complement one another and generate significant business synergies. Through our distressed asset management business over the years, we have built an extensive client base and close relationships with government bodies, and established a nationwide network of branch offices, which have produced many opportunities for and enhanced the performance of our other businesses. Our financial investment and asset management business enable more flexible and innovative transaction structures for our distressed asset management business. Furthermore, principal investment and investment through managed funds enable us to seize value-appreciation opportunities and enhance total return from disposal of distressed assets. Our financial services business provides clients with a diverse range of products and services. For example, through our securities, trust and financial leasing subsidiaries, we facilitate clients' access to capital markets, provide additional financing to clients with liquidity issues, and present corporate clients with equipment financing solutions.

The synergistic development of our business segments has allowed us to build (i) a comprehensive asset management platform incorporating distressed asset management, private equity, securities, trust and fund management, and (ii) a diversified financial services platform offering customized products and services in securities, futures, trust, financial leasing, fund management and insurance. These platforms reinforce our development of sustainable growth model and increase our asset size and corporate value. The diagram below illustrates the synergies between our three principal business segments. For more information on the synergy of our businesses, see "—Synergy."



Through our nationwide distressed asset management operations, we have contributed to local economic development and social stability and established close ties with provincial and municipal governments and many leading enterprises. Such efforts have laid a solid foundation for the continued expansion of our business. We have also developed close and multidimensional relationships with banks and other financial institutions, whose business operations are highly complementary to ours. We acquire distressed assets from financial institutions, thereby helping them optimize their balance sheet structure and reducing their overall financial risk. These financial institutions, mainly consisting of banks, serve as an important channel for us to acquire new clients and to expand into financial services and asset management. As at June 30, 2013, we maintained strategic cooperation relationships with 101 financial institutions, including the headquarters and branches of banks and non-bank financial institutions, in the areas of distressed asset disposal, asset management, credit support and joint financial product development.

Our diverse range of products and services support companies at different stages of their corporate development. The unique combination of products and services we offer provides clients with a broad selection of financing alternatives covering a wide spectrum of capital structure. In particular, we provide clients facing financial or operational issues with financing support and advisory services, with a view of sharing in the future value appreciation of our clients. With our diversified securities, trust, financial leasing, fund management and insurance platforms, as well as our qualification to acquire distressed assets from non-financial enterprises, we are confident that our unique business model provides customized financial solutions to our clients and enables us to serve the market demand that cannot be satisfied by traditional financial institutions.

DISTRESSED ASSET MANAGEMENT

Distressed asset management is the main business of our Company and is our primary source of income and profit. In 2010, 2011, 2012 and the six months ended June 30, 2013, income from the distressed asset management business of our Company accounted for 40.4%, 40.8%, 44.5% and 53.8%, respectively, of our total income, and profit before tax from the distressed asset management business of our Company accounted for 75.0%, 79.5%, 65.0% and 72.3%, respectively, of our total profit before tax. The Company carries out its distressed asset management business through our Head Office as well our Company Branches. The scope of our Company's distressed asset management business includes (i) the management and disposal of distressed debt assets acquired from or entrusted by financial institutions and non-financial enterprises, (ii) the management and disposal of our DES Assets, and (iii) custody, liquidation and restructuring of distressed financial institutions and non-financial enterprises. The following table sets forth, at the dates and for the periods indicated, the key financial indicators of the aforementioned types of distressed asset management business of the Company.

Company	As at and for the year ended December 31,			As at and for the six months ended June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Acquisition and disposal of distressed debt assets				
Net balance distressed debt assets[(1)]	8,029.9	17,599.6	56,090.4	86,357.1
Acquisition cost of distressed debt assets	3,531.8	12,459.9	52,191.1	42,648.2
Income from distressed debt assets[(2)]	5,395.9	5,031.7	7,492.2	6,238.7
Management and disposal of entrusted distressed assets				
Entrusted distressed assets	32,894.7	45,283.8	31,280.5	13,563.0
Management and disposal of DES Assets				
Book value of DES Assets	52,312.1	50,594.8	48,238.6	43,654.6
Dividend income from DES Assets	451.2	1,469.4	964.8	506.6
Acquisition cost of DES Assets disposed	2,458.4	2,226.5	2,827.0	2,394.5
Net gain from the disposal of DES Assets	3,111.2	2,589.3	4,682.9	2,659.6

(1) Equivalent to the Company's (i) distressed debt assets designated as fair value through profit or loss, and (ii) distressed debt assets classified as receivables, as appeared in the Accountants' Report.

(2) Equivalent to the Company's (i) fair value changes on distressed debt assets, and (ii) income from distressed debt assets classified as receivables as appeared in the Accountants' Report.

We are the leader of China's distressed asset management industry, ranking first among the Four AMCs in terms of both income and profit from 2010 to 2012. From our establishment in 1999 to December 31, 2012, the Original Value of our distressed assets acquired from commercial banks was RMB1.1061 trillion, representing a market share of 35.5% among the Four AMCs, from which we recovered cash (excluding unrealized recovery in equity and real assets) in the amount of RMB276.9 billion, representing a market share of 38.3% among the Four AMCs. As at June 30, 2013, we have swapped distressed debt to equity in approximately 400 SOE DES Companies, ranking first among the Four AMCs in terms of the number of SOE DES Companies. We have developed distinct capabilities in distressed asset management, including industry-leading due diligence, valuation and pricing capabilities and market research capabilities. We have formed differentiated management strategies for distressed assets and employ a broad set of diversified and innovative methods in our disposal of distressed assets. We have developed robust custody, liquidation and restructuring related capabilities and formed a deep understanding of the industries in which our Distressed Entities clients operate. In addition to our focus on distressed asset management, we actively seek to innovate our business model and expand into new business areas in order to deliver sustainable growth.

Our leading capabilities in distressed asset management are reflected in the sustainable growth and profitability of the business. From 2010 through 2012, the balance of our distressed debt assets, income from distressed debt assets, and investment income from our DES Assets (including dividend income and net income from disposal of DES Assets) achieved a CAGR of 164.3%, 17.8% and 25.9%, respectively. We believe we are well-positioned to seize the vast opportunities presented by the structural transformation of China's economy, including supply of distressed assets, corporate and industry-related restructurings and consolidation.

Management of Acquired or Entrusted Distressed Debt Assets

We acquire distressed debt assets from financial institutions and non-financial enterprises, and conduct management and disposal of such assets through a variety of means. The ultimate goal of our acquisition, management and disposal is to realize value appreciation of the assets and maximize cash recovery. There are two primary ways we conduct our distressed asset management business: (i) acquiring distressed assets at a discount to Original Value and subsequently disposing of the acquired assets to maximize cash recovery, which we refer to as the traditional distressed asset management model (the "Traditional Model"), and (ii) entering into restructuring agreements at the time of acquiring the distressed assets, which we refer to as the acquisition of distressed assets through restructuring model (the "Restructuring Model").

For the distressed debt assets acquired and disposed of under the Traditional Model ("Traditional Distressed Assets"), we analyze and classify the assets based on their characteristics and tailor our management strategies according to the special features of different assets. We utilize various disposal methods to increase asset value and maximize cash recovery.

For the distressed debt assets acquired and disposed of under the Restructuring Model ("Restructured Distressed Assets"), we acquire these debts from the creditors and concurrently enter into restructuring agreements with the debtors. We aim to maximize risk-adjusted return through the implementation of various risk management techniques.

In addition, we are entrusted with distressed assets from financial institutions, non-financial enterprises and local governments. We perform the management and disposal of the entrusted distressed assets and receive fee-and-commission income. We believe that our optimized distressed asset management tools enable us to effectively deal with changes in market demand under different economic conditions, moderate the impact of economic cycles on our business and achieve sustainable profit growth.

Acquisition and Management of Distressed Debt Assets

Distressed Assets by Source[1]	Distressed Assets by Business Model	Corresponding Consolidated Statements of Financial Position Item	Corresponding Consolidated Income Statements Item
FI Distressed Assets	Traditional Distressed Assets	Distressed debt assets designated as at fair value through profit or loss	Fair value changes on distressed debt assets
	Restructured Distressed Assets	Distressed debt assets classified as receivables	Income from distressed debt assets classified as receivables
NFE Distressed Assets	Traditional Distressed Assets	Distressed debt assets designated as at fair value through profit or loss	Fair value changes on distressed debt assets
	Restructured Distressed Assets	Distressed debt assets classified as receivables	Income from distressed debt assets classified as receivables

We classify our distressed debt assets into two main categories depending on the source of the distressed asset: (i) NPLs and other distressed debt assets of banks and distressed debt assets of non-bank financial institutions ("FI Distressed Assets") and (ii) distressed receivables of non-financial enterprises ("NFE Distressed Assets"). The following table sets forth, at the dates and for the periods indicated, some key financial indicators of our Company's FI Distressed Assets and NFE Distressed Assets.

Company	As at and for the year ended December 31,						As at and for the six months ended June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Net balance of distressed debt assets[2]								
FI Distressed Assets	7,602.3	94.7	10,851.5	61.7	26,478.3	47.2	37,056.8	42.9
NFE Distressed Assets	427.6	5.3	6,748.1	38.3	29,612.1	52.8	49,300.3	57.1
Total	**8,029.9**	**100.0**	**17,599.6**	**100.0**	**56,090.4**	**100.0**	**86,357.1**	**100.0**
Acquisition cost of distressed debt Assets								
FI Distressed Assets	3,104.2	87.9	5,821.8	46.7	22,521.0	43.2	18,106.5	42.5
NFE Distressed Assets	427.6	12.1	6,638.1	53.3	29,670.1	56.8	24,541.7	57.5
Total	**3,531.8**	**100.0**	**12,459.9**	**100.0**	**52,191.1**	**100.0**	**42,648.2**	**100.0**
Income from distressed debt assets[3]								
FI Distressed Assets	5,395.9	100.0	4,866.2	96.7	5,336.8	71.2	3,583.3	57.4
NFE Distressed Assets	—	0.0	165.5	3.3	2,155.4	28.8	2,655.4	42.6
Total	**5,395.9**	**100.0**	**5,031.7**	**100.0**	**7,492.2**	**100.0**	**6,238.7**	**100.0**

(1) The Traditional Model and Restructuring Model can both be utilized for the management of distressed assets acquired from financial institutions (FI Distressed Assets) and distressed assets acquired from non-financial enterprises (NFE Distressed Assets). Accounting treatment of distressed assets are determined in accordance with business models and not sources of acquisition. For example, for distressed assets acquired from financial institutions (FI Distressed Assets), those managed under the Traditional Model will be classified as "distressed debt assets designated as at fair value through profit or loss" while those managed under the Restructuring Model will be classified as "distressed debt assets classified as receivables".
(2) Equivalent to the Company's (i) distressed debt assets designated as at fair value through profit or loss, and (ii) distressed debt assets classified as receivables, as appeared in the Accountants' Report.
(3) Equivalent to the Company's (i) fair value changes on distressed debt assets, and (ii) income from distressed debt assets classified as receivables as appeared in the Accountants' Report.

FI Distressed Assets

The FI Distressed Assets we acquired during the Track Record Period primarily include NPLs and other distressed debt assets from banks, including Large Commercial Banks, Joint-stock Commercial Banks and city and rural commercial banks. We also acquired distressed debt assets from non-bank financial institutions, such as debt assets from trust companies that are overdue or expected to be overdue. During the Track Record Period, we acquired FI Distressed Assets from 194 counterparties. The table below sets forth, for the periods indicated, a breakdown of our FI Distressed Assets in terms of acquisition costs among different types of banks and non-bank financial institutions.

	As at and for the year ended December 31,						As at and for the six months ended June 30,	
	2010		2011		2012		2013	
	Acquisition costs	% of total	Acquisition costs	% of total	Acquisition costs	% of total	Acquisition costs	% of total
	(In millions of RMB, except percentages)							
Large Commercial Banks	3,070.5	98.9	1,390.4	23.9	8,532.8	37.9	5,494.2	30.3
Joint-stock Commercial Banks	—	—	599.3	10.3	3,988.5	17.7	2,924.6	16.2
City and rural commercial banks	—	—	2,058.4	35.4	1,619.9	7.2	2,278.4	12.6
Non-bank financial institutions	33.7	1.1	1,183.6	20.3	8,044.9	35.7	7,409.2	40.9
Other banks (including policy banks, the PSBC and foreign banks)	—	—	590.1	10.1	335.0	1.5	—	—
Total	**3,104.2**	**100.0**	**5,821.8**	**100.0**	**22,521.0**	**100.0**	**18,106.5**	**100.0**

With the continued economic structural transformation in China and the growth in total loans in China's banking sector, we anticipate that the volume of non-performing loans in China's banking system will rise. Furthermore, we believe that the increasing needs of commercial banks to dispose of distressed assets, the ongoing balance sheet de-leveraging, the financial restructuring undertaken by city and rural commercial banks and credit cooperatives, and the structural adjustment of non-bank financial institutions such as trusts will increase the supply of FI Distressed Assets. Prior to 2012, our Traditional Distressed Assets primarily came from distressed assets divested by large state-owned and Joint-stock Commercial Banks during their preparation for their public listings. In February 2012, the MOF and CBRC approved the packaged sale of distressed assets by PRC financial institutions at a discount to Original Value. We believe that in the future the disposal of distressed assets through third-party professional entities (such as AMCs) will become a common practice for banks in China, presenting us with increased opportunities to acquire distressed assets. For the six months ended June 30, 2013, we acquired Traditional Distressed Assets from financial institutions with an Original

Value of RMB4,860 million in the open market. Driven by an increase in both the demand by commercial banks to dispose of distressed assets and the amounts of such disposal, we acquired Traditional Distressed Assets from financial institutions with an Original Value of RMB5,060 million in July 2013, representing 104% of the total acquisition in the first six months of 2013. We believe we have a market share of more than 50% among the Four AMCs in terms of the Original Value of Traditional Distressed Assets acquired from financial institutions in the open market in the seven months ended July 31, 2013.

NFE Distressed Assets

We commenced NFE Distressed Assets management business after obtaining the relevant qualification from the CBRC in June 2010. NFE Distressed Assets refer to distressed debt, equity and real assets possessed and controlled by non-financial enterprises and generated in the course of production and operating activities (such as supply of products, services, materials and equipment and construction activities along the industry supply chain), borrowing and lending activities and investment activities.

The NFE Distressed Assets we have acquired primarily include accounts receivable and other receivables of non-financial enterprises. These distressed debt assets include (i) overdue receivables, (ii) receivables expected to be overdue and (iii) receivables from borrowers with liquidity issues. Debtor companies are mainly from real estate, infrastructure, construction and manufacturing sectors. During the Track Record Period, we acquired NFE Distressed Assets from 480 creditors, involving 487 debtors, co-debtors and guarantors. We have also acquired equity and real assets divested, exited and transferred by non-financial enterprises due to their strategic realignment, industry consolidation and operational restructurings.

Our NFE Distressed Assets management business is an integral part of our distressed asset management business. It extends our function of mitigating financial risk and improving resource allocation from the financial sector into the real economy. As a pioneer of the NFE Distressed Assets management business, we leverage our strength in real estate finance to engage in projects related to real estate and infrastructure. We seek to expand our footprint in the cyclical industries (such as raw materials, construction machinery, metallurgical and chemical industries), and industries benefiting from China's industrial upgrade (such as manufacturing, service, and environmental protection industries) in order to fully benefit from the opportunities provided by China's economic transformation. Given our years of experience in restructuring and vast industry know-how, we help companies overcome their short-term liquidity challenges due to their structural realignment, optimize their balance sheet structure, and improve their risk tolerance. At the same time, we make full use of the Group's synergistic operations to provide our clients with customized financial solutions.

Business Models for our Distressed Debt Asset Management

We mainly employ two business models in our distressed debt asset management: (i) the Traditional Model and (ii) the Restructuring Model. These two models differ in primary acquisition sources, arrangements for rights and obligations and income models:

- Primary acquisitions sources. We acquire the Traditional Distressed Assets primarily from banks, while we acquire the Restructured Distressed Assets primarily from non-financial enterprises, in addition to banks and non-bank financial institutions;
- Arrangements for rights and obligations. Under the Traditional Model, we assume the pre-existing rights and obligations between the banks and debtors after we acquire the debts.

Under the Restructuring Model, we enter into an agreement with the creditor and debtor to confirm the contractual rights and obligations and then acquire the debts from the creditor; concurrent to the debts acquisition, we, the debtor and its related parties also enter into a restructuring agreement that details the repayment amount, repayment method, repayment schedule, and any collateral and guarantee arrangements; and

- Income models. Under the Traditional Model, our income is primarily dependent on disposal methods and our ability to dispose of the acquired Traditional Distressed Assets in a timely manner. We realize and enhance the value of assets acquired under the Traditional Model primarily through debt restructurings, litigations and sales. As a result, our disposal income under the Traditional Model varies from one deal to another. Under the Restructuring Model, we fix the restructuring returns and payment schedule at the time of executing the restructuring agreements. In addition, the accounting treatments of these two models are different. For further details, please see "Financial Information."

The table below sets forth details on the acquisition and disposal of distressed assets by our Company using the Traditional Model and the Restructuring Model, respectively, during the Track Record Period.

	As at and for the year ended December 31,						As at and for the six months ended June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Net balance of distressed debt assets								
Traditional Distressed Assets(1)	8,029.9	100.0	7,918.5	45.0	8,022.2	14.3	8,468.9	9.8
Restructured Distressed Assets(2)	—	—	9,681.1	55.0	48,068.2	85.7	77,888.2	90.2
Total	**8,029.9**	**100.0**	**17,599.6**	**100.0**	**56,090.4**	**100.0**	**86,357.1**	**100.0**
Acquisition cost of distressed debt assets(3)								
Traditional Distressed Assets	3,531.8	100.0	2,866.7	23.0	2,941.6	5.6	2,113.1	5.0
Restructured Distressed Assets	—	—	9,593.2	77.0	49,249.5	94.4	40,535.1	95.0
Total	**3,531.8**	**100.0**	**12,459.9**	**100.0**	**52,191.1**	**100.0**	**42,648.2**	**100.0**
Income from distressed debt assets								
Traditional Distressed Assets(4)	5,395.9	100.0	4,850.8	96.4	3,973.8	53.0	1,994.2	32.0
Restructured Distressed Assets(5)	—	—	180.9	3.6	3,518.4	47.0	4,244.5	68.0
Total	**5,395.9**	**100.0**	**5,031.7**	**100.0**	**7,492.2**	**100.0**	**6,238.7**	**100.0**

(1) Equivalent to the Company's distressed debt assets designated as at fair value through profit or loss as appeared in the Accountants' Report.

(2) Equivalent to the Company's distressed assets classified as receivables" net of any identified impairment losses appeared in the Accountants' Report.

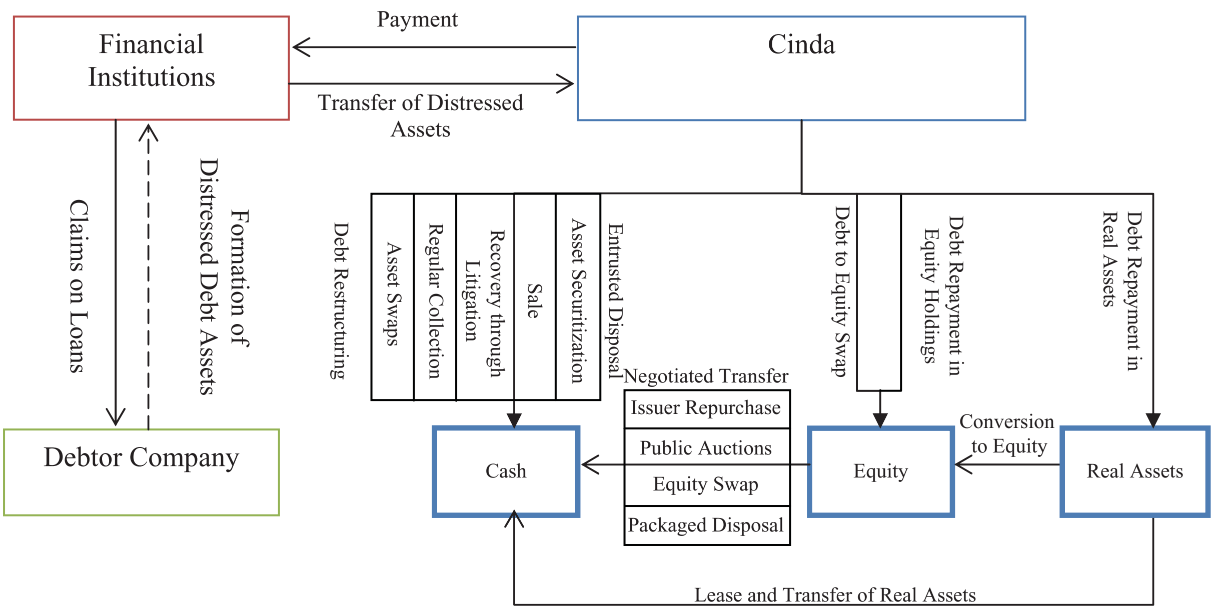
(3) The "acquisition cost of distressed debt assets" indicates the amounts of assets acquired during each period indicated. For example, the amounts of Traditional Distressed Assets we acquired in 2010 were RMB3,531.8 million.

(4) Equivalent to the Company's realized and unrealized fair value changes on distressed debt assets, as appeared in the Accountants' Report

(5) Equivalent to the Company's income from distressed debt assets classified as receivables as appeared in the Accountants' Report.

Traditional Model

We employ the Traditional Model mainly for our acquisition of distressed assets packages from banks. These packages typically include (i) distressed debt assets and (ii) equity and real assets in satisfaction of debt. We usually acquire Traditional Distressed Assets at a discount to Original Value and dispose of them through various means for cash. The chart below sets forth details of our Traditional model.



The table below sets forth certain financial details on our Company's acquisition and disposal of Traditional Distressed Assets during the Track Record Period:

	As at and for the year ended December 31,			As at and for the six months ended
	2010	2011	2012	June 30, 2013
	(in millions of RMB, except percentages)			
Net balance of Traditional Distressed Assets[(1)]	8,029.9	7,918.5	8,022.2	8,468.9
Acquisition cost of Traditional Distressed Assets[(2)]	3,531.8	2,866.7	2,941.6	2,113.1
Carrying amount of Traditional Distressed Assets Disposed[(3)]	4,260.9	3,189.2	3,205.9	2,090.2
Unrealized fair value change	115.9	211.1	368.0	423.8
Income from Traditional Distressed Assets[(4)]	5,395.9	4,850.8	3,973.8	1,994.2
Return on disposal[(5)]	123.9%	145.5%	112.5%	75.1%

(1) Equivalent to the Company's distressed debt assets designated as at fair value through profit or loss as appeared in the Accountants' Report. The "net balance of Traditional Distressed Assets" indicates the balance of Traditional Distressed Assets at the end of each period. For example, the net balance of our Traditional Distressed Assets as at December 31, 2010 was RMB8,029.9 million.
As at January 1, 2010, the net balance of our Traditional Distressed Assets was RMB8,643.1 million.

(2) The "acquisition cost of Traditional Distressed Assets" indicates the amounts of Traditional Distressed Assets acquired during each period indicated. For example, the amounts of Traditional Distressed Assets we acquired in 2010 were RMB3,531.8 million.

(3) This item indicates the amounts of Traditional Distressed Assets disposed in a given period. For example, we disposed of Traditional Distressed Assets with a book value of RMB4,260.9 million in 2010.

(4) Equivalent to the Company's realized and unrealized fair value changes on distressed debt assets as appeared in the Accountants' Report.

(5) (Income from Traditional Distressed Assets- unrealized fair value change)/ (Carrying amount of Traditional Distressed Assets disposed). Please see "Financial Information" for reasons of the changes in net return on disposal for Traditional Distressed Assets during the Track Record Period.

Sources of Information for Acquisition Opportunities

We actively seek opportunities to acquire distressed assets packages from banks. We obtain information on such acquisition opportunities primarily through the following means: (i) establishing regular communication channels with various banks to stay informed of banks' disposal plans, (ii) tracking the asset package sale announcements issued by banks, and (iii) involving ourselves as early as possible in relevant projects through the entrustment management of distressed assets or the execution of strategic cooperation agreements. As at June 30, 2013, we had strategic cooperative relationships with 101 bank headquarters, branches, and non-bank financial institutions, emphasizing bilateral cooperation on distressed assets acquisition. In addition, we provide distressed assets-related training programs and engage in regular dialogues with banks in order to further strengthen our relationships.

Due Diligence and Valuation

We conduct due diligence and valuation prior to our acquisition of distressed assets. Due diligence is conducted either on-site or off-site. On-site due diligence primarily includes (i) visiting the lending bank, debtor, guarantor and related parties, (ii) inspection of the collateral, and (iii) reviewing information available through the PBOC's credit reference center and checking other information on the debtor, guarantor, related parties and relevant assets available at the competent authorities such as the industry and commerce administration, tax, customs, real estate administration, and land administration authorities and the court. Off-site due diligence primarily includes written materials related to the assets. We review the information we collect through the due diligence process and analyze pertinent information to form the basis for our asset valuation.

When conducting asset valuation, we pay close attention to the asset's ownership, the debtor company's operating conditions and business prospects, past valuation information and precedent transactions, among other factors. We also consider external factors such as relevant government policies, market factors and environmental factors. We employ different valuation methods for debt, equity and real assets. The valuation methods we employ for debt assets include the hypothetical liquidation method, the cash flow method and the comparable transaction method, among other methods. The valuation methods we employ for equity assets include the market method, the income method and the cost method. The valuation methods we employ for real assets include the market comparison method, the income method, the cost method and hypothetical development method. Our valuation methods for land rights include the market comparison method, the income capitalization method, the residual method, the cost approach method, and the land base price correction factor method.

We have developed a Debt Assets Due Diligence and Valuation System and an Equity Assets Due Diligence and Valuation System. The Debt Assets Due Diligence and Valuation System went online in 2007 and has been upgraded several times, equipping us with a comprehensive due diligence database with more than 60,000 distressed debt assets and many case studies on the disposal of distressed assets. The Debt Assets Due Diligence and Valuation System is composed of a due diligence module and a valuation module. The due diligence module covers information for over 200 indicators, including information on the debt contracts, finances and assets of the debtor and guarantor and collateral. The valuation module is comprised of all categories of valuation models used to value individual debt assets and collateral assets. The Debt Assets Due Diligence and Valuation System integrates and streamlines our due diligence and valuation processes for the acquisition, routine management and disposal of distressed debt assets. The system ensures that the data we collect through the due diligence process is comprehensive and that our valuation process is standardized. It allows us to maintain a continuously updated due diligence and valuation database. We implemented our Equity Assets Due Diligence and Valuation System in June 2013. Its primary functions include due diligence, industry analysis and valuation. The Equity Assets Due Diligence and Valuation System provides solid technical support for our due diligence and valuation process of equity assets.

We maintain cooperative relationships with many professional asset appraisal firms. We have established a database of professional asset appraisal firms that we update annually and that currently contains information on over 600 such firms. We usually select asset appraisal firms from our database for our valuation needs. We devote significant efforts to the education and training of our personnel in valuation techniques. During the Track Record Period, we arranged training programs by industry associations and valuation specialists from valuation firms on valuation methods, valuation practice and case studies for different types of assets for over 200 employees. As at June 30, 2013, our employees have received over 50 state-issued qualifications such as Certified Public Appraiser, Real Estate Appraiser and Land Valuer.

When conducting due diligence and valuation during our routine management and disposal of distressed assets, we take into account the competitive dynamics and bids we receive in addition to the above factors.

Acquisition Process

We acquire Traditional Distressed Assets primarily through competitive bidding and auctions, purchase of delisted shares and negotiated purchases. The discount rate between our acquisition price and the Original Value of the assets depends primarily on the quality of the assets. In addition to the valuation results and information we collect during our due diligence process, we consider the following factors when determining whether to acquire certain Traditional Distressed Assets and setting our offering prices for these assets: (i) projected cash recovery; (ii) the cost of capital and return on investment; (iii) projected disposal period; (iv) our competitors and the competitive landscape; and (v) our competitive advantage in the relevant geographic location and industry of the assets. We believe our extensive experience in the disposal of distressed assets prepares us well in estimating the recovery amount in distressed asset disposals. We believe that we have accumulated substantial experience in pricing and competitive bidding, and have demonstrated our bidding capability in practice.

Routine Management and Disposal: Classification of Assets and Value Enhancement

Following the acquisition of Traditional Distressed Assets, the Head Office will formulate general disposal objectives and disposal plans based on our profit, cash flow, cost and return on investment targets. These disposal plans are adjusted on an annual basis and the plan is implemented at the Company Branch level that manages the assets. We monitor and evaluate our progress made towards disposal of the assets on a monthly basis, in addition to the quarterly report in order to ensure our annual disposal plan will be fulfilled.

The primary goals of our routine management are value discovery, value enhancement and avoidance of value impairment. During the routine management stage, we continue to conduct due diligence in order to understand the debtor's willingness and ability to repay, the condition and liquidity of the collateral and the guarantor's repayment capability. In addition, we continue to research whether the debtor or guarantor possesses assets of value previously not discovered.

We generally designate managers responsible for the overall management of the distressed assets we have acquired. A manager's duties include: (i) collecting debt in a timely manner and taking appropriate measures before the expiration of statutory periods such as statute of limitations and guarantee periods in order to safeguard our interests; (ii) conducting regular due diligence and updating information in our due diligence information systems (iii) monitoring the compliance of debtors and guarantors, closely tracking changes in the value of collateral and promptly reporting and proposing remedial measures for debt evasion and other serious issues; (iv) regularly performing valuations for debt assets; and (v) making claims during legal or bankruptcy (if any) proceedings.

For Traditional Distressed Assets, our primary methods of asset disposal include debt restructuring, swap of debts into equity, asset swap, receipt of equity and real assets in satisfaction of debt, regular collection, recovery through litigation, sale, asset securitization and commissioned disposal and any combination of the above. We dispose of assets in batches, taking into account our disposal plan, the specific circumstances of the disposal, required return on capital and the Company's overall plan. We classify Traditional Distressed Assets into one of three types: (i) assets possessing significant potential for future appreciation; (ii) assets possessing low potential for future appreciation, of low quality, or that the debtor is unable or unwilling to repay; and (iii) other assets. We apply different disposal strategies for each type of assets.

(i) For assets possessing significant potential for future appreciation, we utilize specialized management methods and coordination mechanisms for major debt assets to ensure long-term value appreciation and the optimization of asset value at the time of disposal. Based on the specific circumstances of each project, we identify and adopt one or more of the following disposal strategies:

- Financial restructuring: we actively seek opportunities to convert the distressed debts we own into equity of the debtor company or to inject additional equity capital into the debtor company, thereby aligning the debtor company's interests with ours in order to ensure maximum value appreciation as well as facilitate our disposal of the assets by means of exit in the capital market. By exchanging the debt or DES we hold for equity of a listed entity, we seek to recover our investment through capital markets transactions;
- Operational restructuring: we assist the debtor company with procuring strategic investments and optimizing its business lines for debt or equity value enhancement in order to promote the value appreciation of our investments;
- Corporate governance improvement: we help debtor companies improve their corporate governance by leveraging our rich experience in the custody, liquidation and restructuring of Distressed Entities.

We have executed complex restructuring projects by leveraging the vast experience we have accumulated throughout our dealings with Distressed Entities. We promote and realize value appreciation of the assets we invest in by collaborating with our subsidiaries. We actively involve our securities and investment subsidiaries in formulating disposal or restructuring plans and facilitating the capital markets access of a debtor or its related parties. Furthermore, our subsidiaries offer a broad range of financial services and products and provide debtor companies with customized financial solutions. In some instances, we design innovative transaction structures through combinations of or swaps between debt and equity instruments to satisfy client needs and achieve our objectives. For real estate properties with value appreciation potential, we seek to enhance their value by utilizing the resources and experience of our investment subsidiary Cinda Investment and its real estate development subsidiary Cinda Real Estate.

(ii) For assets possessing low potential for future appreciation, widely dispersed in different locations, of low quality, or that the debtor is unable or unwilling to repay, we aim to swiftly dispose of the assets to minimize management and disposal costs. The primary methods of disposal we adopt for these types of assets are packaged sales through auctions, competitive bidding and negotiated purchases. For assets with relatively low value, the packaged sale method can effectively lower disposal expenses and increase the value of the asset package. In order to cater to market demands and create an optimal mix of debt, equity and real assets in asset packages, we take into account the location, industry and enterprise affiliation of the assets.

(iii) For assets that do not belong to the two aforementioned categories, we closely monitor their conditions, evaluate their potential for value appreciation and adjust our disposal strategy as needed. The primary methods of disposal we adopt for this type of assets include debt restructuring, receipt of equity or real assets in satisfaction of debt, regular collection and recovery through litigation. We receive equity interests and real assets in satisfaction of debt through contract or court order and mainly from debtors who face cash flow issues but possess quality equity or real assets and who are willing to repay their debts. We generally entrust third party professionals with the disposal of assets that are difficult or costly to dispose of, such as consumer loans. We seek to collect from debtors who are willing and able to repay their debts and honor existing contracts. We also seek to recover debts through litigation or arbitration.

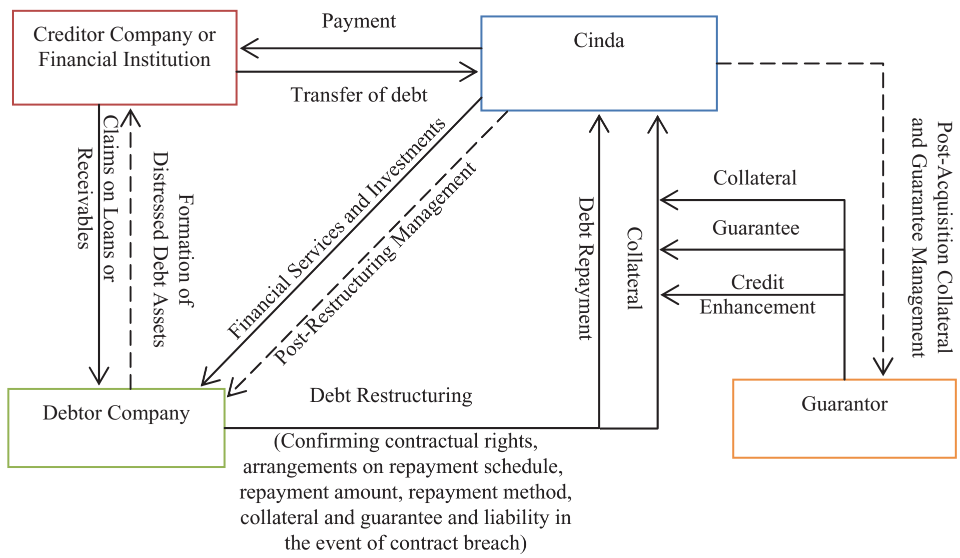
As the pioneer of China's distressed asset management industry, we continuously seek to innovate our disposal methods. For example, we were the first in China to swap distressed debt to equity for a large-scale state-owned company, and the first AMC in China to complete a debt restructuring through the establishment of a creditors' management committee as the leading creditor. We actively introduce foreign strategic investors in our corporate restructuring efforts and were among the first to complete the domestic and overseas distressed assets disposal through securitization. For details related to the disposal of our DES Assets, see "—DES Assets Management—Value Enhancement and Realization of DES Assets."

Restructuring Model

Restructured Distressed Assets primarily include the accounts receivable and other receivables we acquire from non-financial enterprises and the distressed debt assets we acquire from financial institutions such as banks and trust companies. After confirming the contractual rights and obligations between the creditor and debtor, we enter into an agreement with the creditor to acquire the debt. Concurrent to the debts acquisition, we, the debtor and its related parties also enter into a restructuring agreement that details the repayment schedule, repayment amount, repayment method and any collateral and guarantee arrangements, with the ultimate goal of recovering the debt in full.

Under the Restructuring Model, we enhance the value of existing distressed debt assets through restructuring, and provide differentiated financial services for enterprises in temporary liquidity difficulties. The main feature of the Restructuring Model is the restructuring of existing debt without extending additional credit. We improve the cash flow and operating conditions of the debtor company, control potential credit risks in the supply chain and therefore promote the sound structural realignment of the industry through various restructuring measures of the existing debt without injecting extra liquidity. For the management of Restructured Distressed Assets, we benefit from the vast industry experience, restructuring capabilities and client resources we have accumulated throughout our management of Traditional Distressed Assets. We believe the development and structural transformation of China's economy will provide a steadily increasing supply of NFE Distressed Assets and significant opportunities for our distressed asset management under the Restructuring Model.

The chart below sets forth details of our Restructuring Model:



The table below sets forth certain financial details on our Company's acquisition and disposal of Restructured Distressed Assets during the Track Record Period:

	As at and for the year ended December 31,			As at and for the six months ended
	2010	2011	2012	June 30, 2013
	(In millions of RMB, except percentages)			
Company				
Net balance of Restructured Distressed Assets(1)	—	9,681.1	48,068.2	77,888.2
Acquisition cost of Restructured Distressed Assets(2)	—	9,593.2	49,249.5	40,535.1
Income from Restructured Distressed Assets(3)	—	180.9	3,518.4	4,244.5
Annualized return on monthly average balance(4)	—	17.2%	16.0%	13.8%
Impaired Restructured Distressed Assets	—	73.1	596.8	473.0
Impaired Restructured Distressed Assets ratio(5)	—	0.8%	1.2%	0.6%
Allowance for impairment losses	—	20.0	1,482.3	2,198.2
Impaired Restructured Distressed Assets coverage ratio(6)	—	27.4%	248.4%	464.7%

(1) Equivalent to distressed debt assets classified as receivables, net of allowance for impairment losses as appeared in the Accountants' Report. The "net balance of Restructured Distressed Assets" indicates the balance of Restructured Distressed Assets at the end of each period. For example, the net balance of our Restructured Distressed Assets as of December 31, 2011 was RMB9,681.1 million.

(2) The "acquisition cost of Restructured Distressed Assets" indicates the amounts of Restructured Distressed Assets acquired during each period indicated. For example, the amounts of Restructured Distressed Assets we acquired in 2011 were RMB9,593.2 million.

(3) Equivalent to income from distressed debt assets classified as receivables as appeared in the Accountants' Report

(4) Income from Restructured Distressed Assets / monthly average balance of Restructured Distressed Assets. Please see "Financial Information" for reasons of the changes in annualized return on monthly average balance for our Restructured Distressed Assets during the Track Record Period.

(5) Impaired Restructured Distressed Assets / Gross balance of Restructured Distressed Assets

(6) Allowance for impairment losses / Impaired Restructured Distress Assets

Different from the Traditional Model where we dispose of the distressed assets by selling them to the purchasers, we typically do not sell the Restructured Distressed Assets but achieve exit through the repayment from the debtors or its related parties. As a result, the balance of Restructured Distressed Assets increases as a result of (i) new acquisitions of Restructured Distressed Assets and (ii) increases in accrued interests, but decreases with the repayment. In 2010, 2011, 2012 and the first half of 2013, the aggregate repayment of our Restructured Distressed Assets was nil, RMB73.0 million, RMB12,909.0 million and RMB14,213.9 million, respectively; during the same period, the accrued interests of our Restructured Distressed Assets were nil, RMB180.9 million, RMB3,508.9 million and RMB4,214.7 million, respectively. For further details of the accrued interests of our Restructured Distressed Assets, please see "Appendix I—Accountants' Report—Significant Accounting Policies—Effective Interest Method."

We obtained the qualification to acquire NFE Distressed Assets from the CBRC in 2010 and gained valuable experience through studying the operation approach and market practices of this business in 2011. Based on such experience, we captured the significant business opportunities of the NFE Distressed Assets market achieved significant growth in the acquisition of NFE Distressed Assets in 2012. As a significant portion of the NFE Distressed Assets we acquired were Restructured Distressed Assets, the balance of our Restructured Distressed Assets increased significantly from RMB9,701.1 million as at December 31, 2011 to RMB49,550.5 million as at December 31, 2012, further increased to RMB80,086.4 million as at June 30, 2013.

Despite the rapid growth of the balance of our Restructured Distressed Assets, the impaired assets of distressed debt assets classified as receivables (before deducting allowance for impairment losses) as a percentage of the balance of distressed debt assets classified as receivables slightly increased from 0.8% in 2011 to 1.2% in 2012 and decreased to 0.6% in 2013 as a result of our effective risk control; The allowance of impairment losses as a percentage of our distressed debt assets classified as receivables increased from 0.2% as at December 31, 2011 to 3.0% as at December 31, 2012, but decreased to 2.7% as at June 30, 2013; in addition, the coverage ratio of debt assets classified as receivables increased from 27.4% as at December 31, 2011 to 248.4% as at December 31, 2012 and to 464.7% as at June 30, 2013.

The significant increase of our impaired Restructured Distressed Assets in 2012 was mainly attributable to (i) the significant increase in the balance of Restructured Distressed Assets, which resulted in the increase of impaired assets; and (ii) the slight increase of the impairment ratio from 0.8% in 2011 to 1.2% in 2012, which was we did not start the Restructuring Model until the second half of 2011 and it took a period of time for the quality of assets to be reflected. The significant increase of the allowance for impairment losses in 2012 was attributable to (i) the significant increase in the balance of Restructured Distressed Assets, for which we made a relatively large amount of provisions for impairment losses based on similar provision rates; and (ii) the prudent provisioning policies we adopted, especially a large amount of provisions we made for impairment losses collectively assessed. We made provisions for impairment losses in the amount of RMB1,482.3 million in 2012, among which RMB1,302.3 million was collectively assessed and RMB180.0 million was individually assessed, compared to the RMB20.0 million provisions we made in 2011, all of which were individually assessed.

Sources of Information for Acquisition Opportunities

We obtain information on acquisition opportunities for Restructured Distressed Assets primarily from: (i) existing clients and their referrals; (ii) referrals from banks, trust companies and other business partners; and (iii) marketing initiatives of our Head Office or Company Branches.

Due Diligence

During the acquisition process for Restructured Distressed Assets, we conduct both on-site and off-site due diligence. We pay close attention to the financial condition, asset condition, solvency and industry outlook of the debtor and its related parties, the ability of the guarantor to perform its obligations under the guarantee and any changes in the value of the collateral. For further details concerning our on-site and off-site due diligence, please see "—Distressed Asset Management—Management of Acquired or Entrusted Distressed Debt Assets—Acquisition and Management of Distressed Debt Asset—Business Models for our Distressed Debt Asset Management Operations—Traditional model—Due Diligence and Valuation."

Due to the particular nature of the NFE Distressed Assets, we pay special attention to the verification of the contractual obligations between the debtor and the creditor. NFE Distressed Assets, which differ from bank loans, are generally originated from sales contracts or construction contracts whereby the creditor enjoys creditor's rights but, at the same time, must fulfill obligations to the debtor, such as warranty and after-sales service obligations. As a result, the debtor company's support and cooperation is required for our successful acquisition of the debt.

Acquisition and Restructuring

We acquire Restructured Distressed Assets primarily through negotiated purchases. At the time of acquisition, we enter into restructuring agreements with debtor companies and related parties on repayment amounts, repayment methods, repayment schedules and collateral and guarantee arrangements for the restructured debts. Through routine management measures, we ensure the fulfillment of the agreed terms and the realization of our target return. Therefore, the disposal and recovery of Restructured Distressed Assets is primarily accomplished through the fulfillment of the restructuring agreement by the debtors and other related parties. When the debtors and relevant parties cannot perform the restructuring agreements, we will dispose of the relevant Restructured Distressed Assets by using methods generally applicable to Traditional Distressed Assets, including debt restructuring, recovery through litigation and sales. For detailed descriptions of disposal methods of Traditional Distressed Assets, see "*—Traditional Model*." When deciding whether to acquire certain Restructured Distressed Assets, we mainly consider: (i) whether the principal and restructuring returns can be fully recovered in a timely manner. As a result, during the due diligence and approval processes, we focus on the analysis of a debtor's basic information, its sources of repayment funds, the availability of guarantee, and whether follow-up monitoring measures can be put in place; (ii) the repayment ability and intention of the counterparty, including its asset liquidity and adequacy of cash flows; and (iii) the legality, validity, authenticity and feasibility of the guarantee conditions and collaterals.

Debt repayment periods following restructuring are generally between one and two years. We determine our acquisition price and restructuring terms based on the risks involved, cost of capital and our target rate of return on the investment. In 2011, 2012 and the six months ended June 30, 2013, the annualized return on monthly average balance of our Restructured Distressed Assets was 17.2%, 16.0% and 13.8%, respectively. The vast majority of our restructured debts are collateral or guaranteed debts. We impose guidelines for the ratio of the value of accounts receivable to collateral value based on the types of the collateral. We typically hire professional appraisal firms to conduct valuation of the collateral during the acquisition process. For more details of our guidelines on the ratio of the value of accounts receivable to collateral value, see "Risk Management."

Aside from fixing repayment terms with the debtor at the time of the restructuring, we stay actively involved in the repayment process and adopt various measures to exert control over the debtor and realize a target return on our investment. These measures include without limitation:

- Where possible and when necessary, we seek to improve the debtor's operating conditions and competitiveness through various means including (i) promoting financial and operational restructuring of the debtor, (ii) improving corporate governance of the debtor company by leveraging our experience in corporate governance, (iii) making equity investments and (iv) assisting the public listing of the debtor company.
- We require additional collateral or guarantees and strengthen monitoring measures such as (i) setting up a third party benefits trust, (ii) taking control of company seals and chops and (iii) establishing escrow accounts.
- We seek to participate in important decision-making processes affecting the debtor company by appointing directors, supervisors and senior management as well as obtaining veto rights, in order to improve its corporate governance and operations and ensure fulfillment of restructuring terms.
- When necessary, we may decide to foreclose on collateral. Leveraging the resources and expertise of our investment and financial services subsidiaries, we strive to increase asset value and ultimately maximize our returns.

Routine Management

Our primary objectives in the routine management of Restructured Distressed Assets are to monitor debtor performance under the restructuring agreements and detect adverse events and potential risks that may affect the debtor's ability to perform its obligations under the restructuring agreement in a timely manner. To achieve such purpose, we conduct regular on-site and off-site due diligence to gain an in-depth understanding of the debtor. We analyze the individual circumstances of the debtors and the guarantors and adopt differentiated management strategies. We take into consideration various factors such as (i) the quality of debtor companies, and (ii) the quality, credit risk profile and financial condition, management quality and operational results of guarantor companies and grade our clients based on their ability to perform contractual obligations, ability to repay and risk-return considerations. We plan to launch a client credit rating system by the end of 2013 to further strengthen our monitoring abilities over our debtor clients and to improve our risk pricing capabilities.

We also conduct on-site inspections of the debtor company and its guarantors at least once every quarter in order to timely discover any operational difficulties and other warning signs. By timely discovering and reporting any potential risks up the decision-making chain, we are able to adopt effective risk control measures. In addition, we also conduct regular off-site inspections at least once every six months by reviewing written materials on the debtor and guarantor.

In addition to the standard risk management measures we have adopted for our distressed debt assets, we have established specialized risk management mechanisms that account for the specific characteristics of our Restructured Distressed Assets. For more information on risk management of our Restructured Distressed Assets, see "Risk Management."

Entrusted Distressed Asset Management

In addition to acquiring and disposing of distressed assets, we also manage and dispose of distressed assets entrusted to us by financial institutions, non-financial enterprises and local government authorities. This lines of business does not require us to incur indebtedness. Our income from this business is primarily derived from commissions. Our entrusted distressed asset management business provides us with additional acquisition opportunities for distressed assets. Through our entrusted distressed asset management business, we have expanded our client base and built robust business relationships with many banks and government agencies. Our entrusted distressed asset management business also enhances our marketplace reputation. In addition to receiving fee and commission income from the business, we actively seek to provide our clients with customized financial services offered by our subsidiaries to increase overall returns for the Group.

Since starting our entrusted distressed assets business in 2003, we have expanded the asset types we manage under this business from debt to including equity and real assets as well as mixed asset packages. The scope of our entrustment has developed from the management and collection of debt assets to including equity transfer, real assets management and due diligence services.

As at December 31, 2010, 2011, 2012 and June 30, 2013, the balance of our entrusted distressed assets was RMB32.89 billion, RMB45.28 billion, RMB31.28 billion and RMB13.56 billion, respectively.

DES Assets Management

We have 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. Our equity holdings in certain industry-leading companies in the coal, chemicals and metals industries constitute the majority of our DES Assets. These industry-leading companies typically possess large amount of assets, multiple business lines, extensive industrial chains and substantial market influence either locally or nationally. As a result, these companies have significant potential for value appreciation.

We utilize a principle of "One Enterprise One Approach" whereby we employ differentiated management and disposal methods for different DES Assets according to their respective characteristics. We promote the value appreciation of companies with whom we have swapped distressed debt into equities of these companies ("DES Companies") by providing additional investments and supporting their efforts to improve corporate governance, increase decision-making efficiency and conduct operational restructuring and mergers and acquisitions. We leverage our diversified business platform to provide the DES Companies with a comprehensive array of customized financial solutions. By enhancing the value of DES Companies, we simultaneously increase the liquidity of and returns generated by our DES Assets.

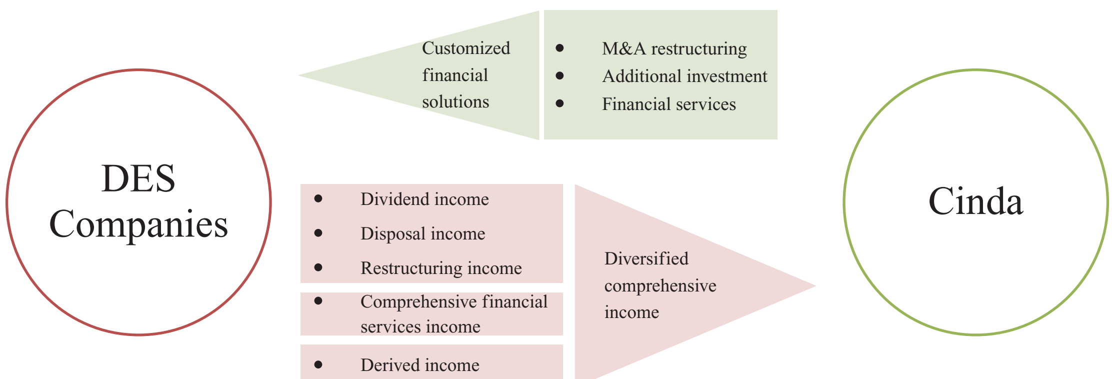
The broad range of management and disposal methods we utilize for our DES Assets generate revenue for us in multiple ways. We receive (i) dividend income, (ii) disposal income, and (iii) restructuring income[1] throughout our management and disposal of DES Assets. We also receive

[1] refers to gain we realized from exchange of DES Assets to assets in other companies

fee and commission income by providing financial services to DES Companies. Furthermore, the cooperative relationships we have established with local government authorities and other enterprises, through the DES Companies, have provided us with many benefits and additional business opportunities.

Over the years, we have developed a set of criteria to select equities and a wide array of value enhancing tools and innovative disposal methods for our DES Assets. The capabilities and experience we have accumulated through our DES Assets management business have not only reinforced our competitive advantages in our core business of distressed asset management, but also vigorously supported our financial investment, asset management and financial services businesses.

The figure below sets forth details on the broad range of value-added services we offer to DES Companies as well as the revenue sources provided by DES Companies:



Sources and Classification of DES Assets

Our DES Assets include: (i) the DES Assets that were converted under government guidance from the distressed debt assets of a number of medium and large SOEs the Company acquired prior to our restructuring, which constitute a majority of our DES Assets, (ii) additional equities of the aforementioned enterprises the Company subsequently acquired as part of asset package we purchased, (iii) additional investments by the Company in the aforementioned companies, (iv) equities the Company received in satisfaction of debt and equities the Company acquired through debt-to-equity swap transactions on our own initiative, and (v) equities the Company received as part of the share capital when we were established in 1999. For a historical background and more information on the state-mandated debt-to-equity swaps we effected as mentioned in (i) above, see "Our History and Corporate Structure" and "Industry Overview".

Over the course of our business, we have developed and strictly complied with a complete set of selection standards for choosing debtor companies with whom we effect debt-to-equity swaps. When selecting a debtor company for the aforementioned (i) and (ii) types of DES Assets, we primarily took into account the following standards after consulting relevant national policies and regulations: (i) the marketability of its products, (ii) advanced equipment and processes by domestic and international standards and its compliance with environmental regulations, (iii) the quality of its corporate governance, clarity of the rights and obligations of debtors and creditors and its compliance with financial management standards, (iv) the entrepreneurship and capabilities of its management team, and (v) whether its operational restructuring plans meet the standards of a modern enterprise system and has received government approval for reform measures such as reducing and redirecting staff to increase efficiency. For other types of debt-to-equity swaps, we take into consideration the following factors when choosing a debtor company: (i) its asset condition, (ii) its corporate governance, (iii) its financial system, (iv) its market share and potential of its products and services, and (v) its levels of support for debt restructuring.

Our DES Assets can be classified as unlisted shares of DES Companies ("Unlisted DES Assets") or listed shares of DES Companies ("Listed DES Assets"). As at June 30, 2013, we held Unlisted DES Assets in 182 DES Companies, with total book value of RMB34.38 billion, and Listed DES Assets in 67 DES Companies, with total book value of RMB9.28 billion. The table below sets forth details of our Unlisted DES Assets and Listed DES Assets during the Track Record Period:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	(In millions of RMB, except number of DES Companies)			
Basic DES Assets Information				
Number of DES Companies	240	274	255	249
Unlisted	215	204	186	182
Listed	25	70	69	67
Total book value	52,312.1	50,594.8	48,238.6	43,654.6
Unlisted	39,006.6	38,839.7	36,449.3	34,378.1
Listed	13,305.5	11,755.1	11,789.3	9,276.5

The table below sets forth details on our top 20 Listed DES Assets and top 20 Unlisted DES Assets based on book value, as at June 30, 2013.

Top 20 Unlisted DES Assets				Top 20 Listed DES Assets			
Ranking	Industry	Investee Company	Shareholding percentage	Ranking	Industry	Investee Company	Shareholding percentage
1.	Coal	Shenhua Group Zhungeer Energy Co., Ltd.	42.24%	1.	Chemicals	Qinghai Salt Lake Industry Co., Ltd.	7.27%
2.	Coal	Datong Coal Mine Group Co., Ltd.	30.12%	2.	Metals	Aluminum Corporation of China Limited	5.92%
3.	Coal	Huainan Mining Industry (Group) Co., Ltd.	24.84%	3.	Coal	Henan Dayou Energy Co., Ltd.	4.01%
4.	Coal	Xishan Coal Electricity Group Co., Ltd.	35.47%	4.	Coal	Jizhong Energy Resources Co., Ltd.	2.82%
5.	Coal	Yangquan Coal Industry (Group) Co., Ltd.	40.42%	5.	Chemicals	Yangmei Chemical Co., Ltd.	2.48%
6.	Chemicals	Wengfu (Group) Co., Ltd.	47.16%	6.	Chemicals	Yunnan Yuntianhua Co., Ltd.	2.29%
7.	Coal	Shanxi Jincheng Anthracite Mining Group Co., Ltd.	16.45%	7.	Metals	Yunnan Copper Co., Ltd.	2.20%
8.	Coal	Tiefa Coal Industry (Group) Co., Ltd.	30.46%	8.	Coal	Zhengzhou Coal Industry & Electric Power Co., Ltd.	4.81%
9.	Coal	Huozhou Coal Electricity Group Co., Ltd.	36.97%	9.	Coal	Guizhou Panjiang Refined Coal Co., Ltd.	1.44%
10.	Coal	Shanxi Fenxi Mining Industry (Group) Co., Ltd.	36.02%	10.	Other (Transportation)	Jiangsu Lianyungang Port Co., Ltd.	5.75%
11.	Other (Manufacturing)	China National Materials Co., Ltd.[(1)]	8.96%	11.	Other (Manufacturing)	China Erzhong Group (Deyang) Heavy Industry Co., Ltd.	1.24%
12.	Coal	Shandong Zhongxing Energy Co., Ltd.	20.74%	12.	Other (Finance)	Bank of Communications Co., Ltd.	0.04%
13.	Other (Transportation)	Ningxia Ningdong Railway Corporation Limited	25.90%	13.	Other (Manufacturing)	Fujian Qingshan Paper Industry Co., Ltd.	5.02%
14.	Metals	Baiyin Nonferrous Metal Group Co., Ltd.	5.97%	14.	Chemicals	Kailuan Engergy Chemical Co., Ltd.	1.61%

Ranking	Top 20 Unlisted DES Assets: Industry	Investee Company	Shareholding percentage	Ranking	Top 20 Listed DES Assets: Industry	Investee Company	Shareholding percentage
15.	Coal	Ningxia Lingxin Coal Industry Co., Ltd.	52.46%	15.	Other (Construction)	China Gezhouba Group Co., Ltd.	0.80%
16.	Other (Manufacturing)	Tianjin Pipe (Group) Corporation	6.11%	16.	Other (Manufacturing)	CITIC Heavy Industries Co., Ltd.	0.73%
17.	Chemicals	Shanghai Coking & Chemical Corporation	26.58%	17.	Other (IT)	Shandong Inspur Software Co., Ltd.	1.36%
18.	Other (Construction)	China Nuclear Engineering Corporation Limited	14.85%	18.	Other (Manufacturing)	FAWER Automotive Parts Limited Company	1.79%
19.	Coal	Guizhou Shuicheng Coal Mining (Group) Co., Ltd.	20.23%	19.	Coal	Anyuan Coal Industry Group Co., Ltd.	0.64%
20.	Coal	Huaibei Mining Co., Ltd.	6.79%	20.	Other (IT)	China National Software & Service Co., Ltd.	1.08%

(1) We hold China National Materials Company Limited's non-tradable corporate shares.

We calculate the value of our Listed DES Assets based on their trading prices. As at June 30, 2013 the book value of the top 20 Listed DES Assets (as ranked by the book value as at June 30, 2013) was RMB9.11 billion. The total book value of our Listed DES Assets was RMB9.28 billion as at June 30, 2013.

Our Unlisted DES Assets are measured at acquisition costs less identified impairment losses. The table below sets forth the acquisition costs and calculated value as at June 30, 2013 of our top 20 Unlisted DES Assets ranked by book value as at June 30, 2013. Such Calculated Value is not fair value appraised in accordance IFRS and you should not place undue reliance on it. We hired the valuation specialist, American Appraisal, to provide a valuation report on our top 20 Unlisted DES Assets ranked by book value as at June 30, 2013. For more information, see "Appendix III—Calculated Value Report."

	Top 20 Unlisted DES Assets	
	Acquisition Costs(1)	Calculated Value Results as at June 30, 2013
	(in millions of RMB)	
13 Coal Companies	22,402.6	52,700
7 Non-Coal Companies	5,285.9	9,600
Total	27,688.5	62,300

(1) For top 20 Unlisted DES Assets, acquisition costs are equal to their book value.

As at June 30, 2013, the top 20 Unlisted DES Assets ranked by book value and included in the calculated value report accounted for 80.5% of the total book value of our Unlisted DES Assets. As at the same date, the Unlisted DES Assets not included in the calculated value report accounted for

19.5% of the total book value of our Unlisted DES Assets. The following table below sets forth the range of book value of the Unlisted DES Assets not included in the calculated value report as at June 30, 2013.

Range of Book Value	As at June 30, 2013 Number of Unlisted DES Assets
(In millions of RMB)	
0-50	120
50-100	23
100-200	11
200-300	3
300-500	5
500 and above	0
Total	**162**

Our DES Assets Portfolio

Our DES Assets are concentrated in a number of industry-leading companies in the coal, chemicals and metals industry. These companies are large in scale and have significant influence over their respective industries. As at June 30, 2013, the book value of our DES Assets in the coal, chemicals and metals industry accounted for 61.5%, 16.2% and 9.1%, respectively, of the total book value of all of our DES Assets. As at June 30, 2013, the DES Companies in which we held equity interests include (i) 15 SOEs or their subsidiaries of 113 SOEs controlled by SASAC, (ii) 21 companies of the top 50 coal companies in terms of 2011 production output in China or their subsidiaries and (iii) China's largest producer of potassium fertilizer based on production output of chemical fertilizer in 2012 and the third largest producer of phosphate compound fertilizer based on sales revenue in 2011.

In 2011, the production volume of the aforementioned 21 DES Companies in the coal industry in which we directly held equity interests or held equity interests of their subsidiaries totaled 1,605 million tons of coal, representing 45.59% of national output. We adopt a meticulous management strategy for these DES Companies of large scale and importance, and seek to improve the value of our assets through various means.

Coal Industry

Among the top 50 coal producing companies in China by production output in 2011 according to the China National Coal Association, we held equity interests in (i) seven of the top 50 companies and in (ii) 24 subsidiaries of 16 of the top 50 companies. The following table sets forth details of our shareholding relationships with these 31 coal producing companies as at June 30, 2013.

Company Name	Ranking	Production Volume (in million tons for 2011)	Our Shareholding Relationship (As at June 30, 2013)
Shenhua Group Co., Ltd.	1	407.08	**Direct shareholdings** • N/A **Shareholdings in subsidiaries** • Shenhua Group Zhungeer Energy Co., Ltd. 42.24% • Ningxia Ningdong Railway Corporation Limited. 25.90% • Ningxia Lingxin Coal Industry Co., Ltd. 52.46%
China National Coal Group Corp.	2	163.57	**Direct shareholdings** • N/A **Shareholdings in subsidiaries** • Taiyuan Coal Gasification (Group) Corporation Limited. 11.15%
Datong Coal Mine Group Co., Ltd.	3	115.37	**Direct shareholdings** • 30.12% **Shareholdings in subsidiaries** • N/A
Shanxi Coking Coal Group Co., Ltd.	4	110.06	**Direct shareholdings** • N/A **Shareholdings in subsidiaries** • Xishan Coal Electricity Group Co., Ltd. 35.47% • Huozhou Coal Electricity Group Co., Ltd. 36.97% • Shanxi Fenxi Mining Industry (Group) Co., Ltd. 36.02%
Shandong Energy Group Co., Ltd.	5	108.21	**Direct shareholdings** • N/A **Shareholdings in subsidiaries** • Shandong Zhongxing Energy Co., Ltd. 20.74% • Shandong Dongyue Energy Co., Ltd. 40.24%
Jizhong Energy Group Co., Ltd.	6	102.15	**Direct shareholdings** • N/A **Shareholdings in subsidiaries** • Jizhong Energy Resources Co., Ltd. 2.82% • Jizhong Energy Handan Mining Group Corporation. 10.70%

Company Name	Ranking	Production Volume (in million tons for 2011)	Our Shareholding Relationship (As at June 30, 2013)
Shaanxi Coal and Chemical Industry Group Co., Ltd.	7	101.86	**Direct shareholdings** • N/A **Shareholdings in subsidiaries** • Shaanxi Coal Industry Company Limited. 2.00%
Kailuan (Group) Co., Ltd.	11	70.58	**Direct shareholdings** • N/A **Shareholdings in subsidiaries** • Kailuan Energy and Chemical Industry Co., Ltd. 1.61%
Huainan Mining Industry (Group) Co., Ltd.	12	67.51	**Direct shareholdings** • 24.84% **Shareholdings in subsidiaries** • N/A
Yangquan Coal Industry (Group) Co., Ltd.	14	58.52	**Direct shareholdings** • 40.42% **Shareholdings in subsidiaries** • Yangmei Chemical Co., Ltd. 2.48%
Shanxi Jincheng Anthracite Mining Group Co., Ltd.	15	52.54	**Direct shareholdings** • 16.45% **Shareholdings in subsidiaries** • N/A
China Pingmei Shenma Energy and Chemical Industry Group Co., Ltd.	18	47.57	**Direct shareholdings** • 2.83% **Shareholdings in subsidiaries** • N/A
Inner Mongolia Pingzhuang Coal (Group) Ltd.	21	37.76	**Direct shareholdings** • 31.82% **Shareholdings in subsidiaries** • N/A
Huaibei Mining (Group) Co., Ltd.	23	33.73	**Direct shareholdings** • N/A **Shareholdings in subsidiaries** • Huaibei Mining Co., Ltd. 6.79%
Yima Mining Group Co., Ltd.	24	33.62	**Direct shareholdings** • 18.42% **Shareholdings in subsidiaries** • Henan Dayou Energy Co., Ltd. 4.01%
Liaoning Tiefa Energy Co., Ltd.	28	25.68	**Direct shareholdings** • N/A **Shareholdings in subsidiaries** • Tiefa Coal Industry (Group) Co., Ltd. 30.46%
Guizhou Panjiang Investment Holdings (Group) Co., Ltd.	36	17.23	**Direct shareholdings** • N/A **Shareholdings in subsidiaries** • Guizhou Panjiang Refined Coal Co., Ltd. 1.44%

Company Name	Ranking	Production Volume (in million tons for 2011)	Our Shareholding Relationship (As at June 30, 2013)
Shenyang Coal Trade (Group) Corporation Limited Liability Company	37	15.76	**Direct shareholdings** • N/A **Shareholdings in subsidiaries** • Shenyang Coking Coal Co., Ltd. 16.40%
Chongqing Energy Investment Group Co., Ltd.	40	13.66	**Direct shareholdings** • N/A **Shareholdings in subsidiaries** • Chongqing Songzao Coal Industry & Electric Power Co., Ltd. 20.54% • Chongqing Tianfu Mining Co., Ltd. 6.38% • Chongqing Nantong Mining Co., Ltd. 0.29%
Fuxin Mining Industry (Group) Co., Ltd.	43	12.10	**Direct shareholdings** • N/A **Shareholdings in subsidiaries** • Fuxin Zhongbao Energy Co., Ltd. 45.55%
Jiangxi Coal Group Corp.	49	10.06	**Direct shareholdings** • N/A **Shareholdings in subsidiaries** • Anyuan Coal Industry Group Co., Ltd. 0.64%

Chemicals Industry

As at June 30, 2013, we held a 7.27% equity interest in China's largest potassium fertilizer company, Qinghai Salt Lake Industry Co., Ltd., a 47.16% equity interest in China's third largest phosphate compound fertilizer company, Wengfu (Group) Co., Ltd. and a 60.50% equity interest in Guizhou Kailin Co., Ltd., a subsidiary of Guizhou Kailin (Group) Co., Ltd., China's sixth largest phosphate compound fertilizer company. The following table sets forth details of our shareholding relationships with these three chemicals companies as at June 30, 2013.

Company Name	Shareholding percentage (At June 30, 2013)	Highlights
Qinghai Salt Lake Industry Co., Ltd.	7.27%	China's largest potassium fertilizer company in terms of output in 2012
Wengfu (Group) Co., Ltd.	47.16%	China's third largest phosphate compound fertilizer company in terms of sales revenue in 2011
Guizhou Kailin Co., Ltd.	60.50%	Guizhou Kailin (Group) Co., Ltd., China's sixth largest phosphate compound fertilizer in terms of sales revenue in 2011 is the parent company

Metals Industry

As at June 30, 2013, we held a 5.92% equity interest in Aluminum Corporation of China Limited, China's largest aluminum producer, a 5.97% equity interest in Baiyin Nonferrous Metal Group Co., Ltd., a large producer of copper, lead and zinc, and a 14.02% equity interest in Yunnan Tin

Group Co., Ltd., the world's largest producer of tin. The following table sets forth details of our shareholding relationships with these three metals companies as at June 30, 2013.

Company Name	Shareholding percentage (As at June 30, 2013)	Highlights
Aluminum Corporation of China Limited	5.92%	China's largest aluminum producer
Baiyin Nonferrous Metal Group Co., Ltd.	5.97%	China's large producer of copper, zinc and lead
Yunnan Tin Group Co., Ltd.	14.02%	World's largest producer of tin

Other Industries

As at June 30, 2013, we held an 8.96% equity interest in China National Materials Co., Ltd., the world's largest provider of cement equipment and engineering services, as well as a 6.11% equity interest in Tianjin Pipe (Group) Corporation, China's largest seamless steel pipe production company. The following table sets forth details of our shareholding relationships with these two companies as at June 30, 2013.

Company Name	Shareholding percentage (As at June 30, 2013)	Highlights
China National Materials Co., Ltd.	8.96%	World's largest cement equipment and engineering services supplier
Tianjin Pipe (Group) Corporation	6.11%	China's largest seamless steel pipe production company

Routine Management of our DES Assets

Leveraging the experience we have accumulated over the years in equity management, we have established a multi-dimensional and integrated management system for our DES Assets and cultivated a team of experienced professionals for our DES Assets management. The routine management of our DES Assets is handled by the project managers, project teams and shareholder representatives, directors, and supervisors we assign or appoint at the DES Assets ("assigned personnel").

Our assigned personnel collect first-hand information on the DES Companies and utilize the advanced capabilities we have developed in information collection, maintenance and analysis. As a result of the synergistic collaboration between our Head Office, Company Branches, subsidiaries and professional teams, we are able to promote asset value and maximize our returns while reducing risks.

- We appoint a project manager for every DES Asset who is responsible for the routine management of the DES Asset. Our project managers collect and report relevant data and information, conduct on-site inspections, review the implementation status of decisions made in shareholder's meetings, board meetings and supervisors' meetings (collectively, "Three Meetings") and monitor the operating conditions of the DES Companies. We set clear guidelines for project managers conducting due diligence visits and on-site inspections, including the frequency of visits, which is based on the size of our investment in the company, and the regular issuance of due diligence reports. During routine management, our project managers focus on (i) the development trends of the company, (ii) the value enhancement potential of our assets and (iii) any matters that may affect shareholder value or rights.

- We designate shareholder representatives and appoint board members and supervisors at DES Companies who submit proposals or exercise voting rights at the Three Meetings. We require our assigned personnel at DES Companies to conduct regular due diligence visits in order to gain in-depth knowledge of the company's operating conditions, assist and coordinate with project managers in fulfilling our annual operating plans with regard to the DES Companies and support our subsidiaries in providing comprehensive financial services to the DES Companies.
- The business decision-making committees at our Company Branches review and approve any proposal for the Three Meetings that are within their scope of approval authority. The equity management business decision-making group at our Head Office is responsible for the review and approval of, within its authority, proposals to be submitted to the Three Meetings.
- We have established an equity management information system that covers material information related to the DES Companies, including basic corporate information and information on operating conditions, corporate governance, financial accounting, Three Meetings and restructuring and disposal plans.

Value Enhancement and Realization of DES Assets

Based on our in-depth knowledge of the DES Companies, we adopt differentiated management and operational strategies in accordance with the specific characteristics of each DES Company. For DES Companies we recognize as possessing potential for value enhancement, we focus on increasing the value and liquidity of our DES Assets in the companies. For DES Companies with less potential for value enhancement, we seek to dispose of our DES Assets in them as quickly as possible. For Listed DES Assets, we aim to reduce our holdings through the secondary market at the appropriate time.

- During the routine management of our DES Assets, we focus on assisting DES Companies in their efforts to standardize operations, reduce risk and enhance management standards, which in turn enhance the value of the DES Companies. We also encourage DES Companies to distribute dividends.
- Our specialized project teams are responsible for enhancing the value and disposing of our DES Assets. We establish a two-tiered project team for every DES project, involving both the Head Office and the Company Branch responsible for the project. For significant projects, the Head Office project team leads project operations and directly participates in the negotiation and operating process of the project, while the Company Branch team cooperates with overall efforts. For other projects, the Company Branch project team is responsible for the implementation of the project and the Head Office project team provides supervision, guidance and coordination. Project teams are also responsible for analyzing the data and information collected by project managers and assigned personnel. Through continuous communication with the DES Companies, their shareholders and controlling owners, our project teams track new developments in the company's operations, especially those related to important investment, acquisition and restructuring. We actively seize opportunities to enhance value and liquidity of our DES Assets.
- We aim to increase the value and liquidity of our DES Assets by means of exiting in capital markets. By promoting the public listing of the DES Companies or exchanging our Unlisted DES Assets for shares of publicly listed companies, we increase the value and liquidity of our assets while concurrently reducing our management costs by holding

shares of better regulated listed companies. For an unlisted DES Company, we determine whether it has value enhancement potential by analyzing such factors as national macro-economic policies and the industry, the operations, the development potential and the management team of the company. For a DES Company with high value enhancement potential, we primarily seek to enhance its equity value and liquidity by (i) actively promoting the reorganization and public listing of the company and (ii) exchanging equity of the company for shares of publicly listed companies. In addition, other methods we adopt in order to dispose of Unlisted DES Assets include (i) negotiated transfers, (ii) share repurchases and (iii) auctions, public sales through equity exchanges and other intermediary platforms.

- We commission Cinda Securities for the management of our Listed DES Assets. Cinda Securities assigns investment managers and analysts for the trading of our Listed DES Assets in the secondary market. These investment managers and analysts regularly visit Listed DES Companies, closely monitor developments of the companies and analyze the markets, industries, regions and competitors of the DES Companies. They pay close attention to any changes in the companies' strategies, development goals and operating status.
- We have established a technical support team for our DES Assets, which is responsible for studying any significant technical difficulties that may arise during the management and disposal process. The team is composed of professionals from the equity management department, legal and compliance department, asset evaluation department, finance and accounting department, Cinda Securities' investment banking department and research and development center. Leveraging the expertise of the investment banking and research teams of Cinda Securities, we provide restructuring advisory services and issue industry and enterprise analysis reports to the DES Companies with significant potential for value appreciation.
- Our Company Branch business decision-making committees are responsible for the review of important restructuring or disposal plans or other important matters related to the DES Companies. Decisions made by the Company Branch business decision-making committees are reviewed for further approval by the Head Office business decision-making committee.
- For DES Companies with significant potential for value appreciation, we actively promote the public listing of these companies by providing additional investments or introducing strategic or financial investors. The departments responsible for direct investment at both the parent and subsidiary level of the Group are responsible for conducting additional investments in DES Companies.

Comprehensive Financial Services

We maintain equity holdings in many DES Companies of significant regional or national influence that possess large-scale and high-quality assets. These DES Companies, together with their affiliates, have extensive needs in a broad array of financial services and products. We are able to timely gain knowledge and understanding of their financial needs through our routine management of DES Assets. By providing DES Companies and their affiliates with customized financial solutions through our financial subsidiaries, we are able to support DES Companies' and their affiliates' development and value enhancement while increasing our revenue from DES Assets.

During the Track Record Period, we made additional investments in 16 DES Companies and their affiliates, totaling RMB1.71 billion; we provided financial consulting, insurance, financial leasing and trust services to 25 DES Companies and their affiliates; lastly, we also acquired RMB2.08 billion of NFE Distressed Assets by leveraging business relationships with these DES Companies.

DES Assets Disposal Gain

During the Track Record Period, we disposed of our investments in 136 DES Companies with total acquisition costs of RMB9.91 billion and realized net gain of RMB13.04 billion, achieving an exit multiple of 2.32. Among these assets, in 2010, 2011, 2012 and the six months ended June 30, 2013, we disposed of 27, 54, 43 and 12 DES Assets, respectively, with total acquisition costs of RMB2.46 billion, RMB2.23 billion, RMB2.83 billion and RMB2.39 billion, respectively, realizing net gain of RMB3.11 billion, RMB2.59 billion, RMB4.68 billion and RMB2.66 billion, respectively.

The table below sets forth details of our disposal of DES Assets by asset type during the Track Record Period. In 2010, 2011, 2012 and the six months ended June 30, 2013, the total acquisition costs of Unlisted DES Assets we disposed of was RMB1.37 billion, RMB2.15 billion, RMB2.50 billion and RMB2.37 billion, respectively, and the total acquisition cost of Listed DES Assets we disposed of was RMB1.09 billion, RMB77 million, RMB328 million and RMB26 million, respectively.

	As at and for the year ended December 31,			As at and for the six months ended
	2010	2011	2012	June 30, 2013
	(in millions of RMB, except number of DES Companies disposed and ratio)			
Number of DES Companies disposed	27	54	43	12
Unlisted	17	47	32	8
Listed	10	7	11	4
Acquisition costs of DES Assets disposed	2,458.4	2,226.5	2,827.0	2,394.5
Unlisted	1,372.8	2,149.4	2,498.9	2,368.6
Listed	1,085.6	77.1	328.1	25.9
Net gain on DES Assets disposed	3,111.2	2,589.3	4,682.9	2,659.6
Unlisted	2,368.7	2,401.2	4,650.1	2,525.0
Listed	742.5	188.1	32.8	134.6
Exit Multiple of DES Assets disposed(1)	2.3	2.2	2.7	2.1
Unlisted	2.7	2.1	2.9	2.1
Listed	1.7	3.4	1.1	6.2
Dividend Income	451.2	1,469.4	964.8	506.6
Unlisted	441.7	1,431.9	912.8	447.5
Listed	9.5	37.5	52.0	59.1

(1) (Net gain + acquisition costs)/ acquisition costs of DES Assets disposed

The table below sets forth details on our disposal of DES Assets by industry during the Track Record Period.

	As at and for the year ended December 31,			As at and for the six months ended June 30,
	2010	2011	2012	2013
	(in millions of RMB, except number of DES Companies disposed and ratio)			
Number of DES Companies disposed	27	54	43	12
Coal	5	7	7	1
Chemicals	3	2	5	1
Metals	1	4	3	1
Others	18	41	28	9
Acquisition costs of DES Assets disposed	2,458.4	2,226.5	2,827.0	2,394.5
Coal	709.3	1,028.2	976.7	1,804.3
Chemicals	503.9	116.3	196.8	228.5
Metals	875.6	462.0	438.8	3.5
Others	369.6	620.0	1,214.7	358.2
Net gain on DES Assets disposed	3,111.2	2,589.3	4,682.9	2,659.6
Coal	1,783.9	1,010.5	2,565.2	1,995.7
Chemicals	459.3	63.0	243.9	207.6
Metals	361.8	435.3	395.2	—
Others	506.2	1,080.5	1,478.6	456.3
Exit Multiple of DES Assets disposed(1)	2.3	2.2	2.7	2.1
Coal	3.5	2.0	3.6	2.1
Chemicals	1.9	1.5	2.2	1.9
Metals	1.4	1.9	1.9	1.0
Others	2.4	2.7	2.2	2.3

(1) (Net gain + acquisition costs)/ acquisition costs of DES Assets disposed

Custody, Liquidation and Restructuring of Distressed Entities

We are commissioned by government agencies and corporate clients to provide custody, liquidation and restructuring services for distressed financial institutions and non-financial enterprises. Our Head Office and Zhongrun Development are the operating entities of these services, including custody, restructuring, liquidation and bankruptcy receivership services. To date, we have been commissioned by government agencies to conduct the custody, liquidation and restructuring of eight distressed non-bank financial institutions including securities, trust and leasing companies. In addition, we were entrusted by a large commercial bank to provide custody, liquidation and disposal services for its investments in 2,400 commercial enterprises and nearly 1,000 investment projects. We have developed systematic and comprehensive business processes and standards for our custody, liquidation and restructuring business.

We have achieved recognition for our custody, liquidation and restructuring business from regulatory authorities and local governments. In 2009, we were awarded the “Excellent Financial Brand Award” by the CBRC at the 2009 China International Financial Exhibition for our custody, liquidation and restructuring business. In 2009 and 2010, we were recognized by the PBOC and the CSRC, respectively, for our outstanding performance in the liquidation of distressed securities companies.

In 2010 and 2011, we completed the liquidation and restructuring of Liaoning Securities, West Financial Leasing and Jinghua Trust. In 2010, 2011, 2012 and the six months ended June 30, 2013, we received fees and commissions of RMB19.4 million, RMB5.8 million, RMB10.3 million and RMB0.9 million, respectively, from our custody, liquidation and restructuring business. At the Latest Practicable Date, we led the liquidation teams which acted as the bankruptcy receiver for China Securities and Jinghua Trust.

Strategic Significance of our Custody, Liquidation and Restructuring Business

Our custody, liquidation and restructuring business constitutes a core segment of our distressed asset management business and is of strategic significance to us:

- It contributes to the Group's sustainable development. By strategically selecting distressed financial institutions for our custody, liquidation and restructuring services, we have acquired financial licenses that are otherwise difficult to obtain. Through the provision of the service, we have established three financial subsidiaries, (i) Cinda Securities, (ii) Jingu Trust and (iii) Cinda Leasing, as well as two investment subsidiaries, (i) Cinda Investment and (ii) Zhongrun Development. These subsidiaries, supported by our meticulous management and synergistic operations, provide the growth momentum for our business by providing clients with comprehensive financial products and services and contributing to the value appreciation of the distressed assets we acquire.
- It enhances our accumulation of industry experience. Many of the entities we manage under our custody, liquidation and restructuring business are in the financial and real estate industries. Through the liquidation and restructuring of these entities (i) we have developed an in-depth understanding of these industries, which provides us with competitive advantages in our business dealings within these industries, and (ii) we have cultivated a team of professionals and accumulated vast experience in turning around Distressed Entities and enhancing their value. The experience and professional capabilities we have accumulated have provided a sound foundation for the continued expansion of our investment, M&A and restructuring businesses in the financial and real estate industries.
- It helps us develop and enhance business relationships with government agencies and corporate clients. Our continued involvement in this business enhances our reputation and is beneficial to our maintenance of good relations with government and other clients.
- It enhances our risk management capabilities. We accumulate specialized capabilities and extensive experience in controlling, identifying, managing and mitigating risks related to non-bank financial institutions, commercial enterprises and investment projects.

We believe that the structural realignment and transformation of China's economy and the resulting industry consolidation will become a common practice, providing us with significant opportunities in M&A, custody, liquidation and restructuring. Leveraging the capabilities we have accumulated through our custody, liquidation and restructuring business for Distressed Entities, we aim to vigorously develop our SSI business, focusing on Distressed Entities that encounter operational and financial issues but possess growth potential or valuable assets. Furthermore, we intend to establish a track record and reputation in the SSI market by successfully completing a number of landmark transactions.

FINANCIAL INVESTMENT AND ASSET MANAGEMENT

Overview

Our financial investment and asset management business is a natural extension of our distressed asset management business and serves as an important functional platform to maximize the value appreciation potential achieved in the latter. Additional investments, whether direct or indirect, constitute one of the primary ways in which we enhance the profitability of our distressed asset management operations. To discover and fully leverage attractive investment opportunities, we actively utilize the client resources and industry experience accumulated in distressed asset management throughout the investment process as well as our first-mover advantage in the NFE Distressed Asset management business. For debtor companies who face liquidity issues and have restructuring or consolidation needs, we make additional investments to facilitate their financial and operational restructuring and corporate governance reform, which ultimately leads to the value appreciation of the company and its assets. Through the course of providing customized financial solutions to our clients, we have accumulated industry experience and client resources and cultivated relationships with local governments. These experiences, resources and relationships serve as a unique channel and have led to our consistent discovery of investment opportunities derived from our existing clients, contributing to the overall revenue growth of the Group.

The organic integration and synergistic collaboration of our distressed asset management business and investment business are well demonstrated by our "real estate finance" business. In our distressed asset management business, we receive real properties in satisfaction of debt. To enhance the value of real estate collaterals with defects, we adopt various investment and financing solutions such as follow-on investments and property development so as to maximize the disposal value of such properties. Our real estate investment and development platforms complement each other and share resources, technologies and experience, thus forming a unique business model integrating the investment and disposal of real estate-related distressed assets.

Through our principal investment business operations, we have cultivated a professional investment team with vast industry experience and robust capabilities in valuation, management and risk control, which serves as a sound foundation for the expansion of our third-party asset management business. The third-party asset management business is a business model in which we, as a provider of asset management services (such as the manager/general partner of private equity funds), raise funds from third parties and invest such funds in an agreed-upon manner. Asset managers' income is mainly generated from fees and commissions collected as a percentage of the entrusted assets or in accordance with other pre-determined methods. Cinda's third-party asset management business mainly includes private equity fund business, trust business, securities asset management business, fund management business and targeted asset management business. In addition, to actively explore a sustainable business development model, we are gradually transitioning to a capital-efficient and fee-driven business model and seek to broaden our financing channels through off-balance sheet financings. As a result, we consider third-party asset management business as an important trend of our business development. Furthermore, there is a significant potential demand in China for private equity products due to the currently underdeveloped product offering in the market. We utilize our aforementioned unique competitive advantages and existing capabilities in our traditional securities asset management, trust and fund management business to actively develop and expand our third-party asset management business, especially private equity products that include high-yield, buyout and industry funds, thus developing a multi-level and differentiated asset management business system. At the Latest

Practicable Date, assets under management from our securities, trust, fund management and private equity business totaled over RMB140 billion.

Our principal investment and third-party asset management businesses complement each other. As the market for third-party asset management services expands, we plan to shift the focus of our principal investments from direct investments to seed investments in funds managed by the Group. This will help attract third-party funds and support the development of our third party asset management business.

Our financial investment and asset management business is conducted together by the Company, Cinda Investment, Well Kent International, Zhongrun Development and Cinda Capital and their subsidiaries. Our financial investment and asset management business primarily includes (i) principal investment, (ii) asset management (including private equity), and (iii) other businesses. In 2010, 2011, 2012 and the six months ended June 30, 2013, our income from financial investment and asset management business accounted for 29.0%, 24.4%, 24.5% and 17.7%, respectively, of our total income. Apart from our principal investment business, other businesses in this business segment are conducted by Cinda Investment, Well Kent International and Zhongrun Development. The table below sets forth details on the key financial data of Cinda Investment, Well Kent International and Zhongrun Development at the dates and for the periods indicated.

	As at and for the year ended December 31,												As at and for the six months ended June 30,			
	2010				2011				2012				2013			
	Income	Profit before tax	Total assets	Net Assets	Income	Profit before tax	Total assets	Net Assets	Income	Profit before tax	Total assets	Net Assets	Income	Profit before tax	Total assets	Net Assets
	(In millions of RMB)															
Cinda Investment	6,195.6	1,579.2	25,133.3	10,152.9	5,372.5	2,011.3	25,486.0	10,889.1	7,110.5	2,496.0	30,755.2	12,058.6	2,440.7	820.1	31,256.6	12,534.0
Well Kent International[(1)]	483.8	398.8	3,372.7	3,096.8	525.0	488.5	4,086.4	3,009.0	624.3	375.9	8,666.6	3,308.8	198.0	77.8	8,523.3	3,234.8
Zhongrun Development	292.3	191.2	1,255.1	653.6	187.4	124.0	1,210.7	730.0	207.6	126.8	1,124.2	855.6	89.3	58.2	946.7	735.0

(1) Excludes the financial results of Cinda International, in which Well Kent international held a 63.87% equity interest as at June 30, 2013. The financial results of Cinda International are included in our financial services segment.

The table below sets forth major business entities involved in the financial investment and asset management business.

Principal Investment	Asset Management (Including Private Equity Fund)	Others
• the Company • Cinda Investment • Well Kent International • Zhongrun Development	• Cinda Investment (Mainly through Cinda Capital)	• the Company • Cinda Investment • Well Kent International • Zhongrun Development

Cinda Investment

Cinda Investment is the flagship subsidiary of the Group's financial investment and asset management business. In the six months ended June 30, 2013, Cinda Investment accounted for 71.5% and 59.9% of the profit before tax and total assets, respectively, of our financial investment and asset management business. With a clear focus on real estate finance and strategic direction of asset management, Cinda Investment is a comprehensive investment company serving as the Group's specialized investment platform and supporting the Group's distressed asset management business. Cinda Investment currently controls more than 10 subsidiaries that cover several business sectors and geographical regions, including two A-share listed companies, namely Cinda Real Estate and Tongda Venture, the private equity subsidiary Cinda Capital, the investment company Hainan Jianxin Investment Management Co. Ltd., the hotel management company Sanya Horizon Industry Co., Ltd., and the commercial real estate enterprise Henan Jinboda Development & Construction Co.. Each subsidiary has its own strategic focus and wields significant influence in its respective sector.

Cinda Investment, as a non-financial investment company, strongly complements the Company's business by focusing on the acquisition of distressed assets. Cinda Investment collaborates extensively with the Company and provides tailored investment solutions to our clients, enabled by its professional investment teams and diversified investment methods that include equity investments, debt investments, mezzanine financing, debt restructuring, and credit enhancement. Combining the Group's advantages in comprehensive business platforms and its own expertise in investment and experience in the real estate sector, Cinda Investment proactively seeks and design projects and creates cooperation opportunities with the Head Office, Company Branches and our subsidiaries. For example:

- After the Company acquires and restructures a real estate debtor company's distressed debt assets, Cinda Investment acquires equity of the project company through making or increasing its equity investment in order to enhance the assets' value. The equity investment of Cinda Investment not only serves to facilitate debt recovery of the Company, but also maximizes the overall profitability of our Group through the disposal of equity.
- Cinda Investment collaborates with the financial service platform of the Group and expands the business resources available to the Group's financial subsidiaries. For equity investment projects, Cinda Investment plans to equity investments to clients of our trust subsidiary, which would serve to maximize returns for the Group.
- By collaborating with our Company Branches during the due diligence process and post-investment management, Cinda Investment reduces the expenses associated with its investments. Furthermore, Cinda Investment provides support to Group projects that fall within its expertise, especially with regards to the real estate industry. For example, Cinda Real Estate provides professional services to the Group's acquisition and management of real estate related distressed assets.

Benefiting from the Group's rapid development and synergies within the Group, Cinda Investment has achieved consistent growth both in its portfolio and return. Cinda Investment achieved continued growth in profitability and return ratios during the past few years. The table below sets forth details on the key financial ratios of Cinda Investment during the Track Record Period.

	2011	2012	CAGR for 2010-2012	Six months ended June 30, 2013
			(In percentages)	
Growth in Pre-tax Profits	27.4	24.1	25.7	55.9
Pre-tax ROAE(1)	19.1	21.8		13.3
Pre-tax ROAA(2)	7.9	8.9		5.3

(1) Pre-tax profit/ average shareholder's equity as at the beginning and end of the period and annualized for the six months ended June 30, 2013

(2) Pre-tax profit/ average total assets as at the beginning and end of the period and annualized for the six months ended June 30, 2013

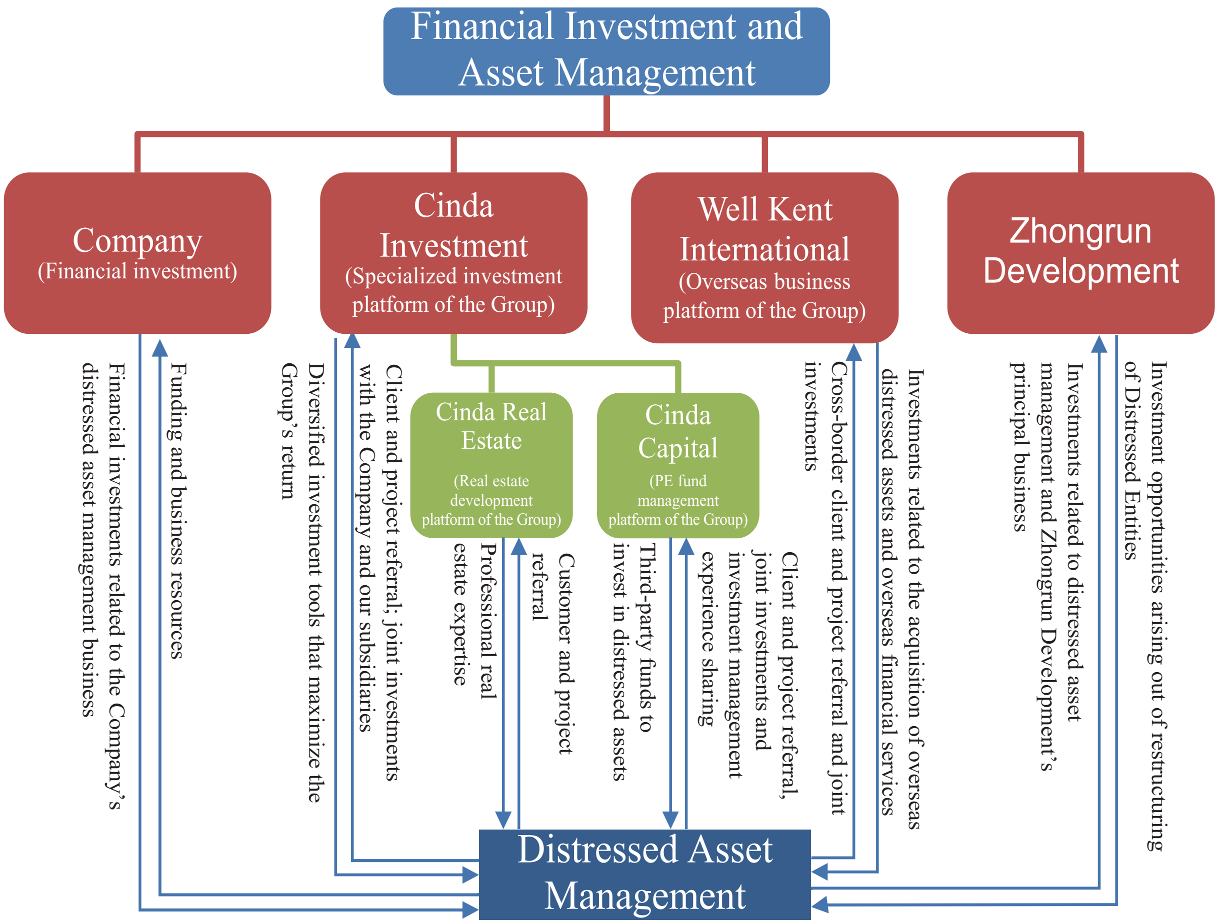
Well Kent International

Registered in Hong Kong, Well Kent International is a wholly-owned subsidiary of the Company that conducts distressed asset management, equity and fixed income investment, asset management and real estate finance. Well Kent International conducts investment banking and asset management businesses through (x) three Hong Kong-listed companies, namely its subsidiary Cinda International (stock code: 00111), its associate company Silver Grant International (stock code: 00171) and China Fortune Group Ltd. (stock code: 00290) in which it holds minority equity interests, and (y) our subsidiary Sino Rock Investment. Well Kent International serves as a bridge between our domestic and overseas businesses and functions as a primary platform for overseas investment and financing and asset management for the Group. In addition, Well Kent International generates synergies within the Group by collaborating with the Company and other subsidiaries in cross-border investment, financing and M&A activities. For example, Well Kent International participates in the due diligence process and co-invests with other Group entities. In addition, Well Kent International also plans to provide financing to our quality DES Companies in the latter's internationalization process.

Zhongrun Development

Zhongrun Development's businesses contribute to the Company's core business of distressed asset management, and participate in the Group's custody, liquidation and restructuring projects for Distressed Entities. Zhongrun Development also conducts investment management business to capture investment opportunities derived from its liquidation and restructuring businesses.

The chart below sets forth the positioning of the main entities involved in the financial investment and asset management business segment as well as their relationships with the Group's distressed asset management business segment:



Principal Investment

Our principal investment business primarily includes: (i) equity investments related to our distressed asset management business, (ii) real estate investment and development related to our distressed asset management business, and (iii) other investments, including investments in fund products, debt securities, trust products and wealth management products. Our real estate investment and development business is primarily handled by Cinda Investment and Cinda Real Estate, while the Company, Well Kent International and Zhongrun Development are primarily involved in equity investments outside of our real estate business. As at December 31, 2010, 2011, 2012 and June 30, 2013, balance of our principal investment totaled RMB10.17 billion, RMB11.18 billion, RMB13.87 billion and RMB15.23 billion, respectively. In 2010, 2011, 2012 and the six months ended June 30, 2013, income from our principal investment, primarily including investment income, income from investment property and hotel operation revenue under the financial investment and asset management business segment, totaled RMB1.87 billion, RMB2.02 billion, RMB1.29 billion and RMB0.93 billion, respectively. As at June 30, 2013, our (i) equity investments, (ii) real estate investments, and (iii) other investments represented 61.9%, 12.7% and 25.4%, respectively, of our total principal investments. The tables below set forth details on our principal investment during the Track Record Period:

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(In millions of RMB, except percentages)							
Balance of principal investments—by investment type								
Equity investments[(1)]	6,792.4	66.8	7,338.8	65.7	8,690.6	62.7	9,434.1	61.9
Real estate investments[(2)]	2,364.3	23.2	2,339.4	20.9	2,099.7	15.1	1,934.5	12.7
Other investments[(3)]	1,016.0	10.0	1,499.3	13.4	3,080.5	22.2	3,861.4	25.4
Total	**10,172.7**	**100.0**	**11,177.5**	**100.0**	**13,870.8**	**100.0**	**15,230.0**	**100.0**
Balance of principal investments—by investment entities								
The Company	2,515.2	24.7	3,947.2	35.3	6,003.4	43.3	6,678.2	43.8
Cinda Investment[(3)]	6,041.5	59.4	5,399.8	48.3	6,680.4	48.2	6,937.7	45.6
Well Kent International	2,570.1	25.3	2,846.2	25.5	2,590.0	18.7	2,845.8	18.7
Zhongrun Development	676.1	6.6	601.7	5.4	664.2	4.8	519.8	3.4
(Elimination)	(1,630.2)	(16.0)	(1,617.4)	(14.5)	(2,067.2)	(15.0)	(1,751.5)	(11.5)
Total	**10,172.7**	**100.0**	**11,177.5**	**100.0**	**13,870.8**	**100.0**	**15,230.0**	**100.0**

(1) Equivalent to equity instruments classified under "Financial Assets at Fair Value through Profit or Loss", "Available-for-sale Financial Assets" and "Interests in Associates" as appeared in the Accountants' Report attributable to financial investment and asset management segment.
(2) Equivalent to Investment Properties as appeared in the Accountants' Report.
(3) Other investments primarily include investments in (i) fund products; (ii) debt securities; (iii) trust products; and (iv) wealth management products.

The principal investment businesses of the Company and the subsidiaries complement one another:

Equity Investment

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

Equity Investments by the Company

The Company engages in financial investments and receives dividend income and investment income from the disposal of its equity holdings. The Company generally does not seek control of the subject companies or participate in the daily operations of the subject companies, with a typical investment period of three to five years. The Company usually invests in no greater than a 20% stake in a subject company's equity. As at December 31, 2010, 2011, 2012 and June 30, 2013, the Company held direct equity investments in four, 11, 14 and 17 companies, respectively, totaling RMB1.88 billion, RMB2.61 billion, RMB3.72 billion and RMB4.34 billion, respectively, which are classified under Available-for-sale Financial Assets and Interests in Associates in the Accountants' Report.

As at June 30, 2013, the Company's direct equity investments classified under Available-for-sale Financial Assets were primarily focused in the (i) mining industry, (ii) electricity, heating, gas and water production and supply industries, (iii) construction industry, and (iv) water, environment and public utilities management industries, which represented 27.1%, 21.5%, 8.7% and 12.3%, respectively, of its total equity investments. As at June 30, 2013, all of the Company's investments have been friendly transactions supported by the investee companies' boards of directors.

The Company's investment strategies are as follows:

- The Company primarily invests in companies with the following characteristics: (i) existing clients of our distressed asset management business and their upstream and downstream enterprises as well as related parties; (ii) companies with favorable industry outlook; (iii) companies at the growth or maturity stage that generate steady income; and (iv) companies with clear ownership structures, good corporate governance and quality management teams; (v) projects satisfying a target internal rate of return ("IRR"), except for those that may provide the Company with additional investment opportunities or opportunities to provide financial services or those that satisfy the Company's asset allocation needs; and (vi) investments with clear and favorable exit options.
- The Company mainly focuses on investments in the following industries: (i) industries promoted under national industrial policy, such as financial services, high-end manufacturing, new energy and modern agriculture; (ii) industries within which we have developed experience and knowledge and with favorable development prospects such as mining and chemicals enterprises, as well as upstream and downstream companies; (iii) industries in which there are investment opportunities that arise from corporate restructuring, M&A and industry consolidation; and (iv) service industries that benefit from China's urbanization.

Equity Investments by Cinda Investment

Cinda Investment serves as the Group's professional investment platform. It mainly focuses on real estate related investments, including equity investments in real estate project companies and upstream and downstream companies. For more information on Cinda Investment's real estate investments, see "—Real Estate Investment and Development." Cinda Investment also maintains investments in industries with value appreciation potential. As at December 31, 2010, 2011, 2012 and June 30, 2013, the balance of Cinda Investment's equity investments classified under Financial Assets at Fair Value through Profit or Loss, Available-for-sale Financial Assets and Interests in Associates in the "Accountants' Report" was RMB2.10 billion, RMB1.77 billion, RMB2.04 billion and RMB2.17 billion, respectively.

Equity Investments by Well Kent International

Well Kent International and its subsidiaries serve as our overseas business platform. It collaborates with the Head Office, Company Branch and other subsidiaries and primarily invests in overseas distressed assets and stocks in primary offerings and secondary markets in the financial services, environmental protection, construction materials, energy and chemicals industries. Well Kent International invests in the PRC, Hong Kong and Macau. As at December 31, 2010, 2011, 2012 and June 30, 2013, the balance of Well Kent International's equity investments classified under Financial Assets at Fair Value through Profit or Loss, Available-for-sale Financial Assets and Interests in Associates in the "Accountant's Report" was RMB2.38 billion, RMB2.66 billion, RMB2.38 billion and RMB2.46 billion, respectively.

Equity Investments by Zhongrun Development

Zhongrun Development's investment business is primarily expanded through the Company's distressed asset management operations and the custody and liquidation of Distressed Entities business. As at December 31, 2010, 2011, 2012 and June 30, 2013, the balance of Zhongrun Development's equity investments classified under Available-for-sale Financial Assets and Interests in Associates in the "Accountant's Report" was RMB658 million, RMB581 million, RMB566 million and RMB393 billion, respectively.

Real Estate Investment and Development

Our "real estate finance business" integrates our real estate investment and real estate development businesses and embodies the natural combination of our distressed asset management business and financial investment business. Through our distressed asset management business, we receive real properties in satisfaction of debt. In order to stimulate the value of the defective real properties and maximize our returns in disposal of the properties and overall profitability of the Group, we may choose to make additional investments to support the restructuring of the real estate company and the development of the property. Furthermore, we have managed several real estate companies through our custody, liquidation and restructuring business, which has provided us with ample relevant industry experience and competitive advantages in developing our "real estate finance" business.

Real Estate Investments

Cinda Investment, together with its 17 subsidiaries, serves as the Group's primary platform for real estate investment and development. Cinda Investment mainly conducts investments and other services related to our real estate finance business, such as equity investments, debt investments, debt restructuring and asset management services. Focusing on industrial projects and benefiting from its extensive experience in real estate investment and management, Cinda Investment collaborates with the Company's distressed asset management business and promotes the value appreciation of investment projects by providing additional equity or debt investments, which helps the Company's disposal of distressed assets. By exiting equity investments, Cinda Investment improves the overall return of the Group. During the Track Record Period, Cinda Investment and its subsidiaries disposed of 41 real estate investments with aggregate book cost of RMB3.64 billion, generating RMB2.03 billion of before-tax profit with an annualized before-tax return of 19.8%.

As at December 31, 2010, 2011, 2012 and June 30, 2013, the value of our investment properties was RMB2.36 billion, RMB2.34 billion, RMB2.10 billion and RMB1.93 billion, respectively. Our investment properties primarily include commercial properties and hotel properties. We receive most of our commercial property through our distressed asset management business. A team of real estate professionals at Cinda Investment and Cinda Real Estate are responsible for the management of these properties. We improve the value of commercial properties and hotel properties mainly through the following methods: (i) improving occupancy and rental income through marketing campaigns and adjustments in rental structure in accordance with the characteristics of the operation of our existing properties; (ii) improving the quality of properties and overall rental income through continued maintenance and upgrades of facilities and service quality; (iii) using various market-oriented methods such as listing-for-sale processes and auctions to dispose of inefficient or unprofitable commercial and hotel properties in a planned manner, in order to recover cash, increase profit and achieve value maximization. Currently, we primarily manage our commercial properties through leasing arrangements. The commercial real estate we lease out mainly include Zhengzhou Jingbo Dacheng and Guangzhou China Travel Commercial City.

As with commercial properties, we receive most of our hotel properties through our distressed asset management business. We aim to increase the value of these properties and maximize the Group's return through follow-on investments and professional management. Measures taken by us include: (i) cooperating with professional marketing planning and design companies as well as other professionals and leveraging their expertise and experience to enhance the value of the hotel through project positioning, re-planning and renovation; (ii) cooperating with professional commercial real estate companies and hotel management companies and leveraging their brands, management, technology, networks and other advantages to enhance the business value of commercial and hotel properties through entrusted management, leasing operations and other means; and (iii) proactively seeking methods and channels to connect our hotel properties with capital markets, such as real estate investment trusts ("REITs") and hotel investment trusts, in order to achieve value appreciation and improve the profitability of hotel properties. In 2010, 2011, 2012 and the six months ended June 30, 2013, income from our hotel operations reached RMB400 million, RMB475 million, RMB401 million and RMB214 million, respectively. Our hotel properties are primarily managed through project companies established by Cinda Investment. As at June 30, 2013, we possessed four hotel properties, including one five-star hotel and two four-star hotels, with a total of 1,515 rooms. One of the hotel properties we own, the Sanya Horizon Resort & Spas, is one of the largest five-star luxury resort hotels in Yalong Bay, Hainan, and covers approximately 130,000 square meters and possesses close to 800 guest rooms.

Real Estate Development

Our real estate development businesses are mainly handled by Cinda Real Estate, an A-share listed subsidiary controlled by Cinda Investment. In addition to acquiring real estate development projects through competitive bidding, public auctions and sales listing, Cinda Real Estate draws from the Group's extensive resources and brand reputation to innovate business and profit models and extract business opportunities through collaboration with our distressed asset management business: (i) when the Group is conducting an equity or debt investment associated with the real estate sector, Cinda Real Estate provides feasibility consulting and post-investment supervision and management services; (ii) Cinda Real Estate can develop its real estate business when the latter exits from an investment through debt restructuring or equity and asset acquisitions; (iii) Cinda Real Estate can collaborate with DES Companies in real estate development projects to achieve a return from property investment and development while enhancing the value of our DES Assets; (iv) through the Group's distressed asset management business and asset management business, Cinda Real Estate can expand its financing channels through leveraged financing that combines debt and equity and through real estate equity funds; and (v) leveraging the Group's resources, Cinda Real Estate can conduct entrusted management of real estate project, capital agency construction and consultancy services.

In 2010, 2011, 2012 and the six months ended June 30, 2013, our real estate development business generated real estate sales revenue of RMB3.80 billion, RMB3.10 billion, RMB3.75 billion and RMB1.28 billion, respectively. Cinda Real Estate currently has 16 first-tier real estate development and investment subsidiaries with A-level development qualifications. Our real estate development and investment projects span across the entire country, and possess strong marketplace influence within cities such as Shanghai, Hangzhou, Ningbo, Jiaxing, Taizhou, Shaoxing, Zhoushan, Qingdao, Hefei, Wuhu, Maanshan, Taiyuan, Haikou, Changchun, Shenyang, Fuxin, Urumqi and Chongqing. Moreover, we have been honored with numerous awards, including the "Guangsha" Award, the highest honor in the real estate development sector in China. As at June 30, 2013, the total planned area of real estate projects currently in development was 2.13 million square meters. Commercial real estate projects currently in development include the D tower of Hefei Xincheng International, Taiyuan Cinda International Financial Center and the Chongqing Northern New District Da Zhulin projects, which have a total planned area of 425,400 square meters and which we intend to sell.

In recent years, the PRC government has launched a series of measures to tighten the residential property market regulation. For details of the major regulation measures, please refer to the section titled "Regulatory Environment". These measures had certain impacts on Cinda Real Estate's real estate development business. Specifically, the purchase limit policy affected its sales performance and the restriction imposed on property purchasing and real estate financing affected its financing costs and property sales. Cinda Real Estate adopted the following major measures to cope with the impacts brought about by the regulations on the real estate market: (i) accelerating the project development process and shortening the project development cycle; (ii) enhancing cost management and project management to ensure reasonable project profitability; (iii) strengthening cooperation with financial institutions where projects are located and establishing strategic cooperative relationships with large financial institutions to expand financing channels and reduce the capital cost; and (iv) collaborating with the Group's other businesses and striving to achieve sustainable development by leveraging the core business of the Group. The financial performance of Cinda Real Estate remained stable during the Track Record Period as a result of these measures.

Other Investments

Other principal investments we conduct include investments in fund products, debt securities, trust products and wealth management products through the Company, Cinda Investment, Well Kent International and Zhongrun Development.

Our principal investments in funds are primarily made as seed capital in funds managed by the Group, in order to attract third-party funds and to support the development of our asset management business. We are responsible for the management of these funds. As a result, our investment in these funds with our own capital (i.e., the seed capital) may enhance the alignment of interests between the fund manager and the investors. Furthermore, the confidence of investors involved in such funds under our management may also be increased through our joint investment. These will in turn attract third-party investors to make further investments. As at December 31, 2010, 2011, 2012 and June 30, 2013, the balance of our investments in all types of funds was RMB84 million, RMB660 million, RMB1,582 million and RMB2,448 million, respectively.

We invest in debt securities directly or through investment funds. As at December 31, 2010, 2011, 2012 and June 30, 2013, the balance of our debt securities investments was RMB210 million, RMB281 million, RMB287 million and RMB257 million, respectively.

We also invest in wealth management products from banks and securities companies, as well as trust products. As at December 31, 2010, 2011, 2012 and June 30, 2013, the balance of our investments in wealth management and trust products totaled RMB134.9 million, RMB380.0 million, RMB980.5 million and RMB772.8 million, respectively.

Asset Management Business (Private Equity Fund)

Through the extensive experience accumulated through our principal investment business, we have assembled a team of experienced investment professionals and acquired capabilities in valuation, investment management and risk control, which have laid a solid foundation for the continued development of our third-party asset management business. We have established a multi-tiered diversified asset management platform that incorporates (i) the private equity business under our financial investment and the asset management business and (ii) the securities investment management, trust and mutual fund businesses under our financial services business. As at December 31, 2010, 2011, 2012 and June 30, 2013, the balance of our total assets under management managed by (i) Cinda Securities; (ii) Cinda Capital; (iii) Jingu Trust; and (iv) First State Cinda Fund, was RMB20.93 billion, RMB89.05 billion, RMB134.11 billion and RMB144.98 billion, respectively.

Developing our private equity business is a core focus of our asset management strategy. As at June 30, 2013, we have established 15 private equity funds that raised third-party capital and for which our subsidiaries act as a general partner (or manager). These funds cover all major types of private equity fund products, including high yield funds (primarily invested in NFE Distressed Assets projects related to real estate), buyout funds, growth capital funds and industry funds. Investors in our funds primarily include all types of investment companies, fund companies, banks, insurance companies, industry-leading enterprises, real estate companies and trading companies, as well as individual investors. The table below sets forth details on our private equity business for the dates indicated.

	As at and for the year ended December 31, 2012	As at and for the year ended June 30, 2013
Number of funds[1]	9	15
Total committed capital (AUM) (In billions of RMB)	11.5	16.1
Total paid-in capital (In billions of RMB)	4.78	9.30
Paid-in capital from third parties (In billions of RMB)[2]	3.89	7.47
Fund management income (In millions of RMB)	18.0	41.1
Accumulated number of projects invested	20	27
Number of third-party investors	79	89

(1) Including funds that raised third-party capital and in which our subsidiaries act as a general partner (or manager)
(2) Paid-in capital contributed by investors not affiliated with Group

Our private equity fund business is primarily handled by Cinda Capital, a subsidiary of Cinda Investment. Cinda Capital is positioned as the Group's specialized platform for private equity fund management responsible for overall fund management and risk control through its team of investment professionals. Furthermore, Cinda Capital serves as the common platform for all private equity funds generated through all of Cinda Group's business lines. As at June 30, 2013, Cinda Capital and its subsidiaries managed a total of 11 third-party private equity funds with AUM of RMB13.98 billion, representing 87.1% of the Group's private equity fund AUM. For the years ended December 31, 2010, 2011 and 2012, and the six months ended June 30, 2013, management fees received from third parties totaled RMB1.3 million, RMB3.8 million, RMB15.1 million and RMB40.7 million, respectively.

Cinda Capital's investment team currently has 33 investment professionals, over half of whom possess master degrees or higher. Members of the investment team mainly include professionals whose prior work experience includes positions at major international institutions and who possess extensive experience in equity investment, corporate restructuring and M&A. The management team has three key decision makers, all of whom have held senior posts at well-known financial institutions both within China and internationally for a significant period of time and with an average of over 20 years of experience. The composition of key team members has remained stable, with most having remained within the Group for an average of 11 years.

As at June 30, 2013, the third-party private equity funds for which we are a general partner and manage third-party funds include the following:

High Yield Fund

Our high-yield funds are primarily invested in Restructured Distressed Assets related to our distressed asset management business, as well as corporate restructuring related investment opportunities in the forms of mixed debt-equity portfolio and mezzanine investment. We will continue to monitor for investment opportunities that may arise from our distressed asset management business with companies possessing generally sound operating conditions but facing temporary liquidity issues as our main investment target. In addition, we aim to introduce third-party capital and therefore reduce our own capital consumption. The table below sets forth details on our main high yield funds as at June 30, 2013:

Fund	Date of Establishment	Investment Positioning	AUM	Paid-in Capital	Capital Invested	Group's share in the Fund
			(in billions of RMB)			
Qiushi Fund	October 2012	Restructured Distressed Assets	5.0	4.19	4.18	6%

The Ningbo Qiushi Investment Management Partnership ("Qiushi Fund") primarily invests, through debt, equity and mezzanine investments, in projects related to the main business of distressed assets operations. We explore innovative management methods such as beneficial trusts for project companies and establishing escrow accounts in order to ensure our future debt and equity exit.

Buyout Fund

Our buyout funds acquire controlling interests in the target companies. Following our investment, we seek to transform the company into an industry leader and a capital management platform that supports continued M&A activity and projects to promote industry consolidation. The table below sets forth details on our buyout funds as at June 30, 2013:

Fund	Date of Establishment	Investment Positioning	AUM	Paid-in Capital	Capital Invested	Group's share in the Fund
			(in billions of RMB)			
Cinda Guocui Equity Investment Fund (Shanghai) Limited Partnership (信達國萃股權投資基金（上海）合夥企業（有限合夥）)	March 2013	Buyout funds	0.51	0.30	—	59%

The Cinda Guocui Equity Investment Fund (Shanghai) Limited Partnership (信達國萃股權投資基金（上海）合夥企業（有限合夥）) adheres to the principal of value investing. Its primary investment focus is large SOEs, listed companies and cross-border M&A transactions. In order to exit these investments, we primarily seek to utilize methods such as listing the group as a whole, asset injections/backdoor listings and equity/asset exchanges.

Growth Capital Fund

Our growth capital funds are primarily invested in unlisted companies and in the non-public offerings of listed companies. The table below sets forth details on our growth capital funds as at June 30, 2013.

Fund	Date of Establishment	Investment Positioning	AUM	Paid-in Capital	Capital Invested	Group's share in the Fund
			(In Billions of RMB)			
Jian Xin Jin Yuan (Xiamen) Equity Investment Partnership (LLP) (建信金圓（廈門）股權投資合伙企業（有限合伙）)(1)	June 2012	Unlisted SME companies with high growth potential	1.0	0.36	—	8.4%

(1) Manager of the fund, Jian Xin Jin Yuan (Xiamen) Equity Investment Management Co. Ltd., is jointly held by two of our subsidiaries, namely Cinda International and Sino-Rock Investment Management (Hangzhou) as to 75% of its equity interests

The first phase of the Jian Xin Jin Yuan (Xiamen) Equity Investment Partnership was sponsored and managed by Jian Xin Jin Yuan (Xiamen) Equity Investment Management Co. Ltd, which was jointly established by Cinda International, Xiamen Venture and Sino-Rock Investment Management (Hangzhou), with a fund size of RMB1 billion. This fund is primarily oriented towards investment opportunities generated by the development of Xiamen into a cross-strait financial center.

Industry Funds

Through our distressed asset management and principal investments, we have accumulated vast experience in and developed talented professional teams for industries including coal, chemical and metallurgical, and for the agricultural sector, which has grown significantly in recent years. We have utilized these advantages to develop a diversified industry fund management business. The table below sets forth details on our industrial funds as at June 30, 2013:

Fund	Date of Establishment	Investment Positioning	AUM	Paid-in Capital	Capital Invested	Group's share in the Fund
			(In Billions of RMB)			
China Agriculture Industry Development Fund (中國農業產業發展基金)	December 2012	Mid-to-long term equity investment in the agriculture sector	4.0	1.6	—	25%

The China Agriculture Industry Development Fund received approval from the State Council for establishment and has maintained operations for 15 years. The MOF, the ADBC, Cinda and CITIC Group Corporation have each contributed RMB1 billion to the fund. This fund was the first national agricultural industry fund and focuses on supporting leading agricultural enterprises, and promotes the overall development of the agricultural industry by enhancing the capital strength of relevant enterprises.

Our Capabilities and Competitive Strengths

As compared with other domestic private equity funds, the private equity funds we manage fully leverage the Company's asset management capabilities, nationwide network and high-quality client base, and possess the following characteristics:

(i) Diverse product offerings and scale: leveraging the Group's business strength, have established diverse product lines, including high yield funds, growth capital funds, buyout funds and industry private equity funds to satisfy investors' investment needs. Our AUM has grown rapidly and we are currently one of the leading private equity fund managers in China;

(ii) Professional management capabilities and qualifications: on top of the industry experience and risk-based pricing capabilities the Group has accumulated, we have formed a professional investment management team, and adopted competitive compensation and evaluation mechanisms and independent decision-making and risk control mechanisms in accordance with relevant industry standards. We are one of the few domestic financial institutions that complete record-filing procedures with the NDRC regarding the establishment of equity investment enterprises; and

(iii) Full utilization of the Group's competitive advantages: we develop unique investment and financing capabilities by fully utilizing investment clients (such as DES Companies) and channel clients (such as insurance, banks, trusts and securities) generated through our core distressed assets operations and subsidiaries. Furthermore, our private equity funds utilize the synergies between fund raising, deal sourcing and post-investment management of the Company Branches to rapidly expand their scale, significantly increase their project reserves and efficiently identify and manage post-investment risks. We appeal to target companies by providing them with all-inclusive and customized financial services solutions that integrate debt investment, equity investment, trust and securities available through the Group.

As we continue to attract third-party funds, we utilize principal investments as seed capital in funds managed by the Group to support the development of our asset management business. At the present stage, our principal investment and third-party asset management businesses are mutually supportive of each other, but each have their own independent investment strategies and incentive mechanisms in order to avoid conflict of interest.

Other Businesses

In addition to our principal investment and private equity asset management businesses, the Company, Cinda Investment and Well Kent International also offer consulting and advisory services. In 2010, 2011, 2012 and the six months ended June 30, 2013, the aggregate fees and commission income from consulting and advisory services by the Company, Cinda Investment and Well Kent International totaled RMB112 million, RMB148 million, RMB317 million and RMB75 million, respectively.

FINANCIAL SERVICES

We have established a synergistic and diversified financial services platform, including securities, futures, trusts, financial leasing, fund management and insurance. We are committed to providing customized financial solutions to clients. In 2010, 2011, 2012 and the six months ended June 30, 2013, income from financial services represented 31.8%, 37.9%, 32.6% and 29.5%, respectively, of our total income. The profitability potential of our financial services segment has not been fully realized due to the fact that the subsidiaries in this segment are in different stages of their development. For example, our financial leasing, trust and securities subsidiaries have achieved robust business growth and profitability, while our insurance subsidiaries remain at their preliminary and loss-incurring stage of development according to the typical earnings curve of an insurance company. The table below sets forth the primary operating data of our financial service subsidiaries during the Track Record Period.

	As at and for the year ended December 31,												As at and for the six months ended			
	2010				2011				2012				June 30, 2013			
	Income	Profit before tax	Total assets	Net assets	Income	Profit before tax	Total assets	Net assets	Income	Profit before tax	Total assets	Net assets	Income	Profit before tax	Total assets	Net assets
	(in millions of RMB)															
Securities and Futures(1)	1,884.0	564.9	18,318.0	3,588.2	1,538.5	252.8	16,252.5	5,800.6	1,691.2	272.9	14,838.4	5,895.2	984.7	219.2	16,557.8	6,108.1
Jingu Trust	187.4	125.6	1,410.0	1,268.1	440.5	318.4	1,760.1	1,498.5	946.2	685.6	2,386.2	2,023.6	524.0	403.1	2,593.6	2,285.4
Cinda Leasing	129.7	37.6	2,416.1	942.6	623.0	189.4	9,831.5	1,087.5	1,317.2	367.2	20,236.2	2,394.5	749.8	71.2	23,199.2	2,504.4
First State Cinda Fund	128.8	30.8	261.2	226.7	118.3	14.8	219.7	182.0	93.0	1.1	193.6	184.1	55.5	4.1	206.7	187.5
Cinda P&C	169.2	(120.8)	1,362.2	838.5	837.8	(245.0)	1,940.4	554.3	1,754.5	(371.4)	5,358.6	2,826.3	1,477.9	(34.0)	5,403.6	2,761.7
Happy Life	5,219.2	(457.8)	12,650.5	1,822.9	5,672.8	(737.4)	19,781.4	511.9	4,762.4	(791.1)	26,339.1	478.2	1,732.8	(379.9)	26,543.5	1,200.5

(1) Including Cinda Securities, Cinda Futures and Cinda International

Based on our restructuring of relevant Distressed Entities, we established the majority of our financial service subsidiaries from acquiring and turning around distressed financial institutions. We carefully select which financial licenses to acquire in accordance with the Group's strategies. Financial service businesses are an integral component of our comprehensive asset management platform. In addition to working as an important channel for cross-selling with the Company and generating synergies, our financial service subsidiaries provide our clients with a diverse range of products and services, and satisfy their financial service needs at different stages of their development, while providing technical support and broadening the business tools available to our distressed asset management operations, and increasing disposal efficiency of distressed assets. We will further consolidate the Group's resources by promoting the interaction between our financial services platform and distressed asset management platform. By doing so, we believe we can continue to exert synergies among different financial service subsidiaries and improve the overall profitability of the Group.

Our financial service subsidiaries serve as an important component of our overall strategy to develop our asset management business. For example, Jingu Trust brings in third-party funds to satisfy our corporate clients' project financing demand by leveraging our client base and resources advantages. In addition, we provide diverse asset management services to our retail, high net worth individual and institutional clients through our domestic and foreign securities platforms and First State Cinda Fund. As at December 31, 2010, 2011, 2012 and June 30, 2013, the AUM by Cinda Securities, Jingu Trust and First State Cinda Fund was RMB20.60 billion, RMB87.81 billion, RMB123.57 billion and RMB131.00 billion, respectively, representing a CAGR of 144.9% from 2010 to 2012. In 2010, 2011, 2012 and the six months ended June 30, 2013, our asset management business relating to financial services (including asset management business by Cinda Securities, advisory and trust service by Jingu Trust and fund management service by First State Cinda Fund) generated an income[1] of

[1] Includes the fund and asset management income of Cinda Securities, trust related income and financial advisory income of Jingu Trust and total income of First State Cinda Fund.

RMB191 million, RMB415 million, RMB924 million and RMB544 million, respectively, representing a CAGR of 119.9% from 2010 to 2012.

The synergies between our financial service subsidiaries and the Group are demonstrated at many levels. Specifically: (i) our domestic and foreign securities platforms have ready access to the capital markets and provide our clients with value-added services such as investment banking and asset management. Cinda Securities provided financial services to several of the DES Companies and their subsidiaries, such as IPO, financial advisory for M&A and bond underwriting. During the Track Record Period, we penetrated 17 existing customers of our distressed asset management business with services provided by our securities business platform; (ii) we also penetrated 105 existing customers of our distressed asset management business with products and services provided by our property insurance business platform; (iii) we have generated many cross-selling opportunities through the synergistic cooperation between our subsidiaries and Company Branches, contributing to our subsidiaries' rapid development. For the six months ended June 30, 2013, we generated 13 trusts and 108 financial leasing projects through cross-selling; and (iv) we have obtained a retail client base of more than 1.5 million clients as at June 30, 2013 through securities, financial leasing, trusts, fund management and insurance subsidiaries. These clients' demand for diverse financial services will develop along with the Chinese economy and constitutes a valuable resource for the cross-selling between our financial service subsidiaries.

Securities & Futures

We conduct our securities and futures businesses in the PRC through Cinda Securities and Cinda Futures, a wholly-owned subsidiary of Cinda Securities. We also conduct our securities and futures businesses in Hong Kong mainly through Cinda International. In 2010, 2011, 2012 and the six months ended June 30, 2013, Cinda Securities (including Cinda Futures) generated a revenue of RMB1.55 billion, RMB1.20 billion, RMB1.36 billion and RMB0.79 billion, respectively. In 2010, 2011, 2012 and the six months ended June 30, 2013, Cinda International generated a revenue of RMB87.0 million, RMB61.4 million, RMB81.3 million and RMB41.5 million, respectively.

Cinda Securities

We conduct securities brokerage and investment banking businesses through Cinda Securities and futures business through Cinda Futures. As our securities business platform, Cinda Securities leverages our nationwide network and client resources, actively cooperates with our Head Office and Company Branches, bridges with capital markets and serves clients of our distressed asset management business by providing investment banking, asset management and other value-added services. For example, Cinda Securities provides professional asset management services to the Company with respect to its management of publicly-traded equities; furthermore, it provides extensive financial services to the DES Companies and their subsidiaries, such as IPO, M&A and restructuring advisory and bond underwriting services. In addition, Cinda Securities leverages its investment management capabilities to provide the Company with targeted asset management services and research support through issuing professional industry and corporate research reports.

For further details about Cinda Securities, see "Our History and Corporate Structure." During the Track Record Period, Cinda Securities has received the following awards in recognition of its performance:

- "Best Securities Brokerage Company" by East Money Online in 2012;

- "2012 China Securities Company Golden Direction—Best Asset Management Team of a Securities Company in China 2012" by Moneyweek in 2012;
- "Best Product Innovation 2011" by Shanghai Securities News for its "Cash Treasure" wealth management product in 2011;
- "Best Brokerage Services Brand 2011" by East Money in 2011;
- "Outstanding IPO Sponsor Team 2011– Zhejiang Province" for its sponsorship of Zhejiang Reclaim Construction Group's IPO in 2011; and
- "Most Innovative Project 2010" by Securities Times for its underwriting of Lepu Medical's IPO as well as "Best GEM Board IPO" by New Fortune in 2010.

While the securities brokerage business is Cinda Securities' primary revenue source, the revenue generated by its futures businesses, investment banking business and securities investment and asset management business as a percentage of Cinda Securities' total revenue increased continuously during the Track Record Period. The table below sets forth, for the periods indicated, revenue from Cinda Securities' securities brokerage, futures and other business lines, as well as each business line's share of the overall revenue:

	For the year ended December 31,					
	2010		2011		2012	
	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)					
Securities brokerage	1,169.0	75.2	759.0	63.4	543.7	40.0
Futures	117.4	7.6	134.1	11.2	176.2	13.0
Others[(1)]	268.5	17.2	303.7	25.4	637.4	47.0
Total	**1,554.9**	**100.0**	**1,196.8**	**100.0**	**1,357.3**	**100.0**

(1) Other businesses mainly include investment banking, securities investment and asset management

Cinda Securities' primary business lines include:

- Securities brokerage: Cinda Securities provides both institutional and individual clients with securities brokerage services and financial product distribution services. Cinda Securities is a member of both the SSE and the SZSE and is qualified to act as a chief agency broker of the OTC Board and to provide agency sale services for securities investment fund products. It is also qualified to offer a variety of securities brokerage services including A shares, B shares, funds, warrants, bonds and securities repurchase and securities transaction services involving various currencies such as the Renminbi, U.S. dollars and Hong Kong dollars. As at June 30, 2013, the number of clients of Cinda Securities' securities brokerage business amounted to 1.133 million and the total value of its AUM amounted to RMB60.86 billion. For the six months ended June 30, 2013, the total transaction volume of Cinda Securities' securities brokerage business amounted to RMB478.1 billion.
- Futures business: Cinda Securities conducts its futures business through Cinda Futures, a wholly-owned subsidiary of Cinda Securities. For more information about Cinda Futures, see "—Cinda Futures."

- Investment banking: Cinda Securities' investment banking services primarily include equity financing, debt financing and M&A and restructuring financial advisory business. Clients of Cinda Securities' investment banking business mainly include large and medium sized SOEs, listed companies and SMEs. Clients of Cinda Securities' equity financing business mainly include large and medium sized SOEs and listed companies. Clients of Cinda Securities' debt financing business mainly include large SOEs and government investment and financing vehicles. For the six months ended June 30, 2013, Cinda Securities' underwriting fee and commission income amounted to RMB43.84 million. Cinda Securities' investment banking business serves as a significant channel of realizing the Group's business synergies: Cinda Securities provided comprehensive financial services to Cinda Real Estate's listing through a reverse takeover and refinancing bond offering and Happy Life's subordinated bonds issuance. Furthermore, Cinda Securities has leveraged its synergy with our distressed asset management business to provide assistance to the bond offering and equity private placements of the Group's DES Companies and provided restructuring advisory services for DES projects with value appreciation potential.
- Asset management: Cinda Securities has launched various wealth management products, including fund-of-funds, hybrid investments, cash management, fixed income and arbitrage. In 2010, 2011, 2012 and the six months ended June 30, 2013, the AUM balance of Cinda Securities amounted to RMB1.3 billion, RMB9.6 billion, RMB16.0 billion and RMB24.4 billion, respectively. For the six months ended June 30, 2013, fee and commission income from Cinda Securities' asset management business amounted to RMB36.29 million. Furthermore, net income generated by Cinda Securities' asset management business ranked 13th in the industry in 2012, according to the Securities Association of China. In April 2012, Cinda Securities established Xinfeng Investment Management Co., Ltd. to conduct direct investment, which will further strengthen our asset management business.
- Innovative businesses and other businesses: With respect to innovative businesses, Cinda Securities was the first in the industry to provide cash management products for clients' securities transaction deposits, namely the "Cash Treasure Collective Asset Management Plan" in 2011. In the first half of 2012, Cinda Securities received the approval to conduct margin financing and securities lending business. As at June 30, 2013, the turnover of its margin financing and securities lending business reached RMB1.765 billion, with a daily average of RMB1.119 billion. Cinda Securities' other businesses mainly include proprietary trading and direct investment business.

Cinda Futures

Cinda Futures is a wholly-owned subsidiary of Cinda Securities and primarily engages in financial futures brokerage, commodity futures brokerage and futures investment advisory business. As the Group's futures business platform, Cinda Futures leverages the Group's advantages in distribution networks and client resources to provide support in market research, client services and hedging services for the Group. Cinda Futures is a member of the China Financial Futures Exchange, Shanghai Futures Exchange, Dalian Commodity Exchange and Zhengzhou Commodity Exchange. It is also qualified to execute on behalf of the clients all listed standard future contract transactions covering both financial futures (such as stock index futures) and commodities futures (such as metal, energy and chemical and agricultural products) and to provide clients with a full range of other services, including trading, clearing, closing, information consulting and training. Cinda Futures is also one of 15 comprehensive clearing members of China Financial Futures Exchange, enabling it to provide members of the exchange with settlement services. In 2010, 2011, 2012 and the six months ended June 30, 2013, the revenue of Cinda Futures amounted to RMB26.66 million, RMB28.62 million, RMB51.14 million and RMB28.95 million, respectively.

Cinda International

Cinda International is an integrated financial service company listed on the Hong Kong Stock Exchange (HKSE Stock code: 00111) and its businesses include corporate finance, securities broking, asset management and other financial services. Through Cinda International's major wholly-owned subsidiaries, it possesses licenses to carry out businesses such as (i) advising on corporate finance, (ii) advising on future contracts, (iii) advising on securities and (iv) asset management under the Hong Kong Securities and Futures' licensing scheme. It also possesses the qualifications to act as sponsors for applicants for initial public offerings of their shares to be listed on the Main Board or the Growth Enterprise Market Board of the Hong Kong Stock Exchange.

Cinda International serves as our primary platform for developing overseas investment banking business. It actively consolidates the business resources of the Company, our subsidiaries and Company Branches to provide our clients with financing, M&A and restructuring advisory and other financing services in the international capital markets. For example, through Cinda International's overseas investment banking credentials, we acted as a financial advisor for a Hong Kong-listed company in the transfer of a guaranteed debt and, as part of the same transaction, our Company Branch in Beijing acquired the Hong Kong-listed company's rights against domestic debtors. This fully demonstrates two of our competitive advantages, namely the synergies generated by our distressed asset management business and the synergies generated between our domestic and overseas businesses. Furthermore, Cinda International's futures business has been developing rapidly with the support of the Group's customer resources.

As at June 30, 2013, we held 63.87% of the equity interest in Cinda International through Well Kent International. In 2010, 2011, 2012 and the six months ended June 30, 2013, Cinda International generated a revenue of RMB87.0 million, RMB61.4 million, RMB81.3 million and RMB41.5 million, respectively. The table below sets forth, for the periods indicated, revenue from Cinda International's principal business lines, as well as each business line's share of revenue:

	For the year ended December 31,						For the six months ended June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Corporate finance(1)	40.1	42.2	27.5	44.9	28.2	35.0	7.8	18.9
Securities broking(1)	43.1	45.4	18.9	30.9	33.6	41.6	22.9	55.3
Asset management(1)	0.0	0.0	6.6	10.7	9.2	11.5	5.5	13
Others(1)	11.8	12.4	8.3	13.5	9.6	11.9	5.3	12.8
Total	**95.0**	**100.0**	**61.2**	**100.0**	**80.6**	**100.0**	**41.5**	**100**

(1) HKD/CNY exchange rates in 2010, 2011, 2012 and the six months ended June 30, 2013 were 0.859, 0.811, 0.811 and 0.792, respectively.

Cinda International's primary business lines include:

- Corporate finance: Cinda International provides corporate finance advisory services for listed companies or unlisted companies. In addition, Cinda International acts as sponsor or placing agent in the IPO or secondary offering. During the Track Record Period, Cinda International participated in (i) seven IPOs, as sponsors, (ii) 20 IPOs, as underwriters and (iii) six secondary offerings, as placing agent.
- Securities broking: Cinda International provides clients with brokerage services in the securities, equity-linked products, unit trusts and stock futures in Hong Kong and selected overseas markets. Cinda International also provides brokerage clients with margin financing services.
- Asset Management: Cinda International's asset management services mainly focused on the management of private equity funds. Cinda International established a company jointly with the third party engaging in fund management services and introduced first fund product in 2011. In addition, our affiliate company established Hai Xia Jian Xin Jin Yuan (Xiamen) Equity Investment Partnership (LLP) and completed the initial fund raising exercise. For more information about the fund, see "—Asset Management Business (Private Equity Fund)."

Trusts

We conducted trust business through Jingu Trust. Leveraging the marketing and client resources of the Group and our Company Branches, Jingu Trust serves as an integral business line in the strategic transformation of our business model and optimization of revenue structure. The business model of our trust business primarily involves (i) acting as a trustee and managing entrusted property and (ii) providing financial advisory and other consulting services. We gain revenue and profit as we receive payment for the management of entrusted property and fee and commission income for offering financial advisory and other consulting services. The Group has played the following major roles in the development of Jingu Trust: (i) the Group's extensive business network and outlets served as promoters of trust projects, issuance and service providers of trust plans and trustees of the trust assets in accordance with applicable laws and regulations; (ii) the Group provided human resources support to the development of the trust business; and (iii) the Group provided credit enhancement support and acted as entrusting party for certain trust projects in compliance with the regulatory policies.

Based on our internal record, Jingu Trust successfully cooperated with 21 of our Company Branches and subsidiaries in 2012 and achieved trust business volume (defined as the year-end outstanding trust AUM) of RMB18.62 billion through synergistic operations within the Group, representing an increase of 242.3% from RMB5.44 billion in 2011, with income of RMB171 million, representing an increase of 116.5% from RMB79 million in 2011. For the six months ended June 30, 2013, through synergistic operations within the Group, we achieved 13 trust projects with a trust business volume of approximately RMB10.32 billion and an income of RMB91 million.

As at December 31, 2010, 2011, 2012 and June 30, 2013, our outstanding trust AUM totaled RMB11.7 billion, RMB72.4 billion, RMB101.8 billion and RMB100.5 billion, respectively, representing a CAGR of 195.0% from 2010 to 2012, and we managed 27, 184, 213 and 191 existing trust projects, respectively. In 2010, 2011, 2012 and the six months ended June 30, 2013, the fees and commission incomes generated from Jingu Trust's trust business were RMB50 million, RMB272 million, RMB752 million and RMB442 million, respectively, representing a CAGR of 288% from 2010 to 2012, which accounted for 28.9%, 61.8%, 79.6% and 82.8% respectively, of Jingu Trust's total revenue in respective periods. Jingu Trust also conducts businesses such as proprietary loan, investment in financial products and financial equity investment, among others. For further details of Jingu Trust, see "Our History and Organization."

Products

Our trust products can be classified as individual trusts and collective trusts depending on the identification of the clients. An individual trust is a trust where the trustor is an individual entity, and the trustee separately and individually manages and disposes of each client's trust property, and is based on one-on-one engagement by each client of the trustee. A collective trust is a trust where the trustee manages and disposes a number of clients' trust property as a whole. The table below sets forth the balance of our individual and collective trust assets at the dates indicated:

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Individual trust schemes	9,649	82.2	62,644	86.5	79,566	78.1	75,859	75.5
Collective trust schemes	2,094	17.8	9,762	13.5	22,269	21.9	24,663	24.5
Total	**11,743**	**100.0**	**72,406**	**100.0**	**101,835**	**100.0**	**100,522**	**100.0**

Our trust products can also be classified into financing, investment and non-discretionary products by investment approaches. Through our financing trust products, we extend trust loans to borrowers in order to fulfill their funding needs. In addition, we act as an investment manager and provide investment trust products such as private equity investment trust products and securities investments trust products. Furthermore, we also provide non-discretionary trust products and act in accordance with specific terms of the entrustment. The table below sets forth the details of our trust products of each of these types at the dates indicated:

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Financing	11,196	95.3	32,918	45.5	75,217	73.9	74,106	73.7
Investment	—	—	37,328	51.5	23,338	22.9	23,666	23.5
Non-discretionary	547	4.7	2,160	3.0	3,280	3.2	2,750	2.8
Total	**11,743**	**100.0**	**72,406**	**100.0**	**101,835**	**100.0**	**100,522**	**100.0**

Our trusts products can be classified as fund trusts and property trusts by the nature of entrusted assets. Fund trusts and property trusts refer to trusts under which the trustors entrusted cash and non-cash assets (including rights regarding relevant assets) lawfully owned by them, respectively, to the trustee for usage, management and disposal. As at June 30, 2013, fund trusts and property trusts accounted for 96% and 4%, respectively, of our total fund assets. We primarily engage in developing fund trusts for project finance. The investment areas of our trust projects include infrastructure, real estate and industrial and commercial enterprises. The table below sets forth details of distribution by industry of our existing trust funds at the dates indicated:

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Infrastructure	6,178	52.6	11,613	16.0	41,619	40.9	43,995	43.8
Real estate	2,514	21.4	9,427	13.0	16,272	16.0	22,289	22.2
Industry and commerce	1,210	10.3	12,552	17.3	21,906	21.5	18,917	18.8
Financial institutions	1,422	12.1	35,766	49.4	672	0.7	952	0.9
Others	419	3.6	3,047	4.2	21,365	21.0	14,369	14.3
Total	**11,743**	**100.0**	**72,406**	**100.0**	**101,835**	**100.0**	**100,522**	**100.0**

Clients

At the Latest Practicable Date, our trust business had approximately 9,211 clients, including 8,633 individual clients and 578 institutional clients. As at June 30, 2013, our trust business clients were concentrated in Beijing, Shanghai, Guangdong, Zhejiang, Jiangsu and other economically developed regions in the PRC, with Beijing accounting for approximately half of such clients. As at June 30, 2013, the numbers of clients with investment amounts of over RMB10 million, between RMB3 million and RMB10 million and under RMB3 million were 788, 4,585 and 3,838, respectively, representing 8.6%, 49.8% and 41.7% of our total number of clients as at June 30, 2013, respectively.

Financial Leasing

We conduct our financial leasing business through Cinda Leasing, providing clients with customized financial solutions including direct financial leasing and sale-leaseback. As Cinda Group's financial leasing platform, Cinda Leasing complements the Group's comprehensive financial services capabilities. Cinda Leasing utilizes the Group's networks and client resources and conducts business by cooperating with Company Branches. It provides leasing solutions and repayment arrangements customized for the clients' sales cycle and cash flow pattern thereby satisfying such corporate clients' fixed asset investment needs. Furthermore, Cinda Leasing contributes to the growth and expansion of our other subsidiaries by generating business synergies through their leasing projects. For example, Cinda Leasing has provided Cinda P&C with many insurance projects since 2010.

Our financial leasing business developed rapidly in the past few years. In 2010, 2011, 2012 and the six months ended June 30, 2013, (i) the net lease receivables from our financial leasing business was RMB1.6 billion, RMB8.3 billion, RMB17.6 billion and RMB21.3 billion, respectively, representing a CAGR of 236.6% from 2010 to 2012; (ii) the revenue generated by our financial leasing business was RMB78.3 million, RMB464.7 million, RMB762.8 million and RMB304.0 million, respectively, representing a CAGR of 212.1% from 2010 to 2012; and (iii) the net profit from our financial leasing business was RMB31.0 million, RMB144.8 million, RMB307.1 million and RMB109.8 million, respectively, representing a CAGR of 214.7% from 2010 to 2012. As at June 30, 2013, Cinda Leasing's impaired assets ratio, defined as the percentage of finance lease receivables that are impaired, and coverage ratio, defined as the percentage of the total allowance for impairment losses to finance lease receivables that are impaired, were 1.7% and 161.3%, respectively. For more details on Cinda Leasing, see "Our History and Corporate Structure."

Products

Cinda Leasing's products can be divided into two types based on the nature of the leased objects, namely, specialized and non-specialized products. Specialized products include aircraft leasing, vessel leasing and equipment leasing in collaboration with machinery manufacturers. Non-specialized products include leases of fixed assets of industrial enterprises, including equipment for industrial production, mining and environmental protection, as well as urban water and gas supplies. As Cinda Leasing is still at its early stage of development, it currently focuses on non-specialized products. For the six months ended June 30, 2013, the total income from specialized products and non-specialized products was RMB21 million and RMB283 million, respectively, representing 6.9% and 93.1%, respectively, of Cinda Leasing's total revenue for the period.

Clients

As at June 30, 2013, we conducted our financial leasing business in 29 provincial administrative regions and served 136 clients. Our financial leasing clients are from industries including manufacturing, mining, water conservancy, environment and public utilities management, construction, transportation, logistics and postal services. The table below sets forth the composition of our outstanding finance lease receivables by industry at the dates specified:

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Manufacturing	1,284.2	82.1	6,769.7	80.2	8,239.2	45.8	7,700.1	35.1
Mining	—	—	245.8	2.9	1,887.7	10.5	2,409.5	11.0
Water conservancy, environment and public utilities management	—	—	233.6	2.8	3,791.4	21.1	5,683.1	25.9
Construction	—	—	201.4	2.4	1,516.7	8.4	1,432.1	6.5
Transportation, logistics and postal services	190.0	12.1	646.8	7.7	1,324.5	7.4	2,461.2	11.2
Others	90.9	5.8	343.6	4.0	1,243.9	6.8	2,235.6	10.3
Total	**1,565.1**	**100.0**	**8,440.9**	**100.0**	**18,003.4**	**100.0**	**21,921.6**	**100.0**

Fund Management

We conduct public fund management business and other asset management business through First State Cinda Fund. First State Cinda Fund launched its first fund in 2007 and was qualified to operate its targeted asset management business in May 2012. Cinda Emerging Wealth (Beijing) Asset Management Co., Ltd., a wholly-owned subsidiary of First State Cinda Fund, obtained the CSRC's approval for establishment in March 2013 and began to operate its specified asset management business. For details of First State Cinda Fund, see "Our History and Corporate Structure".

First State Cinda Fund, as our platform for public funds and targeted asset management business, cultivates communication and cooperation between the Cinda Group and the Commonwealth Bank of Australia Group. First State Cinda Fund expands our third-party asset management channels and has quickly become an integral component of our diversified business operation. Over the past few years, First State Cinda Fund has been recognized broadly in the industry and received the major awards as follows:

- in 2012, two of First State Cinda Fund's funds, the Cinda First State Leading Growth Fund and the Essence Flexible Allocation Fund, received "the Star of Equity Fund with Consistent Return for Three Years (2009-2011) Award" and "the Star of Positive Hybrid Fund Award," respectively, by *Securities Times*;
- in 2012, it received the "2012 PRC Fund Management Company with the Most Growth Potential Award" from *Moneyweek*;
- in 2012, it received the "2012 Best Brand of Fund Specific Investment Award" from *Eastmoney.com*; and
- in 2012, it received the "2012 Best Growth Potential Fund Management Company Award" from *Hexun.com.*

Products

As at June 30, 2013, we managed nine mutual funds with AUM totaling RMB5.82 billion. For the six months ended June 30, 2013, management fees from such funds totaled RMB42.3 million.

Our public funds are classified into equity funds, bond funds and hybrid funds, and are primarily invested in equity assets and fixed income assets. Among the nine public funds currently managed by us, the five equity funds have a fund management fee rate of 1.5%, the single hybrid fund has a fund management fee rate of 1.5%, and the three bond funds have a fund management fee rate of 0.6%, 0.7% and 0.75%, respectively.

At the Latest Practicable Date, First State Cinda Fund has issued seven targeted asset management plans with annual management fees rates ranging from 0.09% to 1.5%. Clients of our targeted asset management plans are primarily high-net worth individuals and institutional investors with a certain level of risk tolerance. We aim to provide the clients with stable returns while satisfying their individual financial demands.

Cinda Emerging Wealth (Beijing) Asset Management Co., Ltd., a wholly-owned subsidiary of First State Cinda Fund, was approved by the CSRC for establishment in March 2013. It engages in specified asset management business and primarily invests in equity that is not transferable through stock exchanges, bonds and other property rights and assets. At the Latest Practicable Date, we have issued three specific-objective asset management plans with annual management fees between 0.81% and 1.5%. We aim to provide financial support to a wide variety of companies at different stages of development through our investments in the real economy.

Clients

First State Cinda Fund has both individual and institutional investors with individual investors constituting the majority. As at June 30, 2013, our fund products had approximately 240,000 individual clients and 60 institutional clients.

Insurance Business

We conduct our P&C insurance business through Cinda P&C and our life and health insurance through Happy Life. Our insurance business has been growing rapidly in recent years. From 2010 to 2012, our Original Premium Income grew at a CAGR of 29.6%. However, our insurance business is still in the preliminary stage of development and was operating at a loss during the Track Record Period. For details about Cinda P&C and Happy Life, see "Our History and Corporate Structure." The table below sets forth details on Cinda P&C's Original Premium Income and Happy Life's Original Premium Income during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Cinda P&C	350.8	7.2	1,215.9	19.4	2,422.4	29.8	1,546.6	39.0
Happy Life	4,491.4	92.8	5,046.0	80.6	5,707.1	70.2	2,421.2	61.0
Total	**4,842.2**	**100.0**	**6,261.9**	**100.0**	**8,129.5**	**100.0**	**3,967.8**	**100.0**

Cinda P&C

Cinda P&C's primarily offers motor vehicle insurance as well as all kinds of property insurance, liability insurance, credit insurance, guarantee insurance, short-term health insurance and accidental injury insurance, as well as re-insurance. In 2012, Cinda P&C's Original Premium Income ranked 20th among all P&C insurance companies in the PRC, an improvement of 10 places from 2011, according to the CIRC. Cinda P&C serves as our specialized P&C insurance business platform, and provides clients of our distressed assets operations and financial investment businesses with comprehensive financial services. Cinda P&C generates significant cross-selling synergy with our other financial subsidiaries and has significantly supported the expansion of the Group's branch network and the development of our diversified businesses. In 2012, we provided 105 existing customers of our distressed asset management business with products and services provided by our P&C insurance business platform, representing an increase of 105.9% from 51 such customers in 2011. Based on our internal record, in 2012, Cinda P&C derived total income of approximately RMB36.2 million from the those 105 customers, representing an increase of 49.6% from approximately RMB24.2 million from those 51 customers in 2011. As at December 31, 2012, Cinda P&C's solvency margin ratio was 745.9%.

Cinda P&C's primary businesses include:

- Motor vehicle insurance: motor vehicle insurance, including compulsory motor vehicle liability insurance ("compulsory motor vehicle liability insurance") and commercial motor vehicle insurance, is the largest source of Original Premium Income for Cinda P&C. Compulsory motor vehicle liability insurance is China's first statutory compulsory insurance. This insurance covers bodily injury and property damage to third parties (not including persons in the insured vehicle or the insured person) brought about by traffic accidents involving the insured vehicle. Commercial vehicle insurance primarily includes vehicle loss insurance, vehicle theft insurance, motor vehicle third-party liability insurance and motor vehicle passenger liability insurance.

- Non-motor vehicle insurance: Cinda P&C's non-motor vehicle insurance primarily includes commercial property insurance, construction insurance, liability insurance, credit insurance, guarantee insurance, short-term health insurance and accident insurance.

The table below sets forth details on the Original Premium Income and their proportion of overall Original Premium Income of Cinda P&C's main products during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Motor vehicle insurance	261.9	74.7	1,014.9	83.5	1,996.3	82.4	1,273.1	82.3
Compulsory motor vehicle liability insurance	86.0	24.5	358.7	29.5	780.0	32.2	516.3	33.4
Commercial automobile insurance	175.9	50.2	656.2	54.0	1,216.3	50.2	756.8	48.9
Non-motor vehicle insurance	88.9	25.3	201.0	16.5	426.1	17.6	273.5	17.7
Total	**350.8**	**100.0**	**1,215.9**	**100.0**	**2,422.4**	**100.0**	**1,546.6**	**100.0**

Cinda P&C sells its insurance products to clients mainly through insurance agents (both individual and agencies) and insurance brokers, as well as directly to consumers.

- Insurance agents: Insurance agents are a significant insurance product sales channel for Cinda P&C as calculated by Original Premium Income. Insurance agents primarily include individual agents, ancillary agencies and professional agencies. In the six months ended June 30, 2013, Cinda P&C's Original Premium Income received through insurance agents was RMB978 million, representing 63% of the total Original Premium Income in the same period.
- Direct sales: direct sales include insurance products sold directly to consumers through methods such as Cinda P&C's in-house salespeople and online sales.
- Insurance brokers: Insurance brokers generally represent established companies seeking to purchase P&C insurance products and possess valuable client resources. Cinda P&C participates in product marketing and receives demand for corporate insurance through insurance brokers.

Happy Life

Happy Life primarily offers all types of life and health insurance and accident insurance as well as re-insurance. Happy Life is an integral component of the Group's diversified businesses, and has expanded the Group's sources of low-cost financing, helped develop a nation-wide marketing network, and contributed to the Group's cross-selling efforts. As at April 18, 2013, we completed the third round of capital increases for Happy Life, after which Happy Life's solvency margin ratio rose to 159% as at April 18, 2013 from 48.45% as at December 31, 2012. At the Latest Practicable Date, Happy Life was in compliance with relevant regulatory requirement on solvency margin ratio.

Happy Life's main products include:

- Life insurance: Life insurance includes term life insurance, whole life insurance, endowment insurance and annuity insurance. Life insurance services primarily consist of participating life insurance, traditional life insurance and universal life insurance, of which participating life insurance is the main source of income for Happy Life. While providing protections similar to those of traditional life insurance, participating life insurance can distribute dividends to policy holders under a distribution plan determined according to the operating conditions of the participating life insurance business and the relevant regulations of the insurance regulatory authority.

- Health insurance: Our health insurance primarily consists of illness insurance and medical insurance.
- Accident insurance: Accident insurance refers to a life insurance which provides compensation for the death or disability of policy holders due to an accident or other incident specified by the policy.

The table below sets forth details of the Original Premium Income of the three main types of life insurance products above during the Track Record Period:

	For the year ended December 31,						For the six months ended June 30,	
	2010		2011		2012		2013	
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Life insurance	4,354.8	97.0	4,826.5	95.6	5,466.5	95.8	2,247.1	92.8
Participating life insurance	4,346.6	96.8	4,811.3	95.3	5,444.7	95.4	2,234.4	92.3
Others	8.2	0.2	15.2	0.3	21.8	0.4	12.7	0.5
Health insurance	64.8	1.4	95.9	1.9	102.9	1.8	84.3	3.5
Accident insurance	71.8	1.6	123.6	2.5	137.7	2.4	89.8	3.7
Total	**4,491.4**	**100.0**	**5,046.0**	**100.0**	**5,707.1**	**100.0**	**2,421.2**	**100.0**

Happy Life primarily sells its insurance products through channels such as bancassurance, individual sale agents, sales agencies and direct sales.

- Bancassurance: bancassurance is the most significant sales channel for Happy Life in terms of Original Premium Income. Happy Life has entered into general cooperation agreements with banks such as CCB, China Merchants Bank, Huaxia Bank, China Minsheng Banking Corporation, Bank of East Asia and Huishang Bank. In 2010, 2011, 2012 and the six months ended June 30, 2013, Happy Life received 92.3%, 89.2%, 88.0% and 81.5%, respectively, of its premium income through the bancassurance channel.
- Individual insurance agents: sales of insurance products through individual insurance agents are primarily made through insurance agents based on a commission-based sales model. As at June 30, 2013, Happy Life had 9,050 individual insurance agents.
- Sales agencies: sales of insurance products through sales agencies are primarily made through insurance agencies who use a commission-based sales model. As at June 30, 2013, Happy Life had entered into insurance product sales cooperative agreements with 398 insurance agencies and 104 insurance brokers.
- Direct sales channels: direct sales channels include direct sales of insurance products to consumers by Happy Life salespeople.

As at June 30, 2013, Happy Life had approximately 542,000 active clients, of which approximately 534,000 were personal clients and approximately 7,800 were group clients.

SYNERGY

Achieving synergy across business platforms is one of our most important strategic priorities and has become an integral part of our culture embodied in our "One Cinda" principle. Our three business segments generate significant opportunities for collaboration in terms of the sharing of customers and business channels. We have continued to optimize our diversified business platforms and have sought to continuously enhance our enterprise value through synergistic collaborations among the Head Office, Company Branches and subsidiaries during the 14 years of our development.

Our distressed asset management business is the foundation of our synergy strategy and has provided us with an extensive, nationwide customer base, robust relationships with government authorities, a diverse talent pool and extensive specialized capabilities, which together have produced numerous opportunities for our other business segments. In addition, our financial investment and asset management business provides flexibility and spurs innovation in transaction structures for our distressed asset management operations and allows us to seize value-generating opportunities. Our financial services business further provides customers of our principal business segments with a diverse range of products and services. For example, we can provide bridge financing and sale-and-leaseback leasing product to companies with liquidity issues or help a company tap equity capital markets following a restructuring. Through collaboration across the three business segments, we are able to develop diversified and integrated products, offer customized financial services and solutions to customers at different stages of their development, and enhance the value of our own assets, providing a solid foundation for the diversification of our revenue sources.

The synergetic operation of our diversified business platforms is primarily demonstrated by client synergy, business synergy, business network synergy, management and incentive systems, branding synergy, talent and specialized experience sharing, and information system synergy.

Client Synergy

We possess a broad client base. During the course of our management of distressed assets and custody, liquidation and restructuring of Distressed Entities over the past 14 years, we have developed robust cooperative relationships with local government, major financial institutions and various enterprises. As at June 30, 2013, we have entered into strategic cooperative agreements with 343 government bodies, financial institutions, enterprises and other entities ("Strategic Customers"). Based on these strategic cooperative agreements, we collaborate with our Strategic Customers in areas such as the acquisition and disposal of distressed assets, asset and debt restructuring, the monetization and securitization of financial and non-financial assets, trusts, fund management, customer and channel sharing, products and services complements, business opportunity exchanges, asset custody and agency and the exchange of professional talent and expertise. Under the Group's unified management, all of our business platforms share these Strategic Customer resources in order to advance the expansion of each business line and multiple business lines on a collective basis .

The DES Companies and their affiliated companies generate demand for a broad range of financial services. We acquire an in-depth understanding of a DES Companies' needs for financial services through the DES asset management process and provide them with a customized financial services plan. During the Track Record Period, we provided follow-on investments for 16 DES

Companies and their affiliates, totaling RMB1.71 billion; we provided financial advisory, insurance, financial leasing and trust services to 25 DES Companies and their affiliates, lastly, we also acquired RMB2.08 billion of NFE Distressed Assets from three DES Companies.

All of our subsidiaries have developed important customer bases throughout the course of their development. As at June 30, 2013, our financial service subsidiaries, including those engaging in securities, insurance, futures, trust and fund businesses, had over 1.5 million retail clients. These customers' demand for financial services will increase alongside the development of China's economy, constituting valuable resources for cross-selling opportunities among our subsidiaries.

Business Synergy

Our extensive and diversified product lines are one of the main sources of our business synergy and enable us to provide customers with a wider range of services than those from a traditional financial institution. Our diversified business platforms provide customers with financial advisory (securities), financing (leasing, trusts and debt investment funds), equity investment (equity investment funds), insurance (P&C and life), asset management (securities, trusts and funds) and overseas financial services. With serving the development of our distressed asset management business as their primary strategy, our subsidiaries enhance the value of our distressed asset management platform.

In order to better promote business synergy, we have created a Group-wide product catalog. As at June 30, 2013, the Group's product catalog contained 16 products from the Company and 152 products from our subsidiaries. With our ability to offer customized financial services, we have developed robust cooperation relationships with our customers, that increased customer loyalty and further enhanced our business potential. For example, we have worked closely with a large DES enterprise, which has provided us with additional investment opportunities and cross selling opportunities for our other products and services. Cinda Securities provided this client with services such as (i) corporate bond underwriting, (ii) restructuring advisory and (iii) advisory services for its establishment of a group finance company. Cinda Leasing provides subsidiaries of this client with financial leasing services amounting to RMB400 million in volume. Furthermore, leveraging our strengths in Restructuring Model, we acquired the accounts receivable of this client's subsidiaries and successfully completed a debt restructuring. Cinda P&C also provided this client and its subsidiaries with P&C insurance services.

The Qiushi Fund which we jointly established with Kunlun Trust further demonstrates our capabilities in cross-platform synergy. The Qiushi Fund supplements the Group's distressed asset management business through participating in projects that are difficult for the Company to undertake or through joint or sequential participation in the same project. Furthermore, the Qiushi Fund is able to satisfy client's diversified financial demand with flexible transaction structures and investment approaches, such as equity investment, entrusted loans, equity investments with buy-back or restructuring arrangements and investments in beneficiary rights for equity, assets or projects. The Qiushi Fund integrates the resources and competitive strengths of the Head Office, Company Branches, Cinda Investment and Cinda Capital, and engages the consulting services provided by Cinda Real Estate. In addition, within one year of its establishment in October 2012, the Qiushi Fund completed eight projects investing a total of over RMB4.18 billion demonstrating the synergy capabilities of the Group.

Leveraging the specialized capabilities and resources of our overseas platform, Well Kent International and its subsidiaries, we are able to provide overseas services to our clients and realize cross-border synergy. For example, through Cinda International's qualification to conduct overseas investment banking business, we worked as a financial advisor to a Hong Kong-listed company in its collateralized debt transfer, and our Company Branches acquired the debt assets of this company's domestic subsidiaries through this transaction. This transaction fully demonstrates our ability to achieve cross-segment and cross-border synergies.

We have facilitated the rapid growth of our subsidiaries' businesses through the business collaboration between our Company Branches and subsidiaries, which produced significant cross-selling opportunities. For example,

(i) Securities: based on our internal record, during the Track Record Period we provided 17 existing clients of our distressed asset management business with services provided by our securities platform. During the Track Record Period, these clients generated a total income of approximately RMB200 million for Cinda Securities. Among the projects involving these 17 clients, the total equity raising and corporate bond offering volume reached approximately RMB1.66 billion and RMB8.4 billion, respectively, and the total size of acquisitions for which we provided advisory services was RMB2.77 billion.

(ii) Trust: we had 60 trust projects sourced from our cross-selling efforts in 2012, representing an increase of 106.9% from 29 projects in 2011. Based on our internal record, the trust business volume (defined as the year-end outstanding trust AUM of Jingu Trust) arising from cross-selling efforts reached approximately RMB18.62 billion in 2012, representing an increase of 242.3% from approximately RMB5.44 billion in 2011. Total income derived from these projects amounted to approximately RMB171 million in 2012, representing an increase of 116.5% from approximately RMB79 million in 2011. In the first six months of 2013, through synergistic operations within the Group, we achieved 13 trust projects with a trust business volume of approximately RMB10.32 billion and an income of RMB91 million.

(iii) Financial leasing: we had 91 financial leasing projects sourced from our cross-selling efforts in 2012, representing an increase of 89.6% from 48 projects in 2011. Based on our internal record, the financial leasing business volume (defined as the year-end outstanding balance of financial leasing receivables of Cinda Leasing) arising from cross-selling efforts grew from approximately RMB6.91 billion to approximately RMB16.42 billion, representing an increase of 137.6%. Total income derived from these projects amounted to approximately RMB392 million and approximately RMB865 million in 2011 and 2012, respectively, representing an increase of 120.7%. In the first six months of 2013, through synergistic operations within the Group, we achieved 108 financial leasing projects with a financial leasing business volume of RMB19.02 billion and an income of RMB727 million.

(iv) P&C insurance: in 2012, we provided 105 existing clients of our distressed asset management business with products and services provided by our P&C insurance business platform, representing an increase of 105.9% from 51 such customers in 2011. Based on our internal record, in 2012, Cinda P&C derived total income of approximately RMB36.2 million from these 105 customers, representing an increase of 49.6% from approximately RMB24.2 million from those 51 customers in 2011. In the first six months of 2013, we provided 38 existing clients of our distressed asset management business with products and services through our P&C insurance business platform and achieved a total income of RMB17.3 million.

Business Network Synergy

We synchronize the strategic positioning of our subsidiaries with the Group's overall strategy, and fully collaborate our operations from Head Office to Company Branches with our subsidiaries. At the subsidiary level, we promote teamwork and put in place effective performance evaluation systems in order to promote business cooperation between the subsidiaries and to facilitate the execution of the Group's synergy strategy.

We have established 31 Company Branches across 30 provinces in China. Our Company Branches act as the principal operating entities for our distressed asset management business and other businesses, and are responsible for customer development and customer-relationship maintenance. Our Company Branches refer customers and projects to our subsidiaries, and our subsidiaries provide customers of the Company Branches with products and services. As at June 30, 2013, our 31 Company Branches have launched synergy initiatives with all of our nine first-tier subsidiaries. For example, our Company Branches have introduced clients to Cinda Leasing, and Cinda Leasing has completed 108 transactions with clients introduced by 29 Company Branches.

Our Companies Branches utilize their business networks to provide our subsidiaries with professional assistance in project procurement, due diligence, sales, rent recovery, interim management, post-investment management and other areas to the extent permitted by relevant laws and regulations. For example, by entrusting Company Branches with routine investment management, we are able to reduce the management radius and lower management costs for funds we made direct investment in and increase the number of projects we manage.

In order to promote synergy between Company Branches and subsidiaries at the regional level, the general managers of our Company Branches work as business supervisors for all of the Group's businesses in the respective regional markets, promoting collaboration among the Group's businesses. This mechanism also ensures the overall coordination of business promotion, customer development, joint marketing and risk control of all of the Group's businesses in a particular regional market, and serves to develop and maintain our relationships with local governments and to strengthen the Group's influence and service capabilities in the region.

As at June 30, 2013, Happy Life and Cinda P&C have established over 300 branches and outlets and Cinda Securities has established close to 70 securities business outlets in Beijing, Shanghai, the Guangdong Province and other regions. Under the Group's unified management, these branches and outlets provide significant network support to the expansion of our asset management and other businesses.

Capitalizing on the concentration of investment institutions and efficient information flow in Hong Kong, our overseas business platform, namely Well Kent International, delivers investment opportunities to our Company Branches to maximize synergy.

Management and Incentive Systems

We have cultivated the culture of synergy maximization through the establishment of synergy management and incentive systems. We have formulated Policies for the Management of Business Synergy and guidelines for the synergistic operation of our securities, financial leasing, fund management and insurance subsidiaries. These policies and guidelines clearly define the guiding principles, methods, contents, processes, responsibilities and requirements of our business collaboration. We have also built into our evaluation systems of the Company Branches and subsidiaries the evaluation mechanisms for the success of business collaboration. For the last two years, in accordance with the Group's business development priorities, the Head Office has devised performance benchmarks for Company Branches to include performance on completing intermediary revenue targets, including revenue contribution to synergistic operations. We have established dedicated departments to promote business synergy at all levels of our organizational structure and regularly hold meetings to review the implementation of previous initiatives and determine business targets and work plans.

Branding Synergy

We have centralized the brand management and promotion of our "Cinda" brand in order to promote our image as a professional asset management company and provide a strong brand support for the development of our existing business segments and expansion into new businesses. Since 2011, we have launched nationwide brand promotion campaigns utilizing media advertising, outdoor advertising and title sponsorship to increase public awareness of the "Cinda" brand as well as to highlight our industry-leading expertise in asset management business and synergistic advantages in comprehensive financial services.

Talent and Specialized Experience Sharing

Our vast reserves of professional talent have enabled us to develop our diversified business platforms. We had diversified professional teams covering businesses such as securities, trust, real estate and financial leasing during early stages of our development. By utilizing the professional skills and industry knowledge, we selectively established our diversified business platforms. These professionals constitute a strong basis for our development of diversified business platforms and ensure the effective execution of our synergy strategy.

We enhance the quality of our service and increase overall revenue by actively integrating the Group's talent, professional expertise and information resources. For example, we completed several complex custody and restructuring deals by bringing together the Company's and the subsidiaries' experts and expertise in asset disposal, debt restructuring, financial consulting and law. Also, the research, investment banking and asset management departments of Cinda Securities provide professional advice to enhance the value appreciation of the Company's DES Assets, direct investment and listed asset disposal businesses. In addition, the Company is able to utilize Cinda Real Estate's expertise in real estate projects when conducting due diligence for real estate-related projects. In addition, Cinda Real Estate provides supervisory services to the Group and other subsidiaries. Cinda Real Estate has contributed its professional services related to the acquisition and management of real estate-related distressed assets to the Group or its affiliated entities 65 times and issued 40 relevant reports. We have developed an in-depth understanding of the coal, chemicals, metal and other industries through our experience in managing DES Assets and equity investments over the years. As such, we have established a solid foundation for our continued investment and involvement in investment funds related to these industries.

In addition, we believe that we further harness business cooperation through our job rotation for high level management at the Head Office, Company Branches and subsidiaries, through exchange and cooperation initiatives for high level management at Company Branches and subsidiaries, and through our incentive oriented comprehensive evaluations.

Information Systems Synergy

We launched a Group-wide business synergy information system in June 2013. This system supports the storage and sharing of client and product information, facilitates business collaboration and customer relationship management functions of the Group. We set up a data center in Beijing that supports the production system operations of the entire Group (excluding Cinda Securities and First State Cinda Fund). For more details on the Group's information systems, see "Business—Information Technology—Information System" and "Business—Information Technology—Information Technology Infrastructure."

FUNDING SOURCES

Our primary businesses, such as distressed asset management and financial investment, follow a business model whereby high upfront capital requirements are gradually offset by earnings in the middle and latter period of the project. Therefore, a certain amount of working capital must come from external sources. With respect to our distressed asset management business, we generally dispose of the distressed assets within 12-36 months of their purchase. In accordance with our strategic development plan, we intend to maintain our market share and competitive strengths in the FI Distressed Assets market, as well as expand the scale and scope of our purchases of NFE Distressed Assets, and therefore our growing demands for capital.

At the present, we have already established diversified, market-oriented and commercialized funding channels that serve our business expansion and satisfy our working capital demands. We have acquired stable sources of capital through the implementation of the following funding strategies:

- Establishing a capital management system to effectively monitor and manage our fund flows and liquidity risk;
- Maintaining stable and long-term cooperative relationships with major domestic commercial banks and non-bank financial institutions in order to secure stable and low-cost funding; and
- Increasing our cash recovery capabilities and actively expanding our diversified funding channels in order to reduce any potential instability in our funding channels.

For our principal business of distressed asset management, we would traditionally receive funding from issuing financial bond and borrowing from the central bank. The outstanding balance of these kinds of liabilities was RMB40.44 billion as at June 30, 2013, and we have not received any incremental financial support from the government since 2011. Among our primary business' financial sources, retained earnings are a significant source of funds for the Group. The Group's stable profitability provides a continuous source of funds and ensures the sustainability of our business. In 2010, 2011, 2012 and the six months ended June 30, 2013, retained earnings were RMB6.93 billion, RMB 10.88 billion, RMB15.43 billion and RMB16.65 billion, respectively. Over the past few years we have established a diverse range of external funding channels:

- Debt Financing:
  - Inter-bank market: this is considered a short-term financing channel. As we are the first among the Four AMCs in tapping the lower-cost nationwide inter-bank market, we are able to satisfy short-term funding needs and short-term liquidity requirements through methods such as inter-bank borrowing and repurchase agreements.

- Bank loans: this is considered a medium-term debt financing channel. Bank loans can be applied towards all funding requirements, such as for business expansion or daily operations, and lending terms are generally one to three years but can reach up to five years. As at June 30, 2013, we maintain credit facilities with 44 banks with a total borrowing limit of RMB327.3 billion (including inter-bank lending, bank loans and financial bond credit). As at December 31, 2010, 2011, 2012 and June 30, 2013, the balance of the Group's bank loans was RMB7.83 billion, RMB25.18 billion RMB76.10 billion and RMB104.10 billion, respectively. Starting in 2012, the Company established a capital pool management method, whereby we adopted a centralized price negotiation method and wholesale borrowing method to increase our pricing power.

- Financial Bonds: this is considered a medium/long-term debt financing channel. We were the first AMC to issue financial bonds. Since October 2010, we have successfully issued RMB5 billion worth of 3-year and RMB5 billion worth of 5-year financial bonds on the inter-bank bond market, which allowed us to replenish our working capital, optimize our medium and long-term balance sheet structure and support purchases of new distressed assets. Furthermore, since October 2012, we have successfully issued RMB 2 billion worth of three-year financial bonds through Bitronic, a subsidiary of Well Kent International. Capital raised by the bonds will be used for Well Kent International's related businesses.

- Equity financing:
  - Introduction of Strategic Investors: in December 2011, we entered into Strategic Investment Agreements with NSSF, UBS, CITIC Capital and CITIC Capital Financial Holding, and Standard Chartered Bank and Standard Chartered Financial Holdings, and have received strategic investment totaling RMB10.37 billion in March 2012.

- Hybrid financing:
  - Subordinated debt: in 2011, our subsidiary Happy Life raised RMB495 million through the private placement of redeemable subordinated fixed-term debt with a term of 10 years. Funds raised by the debt bonds were used to replenish Happy Life's capital base.

- Innovative financing:
  - Asset-backed securities: in 2006, we issued the first batch of securitized distressed assets products, namely Xinyuan 2006-1 Restructured Asset Securitization (信元2006-1 重整資產證券化項目) with a total offering size of RMB4.8 billion, from which we raised RMB3.0 billion. In 2008, we launched our second such product, Xinyuan 2008-1 Restructured Asset Securitization (信元2008-1 重整資產證券化項目), with a total offering size of RMB4.8 billion, from which we raised RMB2.0 billion.

With respect to funding our asset management business, we plan to reduce reliance for on-balance borrowing by further integrating third-party capital through methods such as trust plans, asset management plans, wealth management products and funds. In addition, we aim to expand our financial leverage through innovative financing methods such as asset securitization, in which the on-balance assets are transformed into liquid assets. Furthermore, within regulatory limits, we aim to established a pooled management method for subsidiaries' funds based on insurance funds, further expanding the sources of finances available. For more information on our financing strategy for the future, please see the section titled "Business—Our Strategies".

BUSINESS NETWORK

As at June 30, 2013, our business network included our Head Office, our Company's 31 branches and nine first-tier subsidiaries, and branches of the first-tier subsidiaries. Our Company's branches and subsidiaries, together with the branches of the first-tier subsidiaries, cover all of the PRC's provinces (excluding Tibet), as well as Hong Kong and Macau. The table below sets forth the geographic distribution of our Company's business network as at June 30, 2013:

Region	Branch located
North China region	• Beijing, Tianjin, Hebei, Shanxi and Inner Mongolia
Northeastern region	• Liaoning, Jilin, Heilongjiang
East China region	• Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Jiangxi, Shandong
Central and south region	• Henan, Hubei, Hunan, Guangdong, Shenzhen, Hainan, Guangxi
Southwestern region	• Chongqing, Sichuan, Guizhou, Yunnan
Northwestern region	• Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang

In compliance with relevant regulatory requirements, our subsidiaries establish branches to meet their development needs. The table below sets forth details on the regional distribution of our first-tier subsidiaries' branches as at June 30, 2013:

First-tier subsidiaries	Branch organizations
Cinda Securities	• Head office in Beijing, with branch office and 68 securities business outlets, covering 15 province including Beijing, Tianjin, Hebei, Shanxi, Liaoning, Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Shandong, Henan, Guangdong, Hainan and Sichuang.
Jingu Trust	• Head office in Beijing; no branch has been established in accordance with regulatory requirements.
Cinda Leasing	• Head office in Lanzhou, with offices in Lanzhou and Beijing.
First State Cinda Fund	• Head office in Shenzhen, with a branch in Beijing.
Cinda P&C	• Head office in Beijing, with 115[(1)] direct branches across Beijing, Hebei, Shanxi, Inner Mongolia, Liaoning, Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Shandong, Henan, Hubei, Hunan, Guangdong, Chongqing, Sichuan, Shaanxi and Xinjiang.
Happy Life	• Head office in Beijing, with 195 branches across Beijing, Hebei, Shanxi, Liaoning, Shanghai, Jiangsu, Zhejiang, Anhui, Fujian, Shandong, Henan, Hubei, Hunan, Guangdong, Chongqing, Sichuan, Shaanxi and Gansu.
Cinda Investment	• Head office in Beijing, with subsidiaries across Beijing, Tianjin, Hebei, Shanxi, Liaoning, Jilin, Shanghai, Zhejiang, Anhui, Shandong, Henan, Hubei, Guangdong, Hainan, Chongqing and Xinjiang.
Well Kent International	• Head office in Hong Kong, with subsidiaries in Macau, Shenzhen and Hangzhou.
Zhongrun Development	• Head office in Beijing, with subsidiaries in Beijing, Fujian, Guangdong, Shaanxi and other areas.

(1) Including 13 branches that were in the process of establishment.

INFORMATION TECHNOLOGY

We highly recognize the importance of information technology, and believe information technology is a key component to support our business growth and internal controls.

Information Technology Governance

We have established an advanced information technology governance framework with our information technology committee established at the senior management level to coordinate and supervise our informationization development. At our Head Office, our Information Technology Department is responsible for planning the informationalization of our Group as well as the research and development, operation and maintenance of our Company's information technology system. Every subsidiary has either its own information technology department or designated individuals in charge of the development, operation and maintenance of such subsidiary's professional systems. We have developed an information security and information technology service management system in order to manage our relationships with clients.

Informationalization Plans

In accordance with our overall strategic objectives, we have formulated our informationalization plans at the key stages of our development in 2006-2008, 2009-2012 and 2013-2015, respectively. We currently focus on consolidating our Group's information technology resources, promoting the development of four major platforms, including the Group's information management and control platform, capital and accounting management platform, comprehensive asset management platform and client relations management platform, supporting product innovation, reinforcing our Group's management and control, and improving operational efficiencies.

Information Technology Infrastructure

In addition to the computer centers for Cinda Securities and First State Cinda Fund built in Shenzhen, we have established the Cinda Data Center in Beijing to support the operational system of the Group. We have developed a backbone network covering our Company and the first-tier subsidiaries and utilized both physical and logical techniques to separate internal risks. Our Company and major subsidiaries have established the same-city disaster recovery backup, and have been devoted to ensure our efficient emergency response and restoration capabilities through regular drills and trainings. The Cinda (Hefei) disaster recovery and support base is currently under construction and expected to commence operation in 2015 to serve as a centralized disaster recovery, research and development and support service center for our Group.

Information Systems

We have established several information systems with respect to our Company's sharing applications and the applications for the core businesses of our Company and our subsidiaries:

- The Group's financial consolidation system: connects the databases of Company Branches and subsidiaries to consolidate information, enhancing the quality of our management and control of the accounting information system.
- The Group's business coordination platform system: supports the management of customer information, product information, business coordination, and customer managers.

- The Group's online office platform system: centralizes the publication of announcements, the management of electronic documents and knowledge sharing, and the management of equipment and users, supporting the internal circulation of documents within the Group.
- Asset management system: covers the main operations of our distressed debt asset management and equity management business and realizes the information sharing and data management of management accounts, accounting audits and comprehensive data statistics.
- Due diligence and valuation system: based on calculation and measurement models and empirical parameters, supports due diligence and valuation in the acquisition, disposal and daily management of debt and equity assets.
- Business electronic reviewing system: enables online reviewing and approval of business proposals through matching the asset management system and electronic documentation system.
- Securities information system: supports the trading and marketing of securities and mutual funds, investment banking, and asset management businesses.
- Insurance information system: supports the sale, underwriting, claims processing, and security services for life insurance and P&C insurance. In addition, it supports our investment management business.
- Other information systems: support our financial leasing, trust, real estate and other businesses.

Capabilities of Information Technology Research and Development, Operation and Maintenance

We have the capabilities to conduct the information system's overall planning, demand analysis, structural design, software quality control, system deployment and operation maintenance. Through our continuous improvement of application development, operation maintenance and outsourcing management process, we have improved our software's quality and enhanced the system's operational stability. The asset management system developed by us was awarded the "Second Prize of Banking Technology Development Award" by the PBOC.

Information Technology Risk Management

Our information technology risk management is an integral part of our risk management system. Please refer to "Risk Management" in this prospectus. Our Company has established information security and information technology service management systems in accordance with ISO 27001:2005 and 20000:2005 standards, and has been certified by authoritative organizations. We have also completed the classification and filing procedures for our critical information systems pursuant to the requirements relating to the classification and protection of national critical information systems. Our subsidiaries have also formulated information technology risk management procedures in accordance with relevant industry regulatory requirements.

COMPETITION

We face competitions in our main businesses from other AMCs and other financial institutions in China. At present, we primarily compete with the other three AMCs in distressed asset management as well as with other financial institutions, such as banks, securities companies, futures companies, trust companies, financial leasing companies, fund management companies and insurance companies in certain sectors. We compete with other asset management companies and financial institutions in China primarily in product and service offerings, service quality, pricing, operational network and scope, investment management capabilities, financial strength, information technology system, team capability and brand recognition.

For our distressed asset management business, we primarily compete with the other three AMCs in China in terms of, among others, product and service offerings, service quality, pricing, expertise and financial strength. Our primary competitors include the other three AMCs, namely, Huarong, Great Wall and Orient, as well as local asset management companies that have already been established or are currently being planned. The Four AMCs, including us, possess advantages in terms of capital, licenses, channels, experience and talent, and have been the market leaders. We are currently the only AMC qualified to acquire NFE Distressed Assets.

For our financial investment and asset management business, we primarily compete with fund management companies, securities companies, trust companies, private equity investment companies in the PRC and Hong Kong and other institutions qualified to conduct asset management business. Primary factors affecting our competitiveness in this business include the depth and breadth of our financial products and services, the experience and capabilities of our professional teams, our ability to acquire high quality projects, our management and risk control capabilities during the holding period, and our disposal capabilities and level of returns of investment. We have cultivated professional investment teams with extensive experience in various industries and developed strong capabilities in valuation, management and risk control through our operations of the distressed asset management business. Furthermore, we have established a multi-tiered diversified asset management business system that incorporates private equity, securities management, trust and mutual fund businesses. We believe all of these factors contribute to enhancing our service capabilities and competitive advantages in the financial investment and asset management business.

For our financial services business, we primarily compete with securities companies, futures companies, trust companies, financial leasing companies, fund management companies and insurance companies in, among others, products and services, service quality, pricing, operation network and scope, financial strength and brand recognition. The Four AMCs, including us, have developed business platforms that incorporate financial subsidiaries involved in the securities, futures, trust, financial leasing, mutual fund, banking and insurance businesses in order to generate synergy among business segments and enhance financial capabilities and provide customers with comprehensive financial services.

For further details, please see the sections titled "Risk Factors—Risks Relating to the Financial Industry in China—We face intense competition in the PRC financial industry and our business could be materially and adversely affected if we are unable to compete effectively" and "Financial Information—Major External Factors Affecting Our Results of Operations—Competitive Landscape of the Financial Industry in China" in this prospectus.

In such a competitive climate, we intend to continue optimizing our business structure and implementing strategic initiatives in order to distinguish ourselves within our industry as well as effectively address competition in the PRC asset management industry.

EMPLOYEES

We had 15,108, 19,429, 18,982 and 18,259 employees (excluding those under secondment) as at December 31, 2010, 2011, 2012 and June 30, 2013, respectively. As at June 30, 2013, out of the 18,259 employees, 423 are at the Head Office, 1,457 at Company Branches, and 16,379 at subsidiaries. Our employees held a total of 8,369 licenses/professional qualifications in various categories, including, among others, certified public accountant, certified public valuer, attorney, sponsor, insurance agent and insurance broker, as well as securities practice qualifications and banking practice qualifications.

The table below sets forth details of our employees by functions as at June 30, 2013:

	As at June 30, 2013	
	Number	**% of total**
Management	261	1.4
Front-office employees[1]	14,497	79.4
Back-office supporting staff [2]	3,501	19.2
Total	**18,259**	**100.0**

(1) Includes employees at distressed asset management, financial investment and asset management as well as financial services businesses.
(2) Includes employees at the departments of planning, financial and accounting, risk management, audits and legal, information technology, human resources, administration services and other supporting departments.

The table below sets forth details of our employees by age as at June 30, 2013:

	As at June 30, 2013	
	Number	**% of total**
Aged 35 and below	9,495	52.0
Aged 36-45	5,555	30.4
Aged 46-54	2,489	13.6
Above 55	720	4.0
Total	**18,259**	**100.0**

In 2005, our Company established the first financial risk research center within the industry. At the Latest Practicable Date, the research center had 13 researchers, nine of whom possess doctoral degrees. The table below sets forth details of our employees at our Company by education level as at June 30, 2013:

	As at June 30, 2013	
	Number	**% of total**
Doctoral degree and above	41	2.2
Master degree	649	34.5
Bachelor degree	1,049	55.8
Junior College and below	141	7.5
Total	**1,880**	**100.0**

We believe the competence and loyalty of our employees are vital to our sustainable growth. We have adopted a market-oriented performance assessment and incentive system, under which compensation is linked to employee's performance. Performance assessment systems provide the basis for human resources related decisions such as compensation adjustment, bonus distribution, promotion, talent development, and employee incentives. We are gradually developing a compensation culture based on employees' position, competence and performance. We provide various benefits to our employees, such as basic pension insurance, basic medical insurance, employment injury insurance, unemployment insurance, maternity insurance and housing provident fund, in accordance with the relevant laws and regulations of the PRC. We also provide supplementary medical insurance for employees and have established a corporate annuity plan in which employees can participate.

We provide a diverse range of trainings to our employees, including orientation for new hires, professional skill training, qualification training and professional technology management training to improve employees' professional skills, and provide them with diversified career paths in order to better attract and retain talent. We have various training types, including remote video training, field training, domestic and overseas study, general trainings and targeted trainings. We combine various content and training types to provide tailor-made and effective trainings.

Our labor union safeguards the rights and interests of our employees, and coordinates closely with management with respect to human resources matters. Our operations have never been affected by any strike or significant labor dispute. We believe our management will continue to maintain good relationships with the labor union and our employees.

PROPERTIES

Head Office

Our Head Office is located at Building 1, No. 9 Naoshikou Street, Xicheng District, Beijing, China.

Owned Properties

As of June 30, 2013, we possessed and used 1,495 properties with an aggregate gross floor area of approximately 1,344,300 square meters in the PRC, primarily located in Provinces such as Beijing, Shanghai, Henan, Hubei, Guangdong and Hainan. We owned three office units and parking spaces in Hong Kong, with an aggregate gross floor area of approximately 519.68 square meters. In addition, we owned an office unit in Macau with an aggregate gross floor area of approximately 390.8 square meters.

Except for Cinda Real Estate, the properties we owned in the PRC are primarily used as, amongst other things, offices and business operation premises for our branches and subsidiaries. Among these properties, 98 properties with an aggregate gross floor area of approximately 249,200 square meters are commercial or office properties, the gross floor area for each of which ranges from approximately 58 square meters to 62,175 square meters. Cinda Real Estate owned 912 properties with an aggregate gross floor area of approximately 773,100 square meters primarily for lease, sale or office use.

With respect to the 1,495 properties possessed and used by us in the PRC with an aggregate gross floor area of approximately 1,344,300 square meters, the details of our ownership certificates are as follows:

(1) We have obtained relevant building ownership certificates for 1,220 properties with an aggregate gross floor area of approximately 808,400 square meters, representing 60.14% of the total gross floor area of our owned properties. We have also obtained the land use

right certificates for the land where such properties are located through land assignment. We have been advised by Haiwen & Partners, our PRC legal counsel, that we have legal ownership and land use right over the occupied areas of such properties and are entitled to possess, use, transfer, lease, mortgage or otherwise dispose of such properties.

(2) We have obtained the building ownership certificates of 11 properties with a total gross floor area of approximately 7,700 square meters, representing 0.57% of the total gross floor area of our owned properties. We have obtained land use right certificates for the land where such properties are located through administrative allocation. We have been advised by Haiwen & Partners, our PRC legal counsel, that given we have obtained land use right certificates and building ownership certificates for these properties, and there are no substantive legal obstacles preventing us from possessing or using the properties. However, we may not transfer, lease, mortgage or otherwise dispose of such properties before we obtain approvals from the land administrative authorities and settle the payment of relevant fees such as land grant premiums. As for the occupied areas of nine properties with an aggregate gross floor area of approximately 771 square meters, we have settled the payment of the land grant premiums with the land administrative authorities and submitted the application to the real estate administrative authorities for the change of building ownership certificates and land use right certificates, the replacements of which are pending.

(3) We have obtained the building ownership certificates of 44 properties with an aggregate gross floor area of approximately 89,200 square meters, representing 6.64% of the total gross floor area of our owned properties. However, we have not obtained the land use right certificates for the land where such properties are located. We have been advised by Haiwen & Partners, our PRC legal counsel, that given we have obtained the building ownership certificates, and there are no substantive legal obstacles preventing us from possessing or using these properties. However, we may not transfer, mortgage or otherwise dispose of such properties before we obtain the land use right certificates for such land, except that certain land administrative authorities would not individually issue land use right certificates for certain properties. As for certain parcels of land for which the land use right certificates are under the names of third parties and where our properties are located, if the properties are disposed of as a result of the disposal of the occupied areas of the properties by the holders of the land use rights, we may lose the building ownership of the properties but shall be entitled to claim the proceeds from the disposed properties.

(4) We have obtained the initial registration certificates with respect to building ownership of 86 properties with an aggregate gross floor area of approximately 90,200 square meters, representing 6.71% of the total gross floor area of our owned properties. We have also obtained the land use right certificates for the land where such properties are located. Such properties are from real estate projects developed by our subsidiaries in the PRC. We have passed the completion inspection of such properties and completed initial registration for these properties. We have been advised by Haiwen & Partners, our PRC legal counsel, that we have the legal ownership and the land use rights of the occupied areas of such properties, and are entitled to possess, use, transfer, lease, mortgage or otherwise dispose of such properties.

(5) We possess two properties with an aggregate gross floor area of approximately 2,200 square meters for which we have not obtained the relevant building ownership certificates, representing 0.16% of the total gross floor area of our owned properties. However, we

have obtained the land use rights for the land where such properties are located through land assignment or administrative allocation. We have been advised by Haiwen & Partners, our PRC legal counsel, that there are no substantive legal obstacles preventing us from possessing or using the properties given we have obtained the land use right certificates for the land where such properties are located and that no third party has claimed the ownership of such properties against us to date, but we may not transfer, mortgage or otherwise dispose of the properties until we obtain the relevant building ownership certificates. With respect to the properties located on the land of which the land use rights were obtained through administrative allocation, we shall complete the land assignment procedures.

(6) We possess 36 properties with an aggregate gross floor area of approximately 54,700 square meters that we have neither obtained the building ownership certificates nor the land use right certificates for the land where such properties are located, representing 4.07% of the total gross floor area of our owned properties. We have been advised by Haiwen & Partners, our PRC legal counsel, that most of these properties are either leased or idle and currently are not involved in any title disputes. As such, the title defects of the building ownership and land use rights of these properties would not result in material adverse impacts on our business operations.

(7) We have entered into property purchase contracts with third parties to acquire 35 properties with an aggregate gross floor area of approximately 5,000 square meters, which are pending for application of the building ownership certificates, representing 0.37% of the total gross floor area of our owned properties. We have confirmed that the sellers have obtained the pre-sale permits or building ownership certification documents of such properties, and we have paid the consideration to the sellers in accordance with the property purchase contracts. We have been advised by Haiwen & Partners, our PRC legal counsel, that as the property purchase contracts between the third parties and us are not in violations of the PRC laws, there are no substantive legal obstacles for us to obtain the building ownership certificates for such properties.

(8) We possess 61 properties with an aggregate gross floor area of approximately 286,900 square meters that are commercial residential buildings or office buildings for sale developed by our subsidiaries, representing 21.34% of the total gross floor area of our owned properties. We have completed the completion inspection and acceptance procedures for the relevant construction projects, while we have not settled the building ownership registration. We have been advised by Haiwen & Partners, our PRC legal counsel, that given the relevant subsidiaries of our Company have obtained the land use right certificates for the parcels of land where such properties are located, and have obtained relevant approval, permit or completed filings with respect to the construction projects, we can possess, use, mortgage and sell such properties.

We have not obtained the building ownership certificates and/or land use right certificates for certain of our owned properties, primarily because:

- certain land administrative authorities would not individually issue land use right certificates for certain properties of which we own building ownership certificates; and
- the developers for certain properties have not been cooperating with us in obtaining building ownership certificates and land use right certificates.

To the best of our knowledge, there is no safety issue with respect to the above properties.

The properties with defective titles ("Properties with Defective Titles") are possessed and used by us in the PRC for, among other things, office, lease, parking space and residence. We believe that if the properties did not have defects in their titles, the difference in land cost we would have to pay would not be material. Our Directors are of the opinion that the Properties with Defective Title are not, whether individually or collectively, critical to our business and operations because: (i) the total gross floor area of the Properties with Defective Titles accounts for only a small portion of our owned properties, and is insignificant compared to our properties with valid titles; and (ii) as a financial institution, we are not materially affected by the Properties with Defective Titles in terms of our revenue and profit. Other than properties which we are unable to obtain the relevant certificates due to certain land administrative authorities not issuing land use right certificates individually, that developers for certain properties have not been cooperating with us in obtaining relevant certificates, or due to lack of appropriate underlying documents, we are in the process of applying for the relevant title certificates for the Properties with Defective Titles and are expected to be able to obtain the title certificates within a reasonable period of time. We would not assume any material legal liability arising from the Properties with Defective Titles. If we were forced to relocate from the Properties with Defective Titles, we will be able to find replacement within a reasonable period of time and we expect the relocation would neither incur material cost and expense nor materially affect our business operations and financial condition.

The total gross floor area of the civil air defense projects as planned in our property development projects under construction was 146,728 square meters. Such projects are supplementary constructions as parts of our property development projects in accordance with the Civil Air Defense Law of the PRC (中華人民共和國人民防空法) (the "Civil Air Defense Law") and requirements of the local government. The civil air defense projects are not individually stated in our financial statements and their carrying amount is nil. Such civil air defense projects are primarily used as car parks in peace time and as shelters and storage of supplies in war time. We believe such civil air defense projects are not significant to our property portfolio. In accordance with the Civil Air Defense Law and other relevant laws, (i) the civil air defense projects are used and managed by investors for their benefit in peace time; (ii) the party who constructed such projects are responsible for the daily maintenance and management of the projects, and the use of the projects shall not affect their air defense function and capacity, and (iii) renovation and demolition of the civil air defense projects without prior approval of the civil air defense authorities are prohibited. The business of the Group complies with the Civil Air Defense Law in all material aspects.

To ensure compliance with the Civil Air Defense Law, we adopted the following internal control measures: (i) during the planning stage of the design schemes, we engaged design examination companies with professional qualifications in accordance with relevant regulations to review and optimize the part of civil air defense projects in the blue prints prior to submission for the approval of the civil air defense authorities. Upon approval, we will apply to the planning departments of local government for the construction planning permits; (ii) during the construction stage, we procured the supervisory institutions and cooperate with the civil air defense authorities to provide professional supervision and guidance to the construction of the civil air defense projects; (iii) subsequent to the inspection and acceptance of the projects and the delivery for use of such projects, we designated professional engineers and property management staff to provide regular maintenance to the civil air defense projects and relevant facilities, and cooperated with the civil air defense authorities and fire authorities in regular inspections; (iv) as for the management of the civil air defense projects used as underground car parks, we included terms as required by the Civil Air Defense Law in the car park lease contracts and the car park management regulations of the property management companies, such as prohibition against damage to fire service equipment, stacking of inflammable, explosive and corrosive materials, and usage other than car park, as well as setting liabilities and damages for breach of such terms.

Land Use Rights

As of June 30, 2013, in addition to properties aforementioned, we owned 54 parcels of land with a total site area of 2,685,200 square meters, with the site area for each parcel ranging from approximately 145 square meters to approximately 670,000 square meters:

- We have obtained the land use right certificates of 42 parcels of land with a total site area of 2,139,500 square meters, among which 36 parcels of land with a total site area of 1,895,200 square meters are obtained through land assignment or transfer and six parcels of land with a total site area of 244,700 square meters are obtained through administrative allocation by one of our subsidiaries in accordance with local rules and policies related to shantytown renovation. We have been advised by Haiwen & Partners, our PRC legal counsel, that we have obtained land use rights of such parcels of land and are entitled to transfer, lease, mortgage or otherwise dispose of the land use rights of land parcels obtained through assignment or transfer, and to use and dispose of the six parcels of land obtained through administrative allocation in compliance with rules and policies with respect to shantytown renovation.
- We have entered into the land use right assignment contracts in respect of 12 parcels of land with a total site area of 545,700 square meters and paid the consideration set out therein. However, we have not obtained the land use right certificates. We have been advised by Haiwen & Partners, our PRC legal counsel, that there are no substantive legal obstacles for us to apply for the land use right certificates.

Currently, none of the land parcels for which we hold the land use right certificates is deemed as idle land by the government authorities. During the Track Record Period, no regulatory authority has imposed any idle land fees or forfeited any parcel of land for which we hold land use right certificate.

Construction in Progress

As of June 30, 2013, we had 82 projects under development, with an aggregate gross floor area of approximately 2,835,600 square meters. We have obtained the land use rights for the parcels of land where the projects under development are located through assignment, transfer or administrative allocation. We have been advised by Haiwen & Partners, our PRC legal counsel, that we have obtained all of the relevant approvals or permits required for purposes of construction under various stages and the project construction is in compliance with relevant laws and regulations. There are no substantive legal obstacles to obtain relevant building ownership certificates after passing inspection upon completion of the construction.

As of June 30, 2013, in three of our property development projects we were required or engaged by local government to conduct demolition and resettlement of existing residents. We engaged third parties with relevant qualifications to facilitate the negotiation and execution of demolition and resettlement agreements with the residents affected, and to arrange for the relocation of such residents. We believe such demolition and resettlement would not result in material adverse effects on our business operations or financial condition. Such residents affected may be compensated by cash compensation, resettlement, or a combination of both as set forth in the relevant resettlement agreements.

Leased Properties

As of June 30, 2013, we leased from independent third parties 435 properties in the PRC with an aggregate gross floor areas of approximately 296,400 square meters, with the gross floor area of each property ranging from approximately 17 to 9,354 square meters. Among them, 409 properties with an aggregate gross floor area of approximately 291,000 square meters are leased for office and business use, and 26 properties with an aggregate gross floor area of approximately 5,500 square meters are leased for non-office or non-business use.

Among the 435 properties we leased in the PRC with an aggregate gross floor area of approximately 296,400 square meters:

- for 344 properties with an aggregate gross floor area of approximately 237,300 square meters, the lessors have obtained the building ownership certificates or consent from owners authorizing the lessors to lease or sublease the relevant properties. We have been advised by Haiwen & Partners, our PRC legal counsel, that the leases are legal and valid.
- for 91 properties with an aggregate gross floor area of approximately 59,100 square meters, the lessors have not provided us with the relevant property ownership certificates or consent from owners authorizing the lessors to lease or sublease the relevant properties. The lessors of certain of these properties with an aggregate gross floor area of approximately 23,500 square meters have provided us with written confirmation letters and undertaken to indemnify us from all losses arising from disputes or title defects on the property ownership of such leased properties that may affect our interests under the relevant lease agreements.

Among the above-mentioned 435 leased properties, we have registered the leases with relevant administrative authorities for 196 properties with an aggregate gross floor area of approximately 154,100 square meters. We have not registered the lease agreements for the remaining 239 properties with an aggregate gross floor area of approximately 142,300 square meters, primarily because certain lessors have not been cooperating with us for completing the registration procedures and certain local building administrative authorities have not provided lease agreements registration services. Pursuant to the Regulations of the Lease of Commodity Properties (商品房屋租賃管理辦法), competent administrative authorities can impose a fine up to RMB10,000 if the relevant parties fail to register their lease agreements. From January 1, 2010 to June 30, 2013, we had not been fined by any administrative authorities for our failure to register the lease agreements. Our Directors confirm that our business, financial condition, results of operations and prospects would not be materially affected by any potential fines or penalties that may be imposed by the administrative authorities for our failure to register the lease agreements.

We have been advised by Haiwen & Partners, our PRC legal counsel, that (i) a lessor does not have the right to lease the properties if it does not have the ownership of the properties or the consent from the owner. In such case, if any third party raises objection toward the ownership of or right to lease the properties it may affect our ability to continue leasing such properties. However, we may seek indemnity from the lessor based on the undertaking provided by the lessor; and that (ii) according to the relevant PRC laws, failure to register the lease agreements will not affect the validity of such lease agreements, but competent administrative authorities may order parties to the lease agreements to complete the registration within a certain time limit and impose a fine from RMB1,000 up to RMB10,000 if the relevant parties fail to do so. As such, we are entitled to use the properties according to the lease agreements. However, we are subject to risk of being fined if we fail to register the lease agreements as required by competent administrative authorities.

We confirm that if the title defects of such properties or the failure to register the lease agreements prevent us from continuing to lease any properties and the relevant subsidiaries or branches need to relocate, the relevant subsidiaries or branches can relocate to other comparable alternative premises in the relevant regions without having a material adverse effect on our business and financial condition.

In addition, as of June 30, 2013, we leased a parcel of land with a site area of approximately 1.2 million square meters from the Xiazhai Town Economic Cooperation Committee of Pinghe County in Zhangzhou City of Fujian Province. The land is a parcel of collectively-owned land leased by the People's Government of Xiazhai Town from the relevant village committee. However, the lessor has provided neither the ownership certificate for the collectively-owned land nor consent from the relevant village committee to authorize the People's Government of Xiazhai Town to sublease the land to us. We have been advised by Haiwen & Partners, our PRC legal counsel, that if the village committee does not legally own the land nor has the lessor obtained the consent for subleasing, or been authorized to sublease, the land from the owner, the lessor does not have the right to sublease the land. If the owner of the land raises objection to the lease of the land, our use of the land under the lease agreement may be affected. However, we may seek compensation from the lessor for losses, if any, in accordance with the lessor's undertakings under the lease agreement. In addition, the lease agreement has a term of more than 20 years, which violates the relevant requirements of the PRC Contract Law. Therefore, the lease may not be protected by law for the period beyond the limit of 20 years. Given that the land is not used for the major operation of our Company or any of our major subsidiaries, we believe that our operations would not be materially adversely affected.

As of June 30, 2013, the book value of each of the properties under our property business was less than 1% of our total assets and the total book value of the properties was not more than 10% of our total assets. In addition, the book value of properties of our non-property business was less than 15% of our total assets. Pursuant to Section 6 of the Companies Ordinance (Exemption of Companies and prospectuses from Compliance with Provisions) (Chapter 32L of the laws of Hong Kong), we have not obtained the valuation report of our properties. We are of the opinion that our interests in the properties are not significant to our overall operations.

INTELLECTUAL PROPERTY RIGHTS

We operate our business under "信达," "Cinda," "" and certain other brand names and logos. As of the Latest Practicable Date, we were also the registered owner of 614 trademarks in the PRC and 11 trademarks outside the PRC. As of the Latest Practicable Date, we owned 407 domain names, including www.cinda.com.cn, www.cindamc.com, www.cinda.cn, www.cindamc.cn and www.cindamc.com.cn. The websites are frequently used by our clients to access our information and conduct business with us. Details of our major intellectual property rights are set out in

"Appendix VII—Statutory and General Information—B. Further information about our business—2. Intellectual property rights" in this prospectus.

As of June 30, 2013, we were not aware of any material incidents of intellectual property rights infringement claims or litigation initiated by others against us or *vice versa* during the Track Record Period.

LEGAL AND REGULATORY PROCEEDINGS

Overview

We may be involved in legal and/or regulatory proceedings or disputes in our ordinary course of business. As of the Latest Practicable Date, we were not aware of any legal and/or regulatory proceedings or disputes that, in the opinion of our management, would have a material adverse effect on our business, financial condition, results of operations or prospects.

Our operations in the PRC are subject to review and inspection by relevant governmental authorities, including the CBRC, MOF, PBOC, SAFE, NAO and SAT. As of the Latest Practicable Date, we were not aware of any inspection or audit conducted by the CBRC, MOF and other regulatory authorities in the PRC that would have a material adverse effect on our business, financial conditions, results of operations or prospects. Pursuant to the *Provisional Regulatory Guidelines for Supervision of Financial Asset Management on a Financial Statements Consolidation Basis* (金融資產管理公司併表監管指引(試行)), the CBRC supervises and regulates the AMCs using a combination of off-site supervisions and on-site inspections. The CBRC may formulate and arrange for on-site inspecting plans based on the results of off-site supervisions as well as the risks, scale, organizational structure, and complexity of the AMCs' business operations.

In 2010, 2011, 2012 and for the six months ended June 30, 2013, we had made provisions of RMB224.6 million, RMB206.6 million, RMB307.1 million and RMB356.0 million, respectively, for pending litigation known to us. Our Directors are of the opinion that such provisions were sufficient.

Qualifications

As of the Latest Practicable Date, we had complied with the applicable regulatory requirements of the PRC in all material respects. We have also obtained all material qualifications and permits necessary for our operations in accordance with PRC laws and regulations.

As required by the SFC, certain of our Hong Kong subsidiaries are required to obtain licenses to operate in Hong Kong. As of the Latest Practicable Date, such subsidiaries had complied with relevant regulatory requirements in Hong Kong in all material aspects and had obtained all necessary licenses as required by Hong Kong laws and regulations.

Litigations and Arbitrations

As of the Latest Practicable Date, we were involved in 26 material unresolved litigations, in each of which the amount in dispute was more than RMB10 million, and among which:

- We were a plaintiff in nine material unresolved litigations and the aggregate amount in dispute involved in such claims was approximately RMB1,713 million. Such proceedings were mainly related to disputes on shareholder's right to dividend, infringement of rights, contracts of sales and purchases of properties, contracts of construction projects as well as financings and borrowings. Among these proceedings, six proceedings were at trial stage, two proceedings were at the enforcement stage and one proceeding was suspended.

- We were a defendant in 17 material unresolved litigations and the aggregate amount in dispute involved in such claims was approximately RMB1,032 million. Such proceedings were mainly related to disputes over contracts for construction projects, loan agreements, debt acquisition agreements, equity interest and indemnity for property preservation. Among these proceedings, 14 proceedings were at the trial stage, two proceedings were at the enforcement stage and one proceeding was suspended.

Among the unresolved legal proceedings in which we were defendant, there was one case involving claims exceeding RMB100 million, the summary of which is set out below:

Xinliu Case

In 1997, Dandong Zhenxing Real Estate Development Co., Ltd. (丹東市振興房地產開發股份有限公司) ("Zhenxing Company") was re-registered as Dandong Xinliu (Group) Co., Ltd. (丹東新柳（集團）股份有限公司) ("Xinliu Company") as approved by relevant government authorities, upon the completion of which the then shareholders of Zhenxing Company including Dandong Planning and Design Research Institute (丹東市規劃設計研究院), Dandong Baoshihua Real Estate Development Co., Ltd. (丹東市寶石花房地產開發有限公司) and some natural persons no longer held the shares of Xinliu Company. In 2002, the Shenyang office of our Company (currently, the Liaoning branch of our Company) and other relevant parties restructured Xinliu Company as approved by relevant government authorities, during which our Company obtained equity interest in Xinliu Company through DES and share transfer. In 2005, Dandong Planning and Design Research Institute , Dandong Baoshihua Real Estate Development Co., Ltd. and 318 natural persons, as the former shareholders of Zhenxing Company, filed a lawsuit against the Shenyang office of our Company and the relevant parties. The plaintiff claimed that their rights as shareholders of Zhenxing Company were infringed and therefore requested the court to invalidate the restructuring agreement of Xinliu Company and the relevant agreements pursuant to which our Company obtained equity interest in Xinliu Company, order the defendants to cease infringement and return the assets valued at approximately RMB389 million. Both the courts of first instance and second instance dismissed the lawsuit, and the Intermediate People's Court of Dandong, Liaoning Province also dismissed the subsequent application of the plaintiffs for retrial. In February 2008, the plaintiffs filed the second application for retrial and requested the court to dismiss the judgments made by the courts of first instance and second instance, order the defendants to cease infringement and return the assets valued at approximately RMB389 million. The High People's Court of Liaoning Province has accepted this case and dismissed the judgments made by the courts of first instance and second instance. The case is currently pending.

In order to avoid and minimize the occurrences of litigations or arbitrations against us, we have taken various measures. Specifically:

- We have focused on enhancing legal and compliance training for our employees to reduce relevant violations of laws and regulations. The legal and compliance department of the Head Office has compiled and issued *Cinda Legal Reference* on a monthly basis and other ad hoc guidelines to keep them updated of the laws and regulations related to our business and answer legal questions encountered by various departments. Our legal and compliance department organize diversified training programs for the Head Office, Company

Branches and subsidiaries in the PRC and provided training courses on various specific topics related to our business, such as debt transfer, asset acquisition, bankruptcy, material asset restructuring and sales and purchases contract for all staff and employees for over 12 times in average every year. Such training courses are usually hosted by senior personnel of the legal and compliance department, and we also engage experts in areas which are closely related to our business, including judges of the supreme court, professors and partners of law firms, to provide training for us from time to time.

- We have also formulated internal review procedures and policies, including legal review on business decision-making plans, and required that all legal documents issued by various departments must be subject to the review and approval of the respective legal and compliance departments. In respect of certain types of transactions, the legal and compliance department of the Head Office formulated agreement templates for the Head Office and Company Branches. Any amendment to terms and conditions in the agreement templates must be reviewed and approved by respective legal and compliance departments.
- We retain external legal counsels from time to time to review contracts and provide legal opinions, and take advantage to their expertise to reduce our exposure to litigations and arbitrations.

In addition, the internal control team of the legal and compliance department of the Head Office is in charge of monitoring the Group's overall compliance and implementation of relevant procedures and policies. Members of such team include the head, the deputy head and a senior manager of the legal and compliance department, all of whom have more than 12 years of experience in compliance or internal control in our Company. One of them is a qualified lawyer and one of them is a senior auditor and registered public accountant. Our Directors are of the view that our internal control on legal aspect is effective and adequate without material deficiency, and in the event of any unfavorable outcome resulting from the aforementioned litigations, such outcomes would not, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations.

Administrative Proceedings and Penalties

As of the Latest Practicable Date, we were not aware of any material ongoing inspection on or investigation against us. During the Track Record Period and as of the Latest Practicable Date, none of our Directors was involved in any material administrative violations, proceedings or penalties.

During the Track Record Period and as of the Latest Practicable Date, administrative penalties for 29 incidents were imposed on us by tax authorities in the PRC in the aggregate amount of approximately RMB934,061, primarily due to our failures to make full payment of enterprise income tax due, withhold the required individual income tax, timely file the tax return and complete the registration for tax status changes in accordance with applicable requirements. We have actively communicated with the tax authorities, paid and settled the tax payments and penalties. All of the abovementioned tax related violations occurred at our Company Branch and subsidiary level, and did not involve our Head Office.

In addition to the tax related penalties, due to our breach of regulations during the Track Record Period and as of the Latest Practicable Date, regulatory authorities in the PRC (including, but not limited to, the CIRC and its local branches, and the planning and construction authorities) had imposed on us certain administrative penalties and/or regulatory measures, including suspension of launching new businesses for a certain period of time, suspension of establishing new branches, fines and imposition of corrective order. Among these penalties, there were 16 administrative penalties involving warnings and fines of an amount of less than RMB100,000 in each case, with an aggregate amount fines of approximately RMB491,400. There were also nine administrative penalties with fines of an amount of more than RMB100,000 in each case, involving an aggregate amount of approximately RMB1,427,000, and the highest amount of fine was RMB390,000. As of the Latest Practicable Date, we had paid in full all of these fines. Such penalties and regulatory measures were mainly imposed by the CIRC and its local branches against Happy Life, Cinda P&C and their respective branches, primarily relating to recording operating expenses in violation of accounting rules, engaging unqualified individuals or organizations to sell insurance products and making false advertisement of insurance products. Such non-compliance incidents were mainly attributable to relatively short development history of our insurance business, so that our compliance culture was still being developed and the awareness of compliance of some of our employees were insufficient.

With respect to the specific issues identified in the administrative penalities mentioned above and the specific requirements of the regulatory authorities, we have immediately taken remedial measures and formulated the following rectification plans:

- From 2010 to 2013, we annually classified the issues identified in administrative penalties, reorganized the business procedures specific to identified issues, specified the department and personnel responsible for respective rectification, and rectified them one by one by means of improving business procedures such as insurance products marketing, return of policies and insurance claims management, formulated or amended documents of our internal systems including accounting and settlement policies and ancillary insurance agency system, enhanced employee management in terms of background check and professional ethics investigation, and punished employees in breach of rules;
- The insurance marketing departments, legal and compliance departments and risk management departments launched specific compliance training on aspects such as claims management, insurance frauds and disclosure of new insurance products, respectively, and complied periodic and other ad-hoc compliance guidelines distributed to branches for implementation, and closely monitored of updates of regulations and government policies;
- We regularly conducted internal examinations on compliance, internal control and quality management every year, increased efforts in identifying breaches of rules, performed specific inspections within the Group focusing on the authenticity of financial and business data, internal control and compliance issues and various potential risks, and highlighted risks in various manners;
- Happy Life reviewed 40 internal control processes that generally covered all departments and complied *Risk Control Matrix*, thus to improve its internal controls.

In response to the aforementioned incidents, we have timely adopted remedial measures to improve the non-compliance situations. We submitted corresponding rectification reports on our rectification progress to relevant regulatory authorities pursuant to their requests and have not received any objection or suggestion from such regulatory authorities. In addition, our Company have assigned relevant departments to be in charge of the Group's overall compliance and to arrange or provide training to employees, formulate and refine the procedures and policies of our internal controls. Our Directors are of the view that such rectification measures were specific and the relevant training programs have enhanced the awareness of our employees on compliance, and that our risk management and internal control measures after such rectification are effective and adequate in detecting non-compliance incidents and reducing non-compliance risks.

In light of the fact that (i) the administrative penalties imposed on us were mainly warnings and insignificant fines and all the fines were paid in full; (ii) we had not received any material administrative penalties; (iii) the total amount of such administrative fines represented a small proportion of our total assets and net assets; and (iv) the number of branches penalized was insignificant compared to the total number of our branches, our Directors are of the opinion that the aforesaid administrative penalties, individually or in the aggregate, would not have a material adverse effect on our business, financial conditions and results of operations.

Regulatory Inspections

PRC regulators conduct certain regular or specific regulatory reviews and/or inspections on our compliance with laws, regulations, guidelines and regulatory requirements applicable to us or our businesses. During the Track Record Period and as of the Latest Practicable Date, we received regulatory inspections conducted by the MOF, CBRC, CSRC, CIRC and PBOC and their respective local branches and received 125 regulatory opinions, inspection opinions, risk precautions letter or similar documents, covering our business operations, risk management, internal control and corporate governance at the Head Office, Company Branch and subsidiary level. Although no fines or penalties were imposed on us, such inspections had identified defects and non-compliance issues in our business operations, corporate governance, risk management and internal controls. Certain regulatory measures prescribed in the regulatory opinions may also affect our business operations. The table below sets forth the results of material regulatory inspections and regulatory opinions during the Track Record Period and as of the Latest Practicable Date:

Regulatory Inspections and Opinions	Major Issues	Major Remedial Measures
• In February 2012, the CBRC issued an on-site inspection opinion to our Head Office in respect of the management and disposal of assets acquired through market-driven means.	• Our Company had defects with respect to the following: (i) the organizational structure of review and disposal, procedures and execution of disposal, and the internal control and audit systems; (ii) assets management system and file archiving; (iii) management of intermediaries; (iv) cash and financial management; and (v) other issues such as failure to fully implement the requirements of the regulators to streamline management of the subsidiaries and improve management efficiency.	• Since February 2012, we have taken the following rectification measures: (i) strengthening internal management and internal control systems, refining the documentation of our internal control and formulating detailed rules guiding the implementation, adjusting the organizational structure and function of the Company, stringently implementing the separation of staff participating in asset valuation, pricing or disposal from the approval staff, and extending internal audit coverage; (ii) conducting special audit on physical assets to identify defective assets and adopting claim and protection measures in a timely manner, implementing the accountability system for on-site inspection and management of debt assets, improving communication between various departments of equity assets management, comprehensively examining risk exposure of new projects, adopting various review and decision-

Regulatory Inspections and Opinions	Major Issues	Major Remedial Measures
		making mechanisms, and increasing frequency of regular valuations; (iii) strengthening financial management on asset disposal, conducting comprehensive financial and accounting inspections, centralizing the control and management systems, and enhancing the accounting quality; (iv) establishing a centralized platform among the Head Office and all branches, and reinforcing the capabilities of updating and maintaining regular information; (v) formulating related-party transaction and intra-group transaction management system and regulating related-party transactions; (vi) strengthening the management of intermediaries through regular reviews and strict assessment; and (vii) strengthening supervision and management of subsidiaries and enhancing supervision and guidance on the operation and management of subsidiaries. We submitted a report with respect to the rectification progress to the CBRC on March 28, 2012 and have not received any objection or follow-up suggestions from them over our rectification report.
• In June 2010, the CBRC issued an on-site inspection opinion to our Head Office with respect to our investment and entrusted agency businesses and our management of equity interests in financial enterprises.	• Our Company had (i) deficiencies in corporate governance mechanism, weaknesses in management and control of subsidiaries, defects in shareholding structures and incorporation procedures of subsidiaries, and imperfection in risk management of our investment business; (ii) compliance issues with respect to provision of guarantees for the financing of related parties, investment in the securities market by certain subsidiaries using loans, related-party transactions, disposal of assets and business procedures of certain agency services, financial advisory and custody and liquidation businesses.	• Since June 2010, we have taken the following rectification measures: (i) penalizing relevant departments and personnel in charge; (ii) strengthening control over operations of subsidiaries by revising equity management of subsidiaries, investment and financing management and performance assessment systems, rectifying the defects in shareholding structure and incorporation procedures of subsidiaries, and developing risk prevention and risk control mechanism; (iii) promptly rectifying non-compliance behaviors in accordance with the requirements of the regulatory authorities, opening special accounts to strengthen cash management, standardizing business procedures and reinforcing employee training; (iv) adding supplementary terms to address employee non-compliance behaviors in the business operation rules and strengthening inspection on valuation and pricing, financial income and expenses and fund transfer. We submitted a report on the

Regulatory Inspections and Opinions	Major Issues	Major Remedial Measures
		rectification progress of the above issues to the CBRC on November 21, 2010 and have not received any objection or follow-up suggestion from them over our rectification report.
• In March 2013, the CIRC issued a regulatory letter to Happy Life.	• Happy Life had a solvency margin ratio of 48.06% as of December 31, 2012, which was categorized as an insurance company with inadequate solvency, and the CIRC therefore imposed regulatory measures on it including: (i) suspension of establishing new branches; and (ii) suspension of launching new businesses (except renewal businesses) from March 20, 2013.	• Since March 2013, we have taken the following rectification measures: (i) increasing the share capital of Happy Life by RMB884 million in April 2013, as approved by the CIRC, which increased the solvency margin ratio of Happy Life to 159.35% with the dynamic solvency test indicating a solvency margin ratio of 106.36% one year later; and (ii) filing with the CIRC the plan on prevention of solvency inadequacy and the management statement by Happy Life, over which we have not received any objection or follow-up suggestion. The CIRC revoked the second and first regulatory measures mentioned above on Happy Life on April 24, 2013 and July 8, 2013, respectively.

In response to the requirements and suggestions of the regulatory authorities, we have immediately conducted detailed investigation on each incident and adopted a series of remedial and rectification measures including strengthening the implementation of internal controls, improving corporate governance structure, enhancing the capabilities of business management and control, and implementing stringent financial review and monitoring measures. As of the Latest Practicable Date, the relevant deficiencies have been effectively improved and all non-compliance issues have been rectified. In addition, we filed rectification reports on our rectification progress to the relevant regulatory authorities pursuant to their requests and have not received any objection or suggestion from such regulatory authorities on our rectification reports.

Therefore, our Directors are of the view that our remedial measures and rectification plans were appropriate and effective, the aforementioned deficiencies or non-compliance situations identified in regulatory inspections have been rectified and such incidents, individually and in aggregate, would not have a material adverse effect on our business, financial condition and results of operations, and the risk management and internal control measures in place after our rectification are effective and adequate.

Reporting and Monitoring Employees' Non-compliance

We have established internal procedures for reporting employee non-compliance to ensure that all incidents of employee non-compliance is reported to our Head Office in a timely manner. In addition, we are required to report and have reported to the CBRC material incidents of employee non-compliance. For material incidents of employee non-compliance, we progressively report upward internally, then our Head Office reports such cases to the CBRC.

A total of 24 employee non-compliance incidents occurred or were discovered or adjudicated during the Track Record Period and as of the Latest Practicable Date, including 20 incidents in which our employees received warnings and were imposed fines and other penalties by administrative or regulatory agencies due to non-compliance. Such fines in an aggregate amount of RMB181,000 were primarily imposed on employees of Happy Life and Cinda P&C for non-compliance activities such as fraudulently obtaining money by recording operating expenses that did not actually occur or issuing tax invoices without actual transactions, and engaging individuals without insurance broker qualifications to sell insurance products. There were four non-compliance incidents in each of which the employee involved had been prosecuted and convicted in a court or suspected of committing crimes. Our Directors confirm that the most significant incidents from January 1, 2010 to the Latest Practicable Date, based on the amount involved and the seniority of the employees involved in the same category of cases and the nature of the incidents, are discussed below.

The Gong Kanming Incident

In August 2011, Gong Kanming, the then head of the Xuwen branch in Zhanjiang of Cinda Securities, was dismissed by Cinda Securities for being suspected of forging a number of asset management contracts and misrepresenting that Cinda Securities had been entrusted to manage certain assets. Gong Kanming has been investigated by the police as a suspect committing contract fraud. From February to June 2012, the parties holding the forged asset management contracts filed a total of 18 civil proceedings against the Xuwen branch in Zhanjiang of Cinda Securities and Cinda Securities, claiming a refund of the RMB28.1 million they had invested in total. Currently, the court has suspended these proceedings on the grounds that the evidence presented by the plaintiffs was insufficient and the investigation on Gong Kanming in respect of the suspected contract fraud was still ongoing.

Subsequent to this incident, Cinda Securities has conducted self-examination and also been inspected by regulators, and has taken the following remedial measures: (i) controlling procedures for the use of contracts, enforcing a stringent corporate seal management system and strengthening the management of other key certification documents; (ii) enhancing efforts on educating employees and investors and providing them with risk alerts and guidance; and (iii) reinforcing monitoring on employee conduct by controlling the information system, thus to prevent potential transaction risks.

Non-compliance of Employees Involved in Bribery Incidents

During the Tracking Record Period and as of the Latest Practicable Date, there were two non-compliance incidents of employees involved in bribery, details of which are set out below:

- From 1999 to 2004, the then deputy manager of Wuhan office (currently, Hubei branch) of our Company illegally accepted property amounting to RMB198,000 and in return sought benefits for others, including providing information and assistance to others by utilizing resource database of our Company and offering assistance in purchasing foreclosed houses by taking advantage of his position. In 2012, the employee was convicted of an offence of bribery by the court and sentenced to five years and six months in prison with RMB50,000 of personal property confiscated. In the same year, the court rejected the appeal and affirmed the judgment.
- From 2004 to 2005, a former division manager of Changchun office (currently, Jilin branch) of the Company illegally accepted property amounting to RMB200,000 and in

return sought benefits for others in asset disposal transactions of the Company by taking advantage of his position. In 2010, the employee was convicted of an offence of bribery by the court and sentenced to ten years and six months in prison with RMB50,000 of personal property confiscated. In 2011, the court rejected the appeal and affirmed the judgment.

We adopted a series of anti-bribery measures following the above incidents, including:

- imposing stringent punishments on employees accepting bribery. We improved our employee accountability system and formulated a series of internal rules and regulations, pursuant to which we shall impose punishment such as dismissal and warning on employees involved in bribery incidents and refer alleged illegal cases to judicial authorities for them to investigate for criminal responsibility.
- enhancing employee education and training. We actively arranged employees to study anti-bribery laws and regulations and our internal rules, and offered trainings for all employees in respect of code of professional ethics.
- reinforcing control and supervision over the exercise of power through establishment of a series of systems. We formulated and implemented the plan of establishing a bribery punishment and prevention system, launched systems of touring inspection, review of petition and complaint reporting as well as case investigation, under which we actively checked and accepted reports on offenses of bribery. In addition, we also established a system of economic responsibility auditing during the term of office, thus to address material problems in a timely manner once discovered.
- formulating reporting system and conducting sample verification. According to relevant PRC laws and regulations, employees of a certain level or above are required to disclose his/her relevant personal issues to the Company, including concurrent positions, assets and interests declarations, and we will verify such personal information of the above person.

All of the above cases are isolated cases of employees in breach of laws and regulations of our Company and pertain to illegal conducts of such individuals. None of our Directors or our senior management has been involved in any incident of employee non-compliance. Our Directors consider that the aforementioned non-compliance incidents of individual employees would not have a material adverse effect on our business, financial condition or results of operation. For each of these cases, appropriate legal measures have been taken against the employees involved. We have adopted rectification measures to address any internal control deficiencies exposed and submitted rectification reports to the relevant regulatory authorities pursuant to their requests (if any), and we have not received any objection or follow-up suggestion from such regulatory authorities. We believe that the number of incidents of reportable employee non-compliance at our Group has been relatively low in recent years primarily due to our efforts at enhancing our internal control systems, our launch of internal systems for monitoring, prevention and addressing of employee non-compliance incidents, such as a system of employee accountability, our increased efforts in providing special training and our implementation of regular and specific inspections within our Group with respect to specific problems involved in non-compliance incidents. We will continue our efforts to improve and strengthen internal control and risk management in order to prevent similar incidents from occurring in the future. In light of the above, our Directors are of the view that our risk management and internal control measures to ensure future compliance are effective and adequate. With regard to the risk management and internal control measures adopted by the Group to ensure future compliance, after undertaking relevant due diligence, and subject to the full implementation and enforcement of these measures, the Joint

Sponsors, themselves not being expert on internal control matters, are of the view that these measures will provide a reasonably adequate and effective framework to assist the Company in identifying and monitoring any material risk in connection with its future compliance with the relevant legal and regulatory requirements. For information regarding our risk management and internal controls measures, please see "Risk Management."

OVERVIEW

We regard risk management as a cornerstone and a core focus of our management and business operation, and have developed a comprehensive risk management system covering all business segments of the Group.

- The primary objectives of our 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.

- The six guiding principles of our risk management are: (1) consistency: to ensure the consistency of risk management and strategic development targets by establishing a comprehensive risk management system; (2) comprehensiveness: to establish a risk management system covering all business lines, internal organizations and the regions where we conduct business, as well as the identification, analysis and management of all types of risks we face; (3) full participation: to establish a culture of risk management and corresponding mechanisms encouraging the participation of all employees, under which all staff, including management personnel, shall participate in and be responsible for risk management in accordance with their respective duties; (4) independence: to separate the risk management system from business operation system; (5) a combination of quantitative and qualitative analyzes: through development of quantitative risk management techniques corresponding to the nature, volume and complexity of our businesses, and promotion of the application of our established and sophisticated risk management experience, achieve an effective combination of quantitative and qualitative risk analyzes; and (6) optimization: to continuously assess changes in the competitive landscape and the internal and external business environments, as well as their impacts on our risk management, so as to continuously fine-tune and optimize our risk management policies, mechanisms and procedures.

- Our risk management framework consists of four levels of supervision and three lines of organizational defense. The four levels are: (1) the Board of Directors and the Board of Supervisors; (2) senior management; (3) the risk management department and relevant functional departments at the Head Office; and (4) the Company branches ("Company Branches") and subsidiaries. The three lines of defense are: (1) business operation departments at the Head Office, Company Branches and subsidiaries; (2) functional departments of risk management at the Head Office, Company Branches and the subsidiaries; and (3) the internal audit departments and special audit positions at the Head Office, the Company Branches and the subsidiaries.

- Our risk management system is based on a combination of external and internal regulations. The primary external regulations are the "Basic Guidelines for Internal Control of Enterprises" (企業內部控制基本規範), jointly promulgated by the MOF, the CSRC, the NAO, the CBRC and the CIRC in 2008, the Provisional Regulatory Guidelines for Supervision of AMCs on a Financial Statements Consolidation Basis (金融資產管理公司並表監管指引(試行)), promulgated by the CBRC in 2011 and the "Measures for Internal Control of Financial Asset Management Companies" (金融資產管理公司內部控制辦法), jointly promulgated by the MOF and the CIRC in 2005. Using these regulations and considering the special features of our business, we have established internal regulations and policies to provide specific operational guidelines for our operations and staff. These include the "Provisional Measures for Risk Management" (公司風險管理暫行辦法), the "Regulatory Procedures for Overall Risk Management" (全面風險管理規程), the "Procedures for Debt Asset Management" (債權資產管理規程), the "Procedures for Equity Asset Management" (股權資產管理規程), the "Operational Procedures for Assets Acquisition Business" (資產收購業務操作規程) and the "Guidelines for the Post-acquisition Management of Distressed Assets from Non-financial Enterprises" (非金融機構不良資產收購後續管理指引). In addition, to effectively manage our operational risk, we have established an internal control system complying with the standards of ISO9001, and an information security management system and information technology service management system complying with the standards of ISO20000 and ISO27001.

- We promote the concept of "protecting the bottom-line by managing risks proactively" as the key principle underlying our risk management culture in order to prevent systemic and significant risks and to avoid moral hazards.

Our risk management system and mechanisms ensure the smooth and stable operation of our business and provide a solid basis for our identification and management of risks involved in new businesses, such as our Restructuring Business, and for our performance during the Track Record Period.

RISK MANAGEMENT FRAMEWORK

We have developed an integrated risk management framework. Vertically, our risk management framework covers four levels, namely, (1) the Board of Directors and Board of Supervisors, (2) senior management, (3) the risk management department and relevant functional departments at the Head Office, and (4) our subsidiaries and Company Branches; horizontally, the three lines of defense of our risk management operate in accordance with their respective responsibilities.

The "Four Levels" of Our Risk Management Framework

The Board of Directors and Board of Supervisors

The Board of Directors assumes ultimate responsibility for our risk management, internal control and overall compliance. The Risk Management Committee under the Board of Directors supervises and evaluates the Group's risk management, and the Audit Committee supervises the Group's internal controls and internal audit.

The Board of Supervisors supervises the risk management function of the Board of Directors under our overall corporate governance framework. Specifically, the Board of Supervisors supervises the fulfillment of responsibilities by relevant departments and personnel, reviews and assesses the major risks we face, and makes risk management suggestions and proposals accordingly.

The senior management

Our senior management, including the Chief Risk Officer, is accountable to the Board of Directors for the overall effectiveness of our risk management.

The Head Office risk management functional departments

A risk management department at the Head Office (the “Risk Management Department”) performs specific functions related to our overall risk management while the internal audit department at the Head Office (the “Internal Audit Department”) supervises and evaluates the effectiveness of our risk management. In addition, various other functional departments of risk management at the Head Office also assume risk management responsibilities according to the nature and features of their respective businesses.

The subsidiaries and Company Branches

We have departments responsible for risk management at our nine first-tier subsidiaries (“Subsidiary RM Departments”) and special positions for risk management at the business review departments of our Company Branches (“Branch RM Positions”). Our Subsidiary RM Departments and Branch RM Positions are responsible for the coordination of routine risk management at our subsidiaries and Company Branches, respectively, and are subject to the management, inspection and supervision of the Risk Management Department with respect to their risk management functions. The board of directors at our subsidiaries assume the ultimate responsibilities for risk management at their respective subsidiaries and the general manager or president of each subsidiary is held fully responsible for risk management at that subsidiary. The general managers at the Company Branches are held fully responsible for risk management. In addition, each subsidiary and Company Branch designates one member of its senior management to be responsible for specific risk management work at that subsidiary or Company Branch.

The “Three Lines of Defense” of Our Risk Management

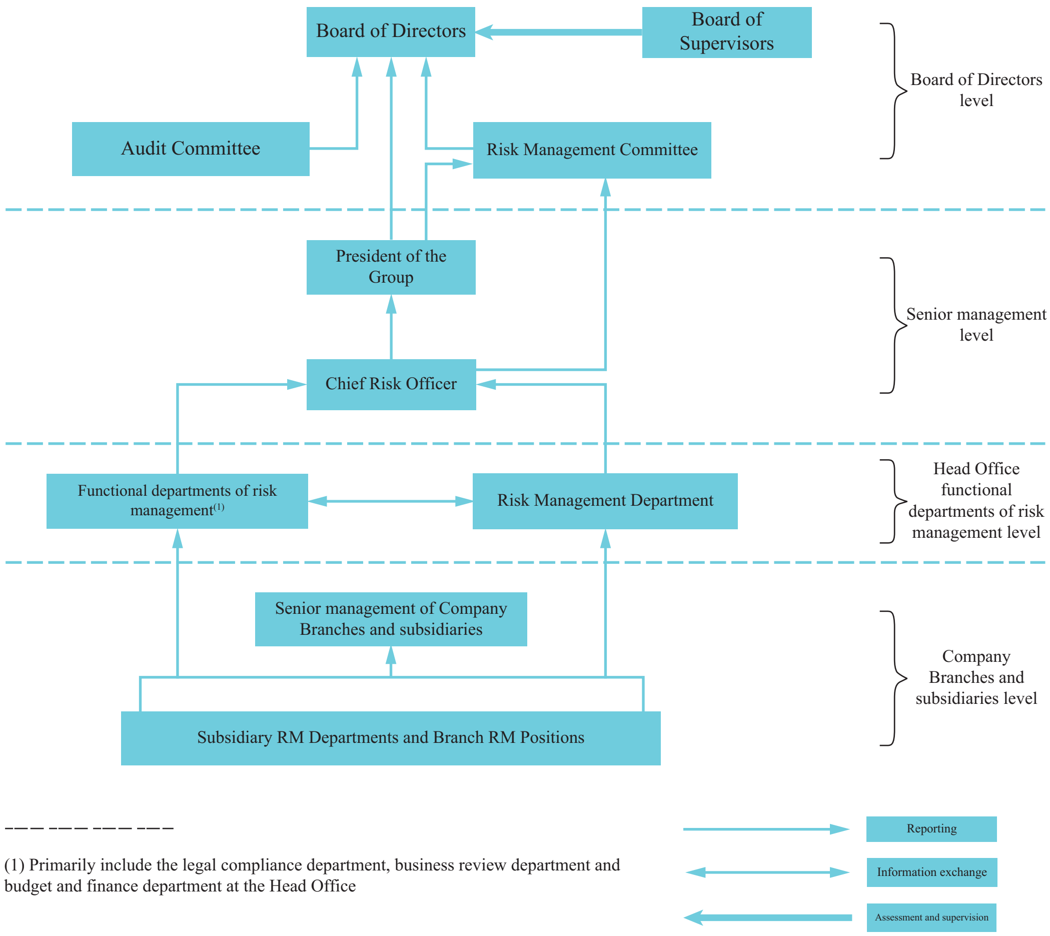
First line of defense: The business operation departments at the Head Office, Company Branches and our subsidiaries who identify, assess, handle and report all relevant risks at the front end of our businesses and who assume primary responsibility for the respective risks involved in their businesses.

Second line of defense: The functional departments of risk management at the Head Office, Company Branches and subsidiaries who formulate risk management policies, mechanisms and procedures and propose plans and measures to handle risks.

Third line of defense: The internal audit departments or special audit positions at the Head Office, Company Branches and subsidiaries who audit and supervise risk management processes, as well as conduct various risk control protocols.

ORGANIZATIONAL STRUCTURE OF RISK MANAGEMENT

The organizational structure of our risk management system is as follows:



(1) Primarily include the legal compliance department, business review department and budget and finance department at the Head Office

As indicated in the chart above, our risk management organizations primarily consist of: (1) the Board of Directors and its Risk Management Committee and Audit Committee; (2) the Board of Supervisors; (3) our senior management; (4) the Risk Management Department and other functional departments of risk management at the Head Office; and (5) the Subsidiary RM Departments and Branch RM Positions.

Board of Directors

The principal responsibilities of our Board of Directors with respect to risk management include formulating our fundamental risk management policies, as well as reviewing the Group's risk management reports. The Board of Directors may delegate some of these responsibilities to the Risk Management Committee.

Risk Management Committee of the Board of Directors

The principal responsibilities of the Risk Management Committee include:

- Reviewing our risk management strategies and policies in light of our overall strategies and monitoring their implementation and overall effectiveness;

- reviewing the Group's risk management reports and overseeing the structure, organization, working processes and overall effectiveness of our risk management departments; evaluating the risk management profile of the Group and making recommendations on improving our risk management and reporting to the Board of Directors accordingly;
- supervising risk management by senior management with respect to credit, markets and operational risks; and
- formulating and revising the Group's compliance policies, evaluating and supervising the Group's compliance and making recommendations to the Board of Directors accordingly.

Audit Committee of the Board of Directors

The audit committee's primarily responsibilities include:

- Reviewing the Group's significant accounting policies and their implementation and supervising the Group's operation from a financial perspective;
- reviewing the Group's financial information and its disclosure;
- reviewing and approving the Group's internal control plans and evaluating and supervising the Group's internal controls;
- reviewing and approving our audit budget, remuneration of internal-audit personnel and the appointment and removal of internal-audit officers; monitoring and evaluating the Group's internal audit; formulating mid-to long-term audit plans and annual audit plans of the Group, devising internal-audit system of the Group and making recommendations to the Board of Directors;
- proposing the engagement or replacement of the Group's external auditor, monitoring the external auditor's work, reviewing the external auditor's reports and ensuring the external auditor is accountable for its work;
- coordinating communication between the internal audit department and the external auditor, as well as supervising their working relationships; and
- supervising improper practices in the Group's financial reporting and internal controls.

As of the Latest Practical Date, the Risk Management Committee of the Board consists of Ms. Xiao Yuping, Mr. Xu Zhichao, Ms. Wang Shurong, Mr. Lu Shengliang and Mr. Xu Dingbo.

- Ms. Xiao Yuping graduated from Peking University's Department of Law and is a member of the PRC bar. She has more than 14 years of experience in legal affairs and risk management. From 2004 through 2010, she served as Director at the Risk Disposition Division of Banking Institutions, Director at the Banking Industry Risk Monitoring and Assessment Division, and an Inspector at the Financial Stability Bureau of the People's Bank of China, focusing on the disposition, management, monitoring and assessment of risks, as well as related work;
- Mr. Xu Zhichao, served as Director at Cinda Corporation's Legal Department from November 2000 through February 2005; from March 2003 through March 2008, he served as the General Counsel of the Company. He has more than 8 years of experience in legal and compliance as well as risk management-related work. Mr. Xu has also developed strong risk-identifying capabilities as he lead the decision-making and review processes of the Company's business over the years;

- Ms. Wang Shurong, recognized as a senior accountant by the Ministry of Finance in May 2003, has more than 20 years of investment management experience;
- Mr. Lu Shengliang has long served at the National Council for Social Security Fund, successively serving as the Director at the General Office of the Equity Assets Department and the Deputy Director, Industrial Investment, at the Equity Assets Department. He has accumulated extensive experience in equity investment and risk management; and Mr. Lu has been serving as a member of the Risk Management Committee of the Company's Board since June 2012;
- Mr. Xu Dingbo, graduated from University of Minnesota and received his Doctoral degree in Accountancy in October 1996, and is currently a member of the American Accounting Association. Mr. Xu has served as an independent director and as the Chairman (or Chief Director) of the Audit Committee at many domestic and overseas companies. Mr. Xu has a substantial educational background and academic experience in finance and accounting, as well as over 20 years of experience in finance and accounting practice as well as risk management-related work. He has accumulated abundant experience in risk management for a listed company over the years.

For further details concerning the bios of the above committee members, please refer to the section titled "Directors, Supervisors and Senior Management".

Board of Supervisors

As an integral part of our corporate governance structure, the Board of Supervisors supervises the fulfillment of responsibilities of relevant departments and personnel, reviews and assesses the major risks we face and submits risk management suggestions and proposals accordingly.

Senior Management

As the highest execution body responsible for managing the Group's risk, our senior management is responsible for establishing a comprehensive risk management system, formulating, reviewing and monitoring the implementation of risk management strategies and internal control mechanisms and approving specific business processes and systemic documents such as implementation rules so as to keep overall risks within limits acceptable to the Company. Furthermore, our senior management arranges the implementation of risk monitoring and assessment so as to understand the risk position and risk management capabilities of the Company on a timely basis; they formulate risk management strategies, devise and implement significant risk management solution plans and monitor risks on a daily basis. Our senior management is also responsible for ensuring that the appropriate resources, such as sufficient organizational arrangements, human and material resources, as well as technical assistance, are put into place for risk management, so as to effectively identify, measure, monitor, alert of and control the various risks we face. Finally, our senior management is also responsible for establishing a risk management information system, promoting a risk management culture, conducting research and submitting comprehensive risk management reports to the Board of Directors, as well as reporting on the status and development of significant risks in a timely manner. Our President, as the chief officer of our business operations, has overall responsibility for the senior management's fulfillment of risk management duties.

We have established the Chief Risk Officer as a dedicated position among our senior management that assists our President with daily risk management. Our Chief Risk Officer reports regularly to the Risk Management Committee and is subject to the committee's supervision. The Chief Risk Officer is primarily responsible for (1) supervising and coordinating our overall risk management as well as coordinating the formulation and monitoring the execution of risk management strategies, procedures and internal control processes; (2) coordinating the implementation of risk monitoring and assessment and formulating significant risk management solution plans; (3) coordinating and guiding the development of the risk management information system and promoting of a risk management culture by risk management departments and coordinating risk management research and the submission of relevant reports; and (4) performing other relevant responsibilities as authorized by the general manager.

As of the Latest Practical Date, our Chief Risk Officer is Mr. LUO Zhenhong. Mr. Luo received his bachelor of law degree, master of law degree, and master degree in business administration for senior managers from Peking University. Mr. Luo has more than 19 years of experience in legal & compliance. For more details of Mr. Luo's biography, please refer to the section titled "Directors, Supervisors and Senior Management".

Risk Management Department and Other Functional Departments of Risk Management at the Head Office

Our Risk Management Department reports to senior management and supports the Risk Management Committee. It is authorized to participate in or be present at meetings of the Company's strategic, business, investment and other professional committees. The Risk Management Department is primarily responsible for (1) coordinating the establishment of a comprehensive risk management system, evaluating the effectiveness of our comprehensive risk management system and proposing improvement plans; (2) overseeing the implementation of comprehensive risk management by Company Branches and subsidiaries as well as their formulation and implementation of significant risk management response plans; (3) coordinating the Company's and the Group's compilation of risk management reports; (4) screening the qualifications of candidates for officers at Subsidiary RM Departments and Branch RM Positions; and (5) providing systematic risk management training to employees and promoting the establishment and maintenance of our comprehensive risk management information system.

In addition to the Risk Management Department, other departments such as the legal & compliance ("Legal & Compliance Department"), business review and comprehensive planning departments at our Head Office also perform risk management functions in their respective business areas and constitute important components of our overall risk management system.

Subsidiary RM Departments and Branch RM Positions

We have established a risk management department at each subsidiary, or appointed a department to fulfill risk management functions when there is not a stand-alone risk management department, whose primary responsibilities include: (1) formulating the risk management policies and procedures for the subsidiary based on the Group's requirements and respective industry regulatory requirements; (2) coordinating the collection and evaluation of risk management information at the subsidiary; (3) submitting risk management reports to the Group on a regular basis; (4) issuing timely warnings on significant risks that may arise during the course of the subsidiary's business and proposing solutions to assist relevant business departments; (5) reporting risk monitoring information on a regular basis as well as monitoring the significant risks that may arise during the course of the subsidiary's business and reporting them in a timely manner; and (6) conducting risk management self-evaluations and providing risk management advice to the senior management of the subsidiary.

We have established special risk management positions within the business review departments of each Company Branch. The responsibilities of these positions primarily include: executing the Company's risk management policies and procedures; coordinating the branch's collection and evaluation of risk management information; submitting risk management reports to our Head Office on a regular basis; submitting regular reports on risk monitoring information, as well as monitoring all significant risks that may arise in the course of the branch's business and making timely reports; conducting self-evaluations of the branch's risk management, and providing risk management advice to the senior management of the branch.

The Subsidiary RM Departments and Branch RM Positions report to the senior management of the subsidiaries and Company Branches, respectively, and to the Risk Management Department, so that the senior management of both (i) the subsidiaries and Company Branches and (ii) the Group can be made aware of risk management issues of the subsidiaries and Company Branches on a timely basis.

RISK MANAGEMENT PROCEDURES

Our basic risk management procedures are as indicated below:

The purposes and major contents of the aforementioned risk management procedures are:

- Risk identification: this procedure primarily includes identifying and assessing risks. Through this procedure, we determine if there are any risks related to our business lines, products, key business procedures and critical operations, as well as the type of risks identified. We integrate risk assessment with risk identification, which enables us to quantify uncertain threats or losses, so as to determine the extent of our exposure to any potential risks as well as whether said risks are acceptable to us.

- Risk monitoring and responding: this procedure primarily includes risk alerting and risk responding. Based on the result of risk identification and assessment, we issue internal risk alerts when any business risk status deviates from pre-determined risk warning benchmarks. Risk responding refers to the formulation of risk prevention and response plans, such as risk assumption, avoidance, mitigation or transfer, after any risk and its impact have been identified in the course of our operations and which are based on the nature of such risk and our risk appetite.

- Risk reporting: risks are reported on both a regular and ad hoc basis. Regular reports primarily include risk information reports, risk analysis reports and risk management reports (applicable to the Head Office only), which are for the purposes of regular risk reporting and risk summary. Ad hoc reports include significant risk events reports and special risk subject reports, which are for the purposes of reporting significant risks and special risk events.

- Risk supervision: we supervise risk management through the Board of Supervisors, the Board of Directors, internal audit departments and risk management departments so as to assign accountability for risk management to specific individuals and departments.

Risk Identification

Our risk identification procedure possesses the following features:

- relevant functional departments and business units are required to identify various risks arising from our operating activities from different perspectives;
- taking into consideration both internal and external factors: internal factors include those relating to corporate governance, organizational structure, management and technology, while external factors include those relating to the economy, nature and society;
- selecting appropriate techniques and methods: we utilize risk identification techniques and methods in line with the nature of the relevant and its scale and complexity; these typically include the flow chart method, organization chart analysis method and on-site inspections;
- comprehensive risk identification on a yearly basis: we require each functional department and business unit to conduct an overall risk identification each year and, when there are any changes in the nature of the risks or if any new risks emerge, to conduct risk identification in a timely manner; and
- industry-specific risk identification: we require each of our subsidiaries to identify risks for each of their business lines in accordance with the characteristics of their respective industries.

Risk Assessment

Our risk assessment procedure includes original and remaining risk assessments: original risk refers to the risk we are exposed to without taking any responsive measures, while remaining risk refers to the risk we are exposed to after taking risk response and control measures. In addition, we assess risks based on their likelihood and impact: likelihood refers to the probability of a risk's occurrence within a specified period, while impact refers to any impacts caused by a particular risk on our financial condition, reputation, supervision and business operation. Each of our functional departments and the Group's business units conducts a risk evaluation every year. The Risk Management Department is responsible for coordinating and providing the necessary guidance, including assessment techniques and methods, for such yearly evaluations, as well as gathering and processing the assessment results of each functional department and business unit so as to form an overall profile of our risk management. In addition, in the event that we encounter or expect to encounter a significant risk, we will undertake risk assessment on a timely basis.

Our primary risk assessment methods include:

- correlation analysis: we conduct a correlation analysis for each type of risk to identify potential correlations among different risks, such as natural hedging effects between different risks, as well as the positive and negative correlations of different risks' occurrence, so as to produce a coherent assessment of all risks;

- financial consolidation: in addition to risk classification and assessment in accordance with the regulatory requirements of the various industries in which we operate, we assess the following risks from a financial consolidation perspective: market risk, credit risk, operational risk, liquidity risk, capital inadequacy risk, connected transaction risk, concentration risk, compliance risk and reputation risk;
- combined application of qualitative and quantitative assessments: we typically use qualitative assessment methods such as surveys, group discussions, consultations with experts, policy analysis, scenario analysis, industry benchmark comparisons, management interviews and research based on investigations; we typically use quantitative assessment methods such as statistical analysis, computer simulations, internal ratings, historical scenario analysis, financial statement analysis, sensitivity analysis and event tree analysis. We typically apply qualitative assessment to operational risk, connected transaction risk, compliance risk and reputation risk so as to accurately analyze the causes, characteristics and consequences of such risks; we typically apply quantitative assessment to credit risk, market risk, liquidity risk and capital inadequacy risk.

Risk Alert

The Risk Management Department is responsible for coordinating the tracking of key risk indicators by our business departments, Company Branches and subsidiaries, analyzing, determining as well as forecasting the trends of significant risks and establishing a risk warning indicator system based on risk assessments. Each of our functional departments and business units monitors key risk indicators, determines and forecasts changes in each risk indicator, analyzes the progress of each risk and regularly reports the status of their respective risk monitoring to the relevant risk management departments.

The Risk Management Department, the Subsidiary RM Departments and Branch RM Positions alert relevant risks to the related departments and personnel under the following circumstances:

- it is found during risk assessment that significant risks have arisen or risk potential exists at the Head Office level, the Company Branches or subsidiaries as a result of changes in external market conditions;
- a potential material loss may occur in a single product or investment project;
- there are signs of a relevant risk indicator's deterioration in a risk assessment lasting for more than six consecutive months;
- the overall risk assessment results of a Company Branch or subsidiary exceeds certain standards; or
- other circumstances under which the risk management departments regard it necessary to alert for relevant risks.

Risk Response

Our risk response plan outlines the specific objectives we shall achieve in addressing particular risks, the management and business procedures involved, the necessary conditions and resources required, the specific measures to be undertaken, as well as the risk response tools to apply. The risk response plan of the Head Office is proposed by relevant business departments, reviewed by the Risk

Management Department and approved by the Chief Risk Officer and the senior management in charge of the relevant business departments prior to its implementation; the risk response plans of our subsidiaries and Company Branches are proposed by their relevant departments or business units, reviewed by the respective Subsidiary RM Departments or Branch RM Positions and approved for implementation by the relevant senior management of the subsidiaries and Company Branches.

Our main risk response tools include:

- *Assumption*: when a risk is within our risk appetite, we assume that risk and will not take any measures in response to its likelihood or possible impacts;
- *Avoidance*: when a risk exceeds our risk appetite, we will withdraw from the business activities that lead to such a risk in order to avoid it;
- *Mitigation*: when the loss frequency or the extent of impacts arising from a particular risk can be reduced, we take risk mitigation measures; and
- *Transfer*: we use risk transfer techniques or tools to transfer part or all of a risk to an independent third party in order to prevent catastrophic losses.

Our mark-to-market equity investments primarily include (x) equity investments in Listed DES Assets and (y) equity investments in other listed companies. We manage the value of these equity investments by making reference to our acquisition costs:

- We entrust our subsidiary Cinda Securities to manage and dispose of our equity investments in Listed DES Assets. Cinda Securities provides the Company with specific advice on market risk management with respect to such investments, including the price level or range for cut-loss operations. We determine the cut-loss limit applicable to a particular Listed DES Assets project by considering the advice made by Cinda Securities, and by taking into account our acquisition costs, potential strategic value of the investments, and the nature and characteristics of each investment. As a result, the cut-loss limit for each investment project varies significantly due to the differences in acquisition costs, investment size and conditions of the industries in which the investee companies operate.
- As at the Latest Practicable Date, the Company does not directly acquire public equities from the secondary market, but obtain public equities from debt restructurings and other distressed debt asset management businesses. The Company entrusts Cinda Securities to dispose of public equities on its behalf. As parts of their financial investments, our subsidiaries such as Cinda Securities and the insurance subsidiaries directly make investments in public equities.

  (a) We do not set forth cut-loss limits for public equities acquired by the Company from debt restructurings and other distressed debt asset management businesses, because our acquisition costs are typically lower than the market prices;

  (b) We further divide the public equities acquired in the secondary market by Cinda Securities and the insurance subsidiaries into investments without strategic value and investments with strategic value:

  For investments without strategic value, we determine cut-loss limits on both an individual-equity basis and all-equities basis. For a particular equity investment, our cut-loss limit is typically 5% to 20% of our investments costs and the specific limit is determined based on our investment size and costs in that equity; we also set forth cut-loss limits for all of our investments in public equities without strategic value and close our positions when the aggregate losses reach a certain level; and

For investments with strategic value, we do not set forth specific cut-loss limits because the investee companies typically have sound financial performance and we hold their equity for dividend and capital gain purposes.

As of the Latest Practicable Date, we have not formulated and implemented Group-wide hedging policies due to regulatory restrains and the limited availability of proper financial instruments in China. We, however, have closely followed and studied the hedging options we may have and closely communicated with relevant regulatory authorities. We may formulate and implement hedging policies suitable for our business at a proper time in the future. The lack of hedging policies has not caused any material and adverse impact on our management of investment risks.

Risk Reporting

Our risk reporting system involves regular and ad hoc reports. Regular reports refer to periodic reports and summaries of the risks we face. Ad hoc reports refer to reports on significant risks as well as special risk management subjects.

Regular reports are usually collected and summarized by Subsidiary RM Departments or Branch RM Positions and are reported to the Risk Management Department. Specifically, the regular reports primarily include:

- Monthly reports: Our subsidiaries and Company Branches report to the Group on their management of credit risk, market risk and compliance risk on a monthly basis;
- Quarterly reports: Our subsidiaries and Company Branches report their risk analysis reports and risk assessment reports to the Risk Management Department on a quarterly basis. Our Chief Risk Officer meets with relevant departments, including the budget and finance department, market development department, asset evaluation department and audit department, and briefs these departments on the risk management profile of the Group in a particular quarter; and
- Yearly report: Our Risk Management Department drafts a yearly report on the Group's risk management which is submitted by senior management to the Board of Directors and the Board of Supervisors.

In addition, the fund management team and deal operation team under the Group's comprehensive planning department are responsible for releasing weekly reports based on their monitoring of market risks and liquidity risks, primarily including the Weekly Stock Market Analysis and Operation Advice of Comprehensive Planning Department (綜合計劃部一周股票市場分析及操作建議), Weekly Report on Fund Allocation and Liquidity Management (資金調撥及流動性管理周報) and Weekly Currency and Debentures Market Analysis and Operation Advice of Comprehensive Planning Department (綜合計劃部每周貨幣、債券市場分析及操作建議).

We attach great importance to the reporting and handling of significant risks and have established an ad hoc reporting system with the following primary features:

- Coverage of significant risks: occurrence of a material deficit, significant impairment and other losses, audit reports with adverse opinions, qualified opinions or disclaimers of opinion issued by our external auditors, material legal disputes with possible losses above RMB50 million and any other events that may have a material adverse effect on us.

- Reporting of and response to significant risks: any significant risk, upon its occurrence, shall be reported immediately to our senior management (including the Chief Risk Officer) and the Risk Management Department; if necessary, a risk response team shall be established under the leadership of the Chief Risk Officer and other relevant senior management to formulate a risk response plan.
- Post-risk investigation and monitoring: after handling a significant risk, the relevant departments shall carry out a subsequent investigation into the causes, background and persons responsible for the event and submit an investigation report to the Chief Risk Officer. In addition, the relevant departments shall also ensure that the scale and status of any material risks identified are reported to the Board of Directors. The department where the material risk event occurs shall then continue to monitor for the relevant risk and report to the Risk Management Department and other relevant departments on a timely basis if any significant changes occur in that risk.

THE GROUP'S MANAGEMENT OF RISKS AT SUBSIDIARIES

The management of risks at our subsidiaries, the financial subsidiaries in particular, is an integral component of the Group's overall risk management. We incorporate the subsidiaries' risk management into the Group's overall risk management framework and aim to improve the efficiency of the synergistic operation of various subsidiaries through our unified risk management at the Group level. The Group primarily manages risk at the subsidiaries through the following measures:

- *Risk reporting mechanisms*. The risk management departments at our subsidiaries report their risk management profiles, which includes reporting on existing and potential risks, to the Group's Risk Management Department on a monthly basis, as well as report all external information that may cause a risk event on a monthly basis. This external information includes information about typical market risk and customer credit risk, as well as emergent risk events.
- *Regular monitoring and evaluation*. Each of our subsidiaries is required to submit risk management self-assessment reports to the Group's Risk Management Department on a quarterly basis, as well as rate their risk management work in accordance with an evaluation benchmark system established by the Group and submit their rating result to the Group for review. The benchmarks in the rating system are devised by considering the characteristics of the different industries our subsidiaries operate in, and cover factors such as industry regulatory requirements, the current status of an industry's development and the Group's development strategies, in addition to typical risk information evaluation benchmarks.
- *Supervision and specific instructions through various means such as on-site inspection, investigation and research and management meetings*. The Risk Management Committee and functional departments of risk management at the Group level conduct on-site inspections and investigations of subsidiaries' risk management from time to time. These inspections and investigations enable the Group to learn the details of risk management work at subsidiaries and provide subsidiaries with specific instructions and requirements at the Group level; they also enable the Group to timely address risk management issues at subsidiaries and take disciplinary actions against relevant personnel. Our Chief Risk Officer also alerts subsidiaries of potential significant risks they may face and provides specific instructions on risk management to our subsidiaries through management meetings.

- *Emphasizing industry regulatory and compliance requirements*. Our subsidiaries, particularly those in financial industries such as the securities, insurance and trust industries, are under the strict regulation of government authorities and industry associations and are required to comply with a series of regulatory requirements and benchmarks. We regard it as a cornerstone of our risk management to comply with these requirements and benchmarks across our subsidiaries. As a result, the overall risks of our subsidiaries are well-controlled.
- *Strengthening the management and supervision of risk management talent at subsidiaries*. The Group has directly recommended chief risk officers to certain subsidiaries in order to strengthen the Group's centralized management and supervision of risk management talent across all of our subsidiaries. These chief risk officers report to our Chief Risk Officer on a regular basis and are supervised by both the subsidiaries' senior management and our Chief Risk Officer. The Risk Management Department reviews and approves the candidates for officers responsible for risk management at these subsidiaries where the Group does not directly assign chief risk officers in order to ensure the quality and professional experience of these officers.
- *Establishing specific evaluation criteria*. We have established specific criteria for evaluating the subsidiaries' risks in the Group's risk management assessment system. The risk management evaluation information of each subsidiary is included in the overall performance evaluation of that subsidiary after being reviewed by the Risk Management Department, directly affecting the overall performance evaluation result and the remuneration of senior management of each subsidiary.

RECENT KEY MEASURES OF RISK MANAGEMENT

In order to achieve our overall risk management objectives, we recently adopted the following key measures:

- we established the Risk Management Committee under the Board of Directors in 2010;
- we revised the Procedures for Debt Asset Management (債權資產管理規程) in 2010;
- we established Branch RM Positions at Company Branches in 2011;
- we published "Provisional Rules on Risk Management" (風險管理暫行辦法) in 2011;
- we comply with the Provisional Regulatory Guidelines for Supervision of Financial Asset Management Companies on a Financial Statements Consolidation Basis (金融資產管理公司並表監管指引 (試行)), which was promulgated by the CBRC in 2011, and manage relevant risks by focusing on key benchmarks included within this regulation such as capital adequacy ratio. For detailed information about these regulatory benchmarks, please see the section titled "Financial Information" in the prospectus;
- we published the Regulatory Procedures for Overall Risk Management (全面風險管理規程) in 2012;
- we published the Provisional Rules on Risk Classification of Debt Assets (債權資產風險分類管理暫行辦法) in 2013; and
- we published the Rules on the Work of Chief Risk Officers at Subsidiaries (子公司風險總監工作規則).

MANAGEMENT OF PRINCIPAL RISKS

We are exposed to four principal risks: credit risk, market risk, liquidity risk and operational risk. In addition to these four major risks, we also face certain types of business-specific risks, including insurance risks, such as insurance pricing risk, insurance reserve risk and reinsurance risk. For details and a quantitative analysis of insurance risks we face, please refer to Note VI. 68.5 of Appendix I to this prospectus.

Management of Credit Risk

General Strategy and Approach of Credit Risk Management

Credit risk refers to the risk of business losses resulting from an obligor or counterparty's failure or unwillingness to timely perform its obligations or the deterioration of its financial conditions. Our credit risk is primarily related to our distressed debt asset portfolio, the fixed-income investment portfolio of our financial subsidiaries, the financial lease receivables of our financial leasing business and other on- and off-balance sheet exposures to credit risk.

The distressed debt assets portfolio has the most significant impact on our overall credit risk profile. In order to manage credit risk related to this portfolio, we have formulated and strictly implemented standardized business management guidelines and an approval process covering all business stages in the acquisition and disposal of distressed debt assets. This business management and approval process incorporates three components: (1) counterparty due diligence; (2) project approval; and (3) asset acquisition and post-acquisition management. Among these, counterparty due diligence is our most significant frontline defense against credit risk and plays an important role in our credit risk management.

We have established a comprehensive system of internal rules and guidelines to standardize the mechanisms and protocols for managing the credit risk involved in our distressed debt assets portfolio. In order to manage the risks that may arise during the pre-acquisition stage, we have formulated Guidelines for Due Diligence of NFE Distressed Assets by Acquirers (非金融機構不良資產買方盡職調查指引) to clearly set forth the contents and focuses of due diligence; we have also formulated Standards for Acquiring Distressed Assets (不良資產專案收購標準) to define project selection standards. In order to manage the risks that may arise during the project-approval stage, we have established an internal consultation process for significant acquisition projects, thus ensuring sufficient internal discussion and review. In order to manage risks that may arise during the post-acquisition stage, we have published the Notice on Strengthening the Follow-on Management of Commercial Acquisition of Distressed Assets (關於加強商業化不良資產收購業務後續管理有關事項的通知) and formulated Guidelines for Post-acquisition Management of NFE Distressed Assets in order to strengthen the post-acquisition management of relevant projects. In addition, we have formulated a five-tier distressed asset classification system reflecting the characteristics of our business. This system provides us with a standardized basis for the risk identification, risk positioning and provisioning of distressed debt assets.

We manage assets of different risk types on a differentiated basis in order to monitor credit risk more effectively and prompt the obligors to perform their obligations. We also make provisions for assets of different risk types on a differentiated basis. For details of provisions for different assets and impairments of Restructured Distressed Assets, please see the section entitled "Financial Information" in this prospectus.

Specific Procedures and Measures for Credit Risk Management

(1) Our primary procedures and measures to manage credit risk involved in our distressed debt assets portfolio include due diligence, acquisition plan approval, asset acquisition and post-acquisition management.

Due diligence

We conduct comprehensive and multi-perspective due diligence on our counterparties focusing mainly on their credit worthiness, the overall risks involved in their industries, and various factors affecting their cash flow and ability to repay indebtedness. We leverage both internal and external expertise to investigate a counterparty's credit rating. If a credible external credit rating is available, we will take into account the creditworthiness of a counterparty based on such external credit rating(s); if a credible external credit rating is unavailable, we will make a judgment based on all available internal and external information.

For the acquisition and disposal of Traditional Distresses Assets, we sample specific assets contained in a particular asset package according to the package's size. We also classify and manage our Restructured Distressed Assets by evaluating the debtors' and guarantors' ability to perform contracts, debt repayment ability and post-acquisition risks and returns on the basis of considering their credit worthiness, financial condition, management sophistication and operational status. We are developing a credit rating system by cooperating with professional credit rating agencies in order to strengthen the monitoring of counterparties based on different risk classifications.

Project approval

The principles by which we approve distressed debt asset acquisitions are "differentiated authorization and professional decision-making." We have also established a consultation process for significant acquisition projects.

- "Differentiated authorization" refers to determining the authority and discretion of the Group and each Company Branch in the acquisition and disposal of particular distressed assets based on factors that include asset types, project amounts, potential risks and expected returns. The projects within the authorization scope of a Company Branch can be approved by its business decision-making committee, while projects beyond the authorization scope of a Company Branch are approved by the Group's business decision-making committee. In order to ensure the effectiveness and responsiveness of our authorization mandate, we review and dynamically adjust the authorizations granted to different Company Branches from time to time by considering the following factors applicable to a branch: the economic development level and resources endowment of the region in which it operates, its past business performance and evaluation results and its business risk exposures and risk management capabilities, as well as by considering the Group's overall strategy and approach towards the specific industries to which a project relates. We monitor the out-of-authorization operations of Company Branches on a real-time basis through the paperless approval process and off-site audit system and by overseeing all processes involved in a project from approval and execution to closing.
- "Professional decision-making" refers to the establishment of business decision-making committees by the Group and each Company Branch, and the collective review and voting by professionals in these committees on projects involving the acquisition and disposal of

distressed assets within their respective authorizations, with the voting results reported respectively to the general managers of the Company Branches or the president of the Company for approval. The general managers of the Company Branches and the president of the Company are not authorized to reinstate projects vetoed by the relevant decision-making committees. The business decision-making committees at both the Group and Company Branches are typically composed of senior management, senior business managers with extensive distressed asset management and disposal experience, as well as the officers of relevant departments such as the legal & compliance and risk management departments. We established an "approval specialists" scheme in which we select personnel with extensive distressed asset management and disposal experience to work as full-time members of our business decision-making committees.

- Under the consultation process for significant projects, prior to the approval of distressed asset acquisition projects with a purchase price of RMB300 million or more, the Group's asset management department shall take the lead in a consultation process typically involving the Group's departments such as the legal & compliance department, risk management department and asset evaluation department. These projects will not be approved unless its acquisition and disposal plan is revised and improved based on input received in the consultation process.

Asset acquisition and post-acquisition management

We continue to monitor and analyze the creditworthiness of counterparties after we acquire the relevant assets through methods such as on-site visits, off-site collection and analysis of financial data and other information and the continuous analysis of the effectiveness of risk mitigation tools such as collaterals. When signs of risks occur in a project but the repayment has not yet become overdue, we take precautionary measures such as strengthening the routine management of the assets, closely monitoring the obligor's recent developments and, when necessary, asking the obligors to provide additional collateral and re-arranging repayment plans in order to guard against and prevent the materialization of risks. In addition to managing Restructured Distressed Assets based on different risk classifications, we visit the obligors and guarantors on at least a quarterly basis.

(2) In addition to the measures described above, we have also taken the following measures to manage the credit risk involved in our Restructured Distressed Assets:

Proper design of transaction structure

We enhance protection for creditors' rights by restructuring the repayment term, repayment schedule, collateral and default liabilities on the acquisition of Restructured Distressed Assets and by asking the debtors to confirm their obligations in both the asset acquisition agreement and the debt restructuring agreement. Our vast experience accumulated throughout our operating history of distressed asset disposal and our knowledge of debt restructuring and other mechanisms used in managing Traditional Distressed Assets enables us to properly design such transaction structures. In addition, we also manage credit risk and provide enhanced protection for debt collection through third-party benefits trusts, the establishment of escrow accounts and the introduction of third-party joint obligors.

Management of concentration risks

We have established maximum limits on the acquisition amount for our customers as a group or an individual in order to prevent the systemic risks that may arise from high concentration on a particular customer; for customers with a high concentration of our investment, we closely track and monitor its business strategies, operational status, financial condition and debt-to-asset ratio in order to timely forecast adverse changes and determine whether or not to continue our business relationships.

Risk mitigation

We attach great importance to managing credit risk through credit mitigation, particularly by asking counterparties to provide proper credit risk mitigation instruments such as mortgages, guarantees and pledges. Based on our vast experience in disposal of distressed assets accumulated over the years, we typically put in place proper risk mitigation measures at the outset of a project's acquisition, including notarizing the collateral enforcement agreements. This notarization enables us to apply for judicial enforcement of collateral immediately when significant risks with respect to our rights arise and ensures the satisfaction of our debts through auction of the collateral or repayment in kind. We typically ask the counterparties to provide collateral that can be readily evaluated and monetized in order to promptly and effectively protect our creditors' rights by disposing of such collateral upon default by an obligor. We improve our management of collateral such as land and other real properties by utilizing the professional knowledge and experience of our real estate subsidiary. We typically ask professional external appraisal firms to evaluate the collateral attached to our Restructured Distressed Assets. We impose guidelines for the ratio of the amount of receivables to collateral values based on collateral types. The typical guidelines are as follows:

Collateral	Collateral Ratio(1)
Land (including land without any erections)	≤30%
Properties in progress	≤50%
Properties ready for sale	≤60%
Equity stakes	≤60%

By using the ratios above as a general guideline, we adjust collateral ratios applied to particular projects by considering other factors such as the industry ranking and total assets amount of a given counterparty, the availability of effective fund recovery monitoring mechanisms and the availability of reliable third-party guarantees. During the Track Record Period, the ratio(2) of our aggregate amounts of receivables to aggregate collateral values was nil, 30%, 31% and 33% in 2010, 2011, 2012 and the first half of 2013, respectively.

The collaterals for the Restructured Distressed Debt Assets are the primary collaterals involved in our distressed assets management business. We have developed strict procedures for the regular review and investigations of these collaterals, so as to track their value and respond effectively:

- We request the project teams for our Restructured Distressed Debt Assets projects to visit the debtors or guarantors at least on a quarterly basis and carry our on-site inspections. Through such visits and inspections, the project teams learn of the current conditions of the project, including information such as the status quo of the collaterals. The project teams are required to fill in standardized information reporting forms and project notes

(1) The ratio of the value of our acquisition costs plus expected returns to the collaterals' value.

(2) When we calculate this ratio, "aggregate amounts of receivables" refers to the aggregate value of our acquisition costs of the receivables, and "aggregate collateral values" refers to the aggregate appraised value of collaterals at the time we obtain them. This ratio was nil for 2010 because we did not carry out business under the Restructuring Model in that year.

after these visits and inspections, and are required to input the information obtained into our due diligence systems. The project teams are also required to report significant changes in collateral value promptly so that appropriate actions can be taken. When they review the conditions of the collaterals, they shall follow our standardized guidelines and review focuses, including:

(a) whether the collateral providers have taken appropriate actions to protect the collaterals' value, and whether any value reduction has occurred, such as total losses, partial losses or damages;

(b) whether the collateral providers have used or disposed of the collaterals without our approval, such as leasing, sales, gifting and re-mortgaging;

(c) whether the market value of the collaterals have changed significantly, causing the collateral coverage ratio to fall below our set standards;

(d) whether other creditors of the debtor have been prioritized and repaid out of the collaterals in violation of applicable laws or our contractual rights; and

(e) whether the collateral providers have properly insured the collaterals, made us the first beneficiary of the insurance and agreed we shall hold the insurance policies.

In addition, we evaluate and make impairment tests on our distressed debt assets every half a year. The value of collaterals is an important component of and is reflected in these evaluation and tests. In the case of a significant decrease in collateral value, we may demand the debtors to provide additional or alternative collateral or repay the debts.

Debt assets classification system

We formulated the Provisions on Managing Debt Assets Risks by Classifications (債權資產風險分類管理暫行辦法) (the "Provisions") to more effectively manage Restructured Distressed Assets, which are developing rapidly. Based on the Provisions, we have established an internal debt assets classification system that reflects the characteristics of our business, review and make necessary adjustments to the classification criteria every quarter:

- *Normal*. A debt asset is classified as "normal" if the obligor conducts its business and operations normally and is capable of repaying the principal and interest in full on time, and there exist no circumstances that may adversely affect this ability;
- *Special Mention*. A debt asset is classified as "special mention" if the obligor is presently capable of repaying the principal and interest, but there exist certain circumstances that may adversely affect its repayment ability. Debt assets with overdue principal or interest payments for less than 90 days may be classified as "special mention" assets;
- *Alert*. A debt asset is classified as "alert" if the obligor has obvious difficulties in repayment and cannot repay the principal or interest by solely relying on its business income, and a loss may be incurred even after the collateral are enforced. Debt assets with an expected loss ratio[2] of less than 30% or with overdue principal payments for more than 90 days (inclusive) but less than 180 days may be classified as "alert" assets;
- *Risky*. A debt asset is classified as "risky" if the obligor cannot repay the principal and interest in full on time and a significant loss will be incurred even after the collaterals are

[2] A fraction the numerator of which is the result of (i) the remaining value of an asset after losses occur, minus (ii) the amount of cash that can be recovered from that asset by taking all possible measures, and the denominator of which is the remaining value of the asset.

enforced. Debt assets with an expected loss ratio of more than 30% (inclusive) but less than 60% or with overdue principal payments for more than 180 days may be classified as "risky" assets; and

- *Loss*. A debt asset is classified as "loss" if it has a loss ratio of more than 60% (inclusive) after we have taken all available measures or exhausted all legal proceedings.

With respect to assets classified as "alert", "risky" and "loss" under our classification system, we review and adjust the quantitative criteria in the classification system above from time to time based on our business development. We believe this tailored system effectively improves our capability to monitor the quality of our debt assets and assists us in managing distressed debt assets on a larger scale.

For assets that have become overdue, we prohibit extending the term of their repayment. Also, we prohibit the reclassification of relevant assets through extending the term of their repayment. With respect to assets classified as "special mention", "alert", "risky" and "loss" under our classification system, we take various measures to reduce risks and potential losses. These measures include (i) transferring the assets before they fall due; (ii) strengthening management of relevant assets, inspecting the assets more frequently and prompting the obligors to perform their obligations; (iii) disposing of the assets through litigations and enforcing collateral; and (iv) asking the obligors to provide additional collateral.

(3) Our primary procedures and measures to manage credit risk involved in the fixed-income investment portfolios of our financial subsidiaries are: impose limitations on investment product types and the minimum credit rating of counterparties through proper business authorizations, impose total amount and percentage limitations on particular investment product types in asset allocation plans and reduce losses that may arise from a particular type of investment product or a particular counterparty through investment diversification. With respect to the margin financing and securities lending business at our securities subsidiary, we have also established client selection and follow-on management mechanisms in accordance with external and internal risk management rules and policies, and we continuously optimize the review of clients based on our multi-level credit limit system, real-time monitoring of collateral and mandatory liquidation mechanisms.

(4) Our primary procedures and measures to manage credit risk involved in our financial leasing business are: our financial leasing subsidiary has established Rules on Credit Rating (信用評級管理辦法) and determines the lessor's and guarantor's credit rating based on our internal Form of Enterprise Credit Rating and calculates a particular project's risk level based on the credit rating result and the types of guarantees provided; we have also set forth clear criteria for the minimum credit rating requirement of a lessor and the maximum risk level of a particular project and imposed limitations on the credit rating structure of all clients and the maximum aggregated risk level of all projects involved in our financial leasing business. In addition, we have published Provisional Rules on Pricing of Financial Leasing Projects (融資租賃業務定價暫行規定) in order to price a particular project by reflecting the credit rating results of the lessor and to ensure we can get a higher level of risk compensation from lessors with lower credit ratings. We involve our financial leasing subsidiary's business departments, legal & compliance department and risk management department and fully utilize and respect the advice and opinions of professionals in the approval of financial leasing projects to ensure a multi-perspective review of a project and the soundness and effectiveness of the approval process.

Quantitative Analysis of Credit Risk

Please see the "Financial Information" section of this prospectus for a quantitative analysis of our credit risk during the Track Record Period.

Management of Market Risk

Market risk refers to the risk that we may suffer losses due to adverse movements in market prices (such as stock and commodity prices), interest rates and exchange rates. Our market risks primarily arise from interest sensitive assets and liabilities and equities owned by the Group, bond and equity stock investments owned by our insurance and securities subsidiaries, as well as interest sensitive assets and liabilities owned by our financial leasing subsidiary.

Market Risk Management at the Head Office

- With respect to interest-sensitive assets and liabilities held by the Company, we manage risks arising from interest rate fluctuations by strictly controlling the length of the debt restructuring term and strengthening the matching of our liabilities with the terms and interest rate structure of the Restructured Distressed Assets. We also manage interest rate risks through quantitative analysis, including periodic sensitivity analysis.
- With respect to price risks arising from public equities owned by the Company, we closely monitor the impacts caused by macro-economic changes and industry trends on the operations and financial condition of the enterprises in which we own equities and on our equity value, and adjust our equity management and disposal strategies accordingly. We also assess our tolerance boundaries in extreme scenarios and explore stress tests on price risks in order to control the price risks within our risk appetite. We generally mark to market our public equities and also periodically conduct impairment tests on our equity assets in accordance with accounting policy requirements and record impairments with respect to equity assets classified as available-for-sale financial assets whose prices have been declining for one year or more or whose prices are significantly lower than their book value. Additionally, we seek professional analysis from Cinda Securities with respect to management of the market value of our public equities and closely monitor market movements.

Market Risk Management at our subsidiaries

We have established market risk management systems at our insurance, securities and financial leasing subsidiaries in accordance with regulatory requirements and typical industry practices. In addition, these subsidiaries report their market risk management to our Risk Management Department on a monthly basis.

Primary measures taken by our insurance subsidiary to manage market risks

- Formulate and enforce internal rules and policies for the management of the utilization of investment funds, risk management of the utilization of investment funds and investment concentrations and formulate and strictly execute sound asset allocation plans in order to control market risks within a pre-determined risk appetite while achieving targeted returns;
- conduct investment research based on public information and reports, research reports from professional investment research institutions and professional securities information databases;

- manage market risks concerning bond investments by managing the duration of fixed-income products and type of bonds; and
- manage market risks concerning equity investments through market trends research, controlling equity investments' percentage in the overall investments portfolio, conducting value-at-risk or VaR[3] calculations and sensitivity analysis periodically and conducting quantitative analysis on the maximum losses that may arise from equity investments as well as changes in yields.

Primary measures taken by our securities subsidiary to manage market risks

- Establish a strict investment authorization system. Our securities subsidiary has established strict controls on investment amounts and risk levels applicable to the proprietary trading of debt and equity securities, which are monitored and alerted by the subsidiary's compliance and risk management department;
- conduct comprehensive transaction process control. Our securities subsidiary dynamically monitors and analyzes relevant risk benchmarks involved in the proprietary business through the risk management system, and controls investment amount limits, bond ratings and concentration levels involved in proprietary bond trading through inspecting and filing of relevant documents and contracts. Our securities subsidiary also assesses and reports relevant risks in accordance with market changes; and
- assess market risks through quantitative models and instruments. Our securities subsidiary analyzes and assesses market risks by establishing the VaR model and by using other instruments and methods such as investment concentration limits, information insulation systems and stress tests.

Primary measures taken by our financial leasing subsidiary to manage market risks

- Manage interest rates by classification. Our financial leasing subsidiary manages the interest rate applicable to the leasing business and their financing interest rate separately, and has formulated respective internal rules according to its business features, including Provisional Rules for Pricing of Leasing Business (租賃業務定價暫行規定), Guidelines on Pricing of Leasing Business (資金管理辦法) and Rules on Administration of Funds (租賃業務定價指導);
- adjust benchmark costs dynamically. Our financial leasing subsidiary has determined guidance prices for the leasing projects based on benchmark (as the major component) costs and risk premiums, and timely adjusts the benchmark costs to reflect the financing cost changes in the financial market;
- adjust the leasing interest rate dynamically. Our financial leasing subsidiary determines the leasing interest rate for specific projects by using the relevant rates released by the PBOC as a reference. The leasing interest rate will be timely adjusted to reflect changes in the benchmark lending interest rates released by PBOC, and a notice will be delivered to the lessors in order to ensure the accurate recording of relevant debt assets and their timely collection; and

[3] For a given portfolio, probability and time horizon, VaR is a threshold value such that the probability that the mark-to-market loss on the portfolio over the given time horizon exceeds this value (assuming normal markets and no trading in the portfolio) is the given probability level.

- our financial leasing subsidiary also regularly monitors the gaps between the assets and liabilities that are interest-rate sensitive and adjusts its pricing and financing strategies accordingly.

Quantitative Analysis of Market Risk

Please see the "Financial Information" section of this prospectus for quantitative analysis of our market risks during the Track Record Period.

Management of Liquidity Risk

Liquidity risk refers to the risk that, while we remain solvent, we fail to obtain sufficient funds or obtain funds at reasonable cost to either deal with asset growth or repay debts when they fall due. Liquidity risk can be further divided into financing liquidity risk and market liquidity risk: financing liquidity risk refers to the risk that we may fail to meet our funding requirements without affecting daily operations or financial conditions; market liquidity risk refers to the risk that we may fail to obtain funds by timely disposing of our assets at a reasonable price due to the limited depth of the market or market fluctuations. Our liquidity risk arises primarily from the duration mismatch of assets and liabilities as well as the management of liquidity positions.

We manage our liquidity primarily through monitoring the maturities of assets and liabilities and strictly executing the terms of our project agreements so as to ensure the timely and full recovery of funds. We aim to effectively manage assets turnover and ensure the timely repayment of our debts, particularly those that fall due with one to five years. We achieve this aim by efficiently disposing of equity assets with determined disposal plans and by devising effective disposal plans for parts of the equity assets with significant appreciation potential based on a balance of their appreciation potential and the due dates of liabilities. In addition, we actively commit to establishing access to the capital markets by the non-public equities we own in order to increase the overall liquidity of the equity assets we own.

We implement a centralized liquidity management system by pooling Group-wide funds and applying principles of funds transfer pricing. Our Company Branches are provided with funds at our internal prices to meet their funding requirements arising from their distressed asset management and investment businesses; correspondingly, all funds our Company Branches recover in their business shall be submitted and centrally allocated by the Head Office. Through a funds transfer pricing system reflecting our business characteristics, the Head Office provides internal funds to Company Branches by taking into account market rates and features of a particular business. In addition to the individual management of liquidity by each of our subsidiaries, we have also established coordinated fund-raising mechanisms between the Group and the subsidiaries in order to improve the synergy of funds flow within the Group and reduce the overall liquidity risk of the Group.

We also manage liquidity risk and provide sufficient funds for incremental asset acquisitions, financial investments and strategic investments by implementing strict budget management, expanding financing channels and improving fund management. Bank loans are the most important source of our business operation funds. We also address our short-term liquidity needs through short-term borrowings in the inter-bank market. In addition, we attach great importance to diversifying other fund-raising channels. For example, in 2012 we successfully issued RMB10 billion of financial bonds in China and, through Well Kent International, issued RMB2 billion of bonds in Hong Kong, which provided us with additional fund-raising channels and increased the liquidity required by our business development. We have also launched a cash management system to further improve our capital allocation efficiency.

In addition, based on the foundation of actively exploring diversified fund-raising channels, we are exploiting the potential inherent in further bank borrowings, conducting liquidity stress tests to improve liquidity management and performing weekly analysis of the inter-bank market to effectively capture fund-raising opportunities and utilizing large-scale borrowings to control our fund-raising costs. We have also established operation fund planning mechanisms to improve our ability to predict the funding needs of our business operations.

Quantitative Analysis of Liquidity Risk

Please see the "Financial Information" section of this prospectus for quantitative analysis of our liquidity risks during the Track Record Period.

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. Our operational risk management focuses on strengthening internal controls, enhancing staff training and implementing strict accountability schemes to ensure compliance with relevant policies and processes.

In order to control operational risk, we have taken the following key measures:

- We have established a comprehensive internal policy and regulation system covering all business processes complying with the standards of ISO9001.
- We have formulated and established systems and procedures to supervise the conduct of employees, encouraged employees to embrace a proper risk management philosophy and culture and established a penalty and accountability system covering employee misconduct, under which management personnel shall assume responsibility for their subordinates' misconduct.
- The legal & compliance departments of the Company and our subsidiaries are responsible for providing legal support and advisory services for our business operation and management, as well as overseeing the status of our compliance with and implementation of applicable laws and regulations as well as our internal policies and procedures.
- We have implemented an operational checks and balances mechanism among different departments and job positions, as well as a rotation system for key job positions.
- To reduce the operational risk arising from the potential failure of information technology systems, we have established a management system for information security and IT service. We have also devised an information technology development plan for the Group (the "Group IT Plan") covering business application, data management, information infrastructure and information governance, and we have finished a related report. We have advanced the development of relevant IT infrastructure and public application and management systems in accordance with the Group IT Plan. For further details of relevant developments, please see the section titled "Business" in this prospectus. The Company received the ISO 20000: 2005 and ISO 27001: 2005 certificates jointly granted by the China Information Security Certification Center and the British Standards Institution in

2007, the first financial institution in China to receive accreditation in both information security management systems and information technology service management by both domestic and foreign certification organizations. We have created data backup for our critical data processing systems, and both the Group and major subsidiaries have established data backup mechanisms in the cities where their headquarters are located. We are now in the process of developing a disaster recovery center outside of Beijing and a support service center. We attach great importance to the improvement of our employees' awareness of information security and have organized a number of information security training sessions, which further enhanced our management of IT risk.

- We have established an internal reporting system for non-compliance and implemented the "Risk Reporting System (Provisional)" (風險報告制度(暫行)), enabling us to report significant events to our Head Office within 24 hours of becoming aware of such events.

INTERNAL CONTROL AND COMPLIANCE

As an integral part of our overall risk management, we attach great importance to internal control and compliance. We have formulated various compliance rules and policies and have taken a number of compliance risk education initiatives to enhance our employees' awareness of compliance.

Our Internal Control System

We have established an internal control system composed of the regulation system, the benchmark system and the assessment system.

- We have established a complete internal control regulation system reflecting the conditions of our business and operations. We have formulated various internal policies and rules such as the Basic System of Internal Control (內部控制基本制度), Administrative Compliance Procedures (合規工作管理規程) and Provisional Rules on Internal Control Assessment (內部控制評價暫行辦法). We have established our internal control regulation system by making reference to relevant standards applicable to listed companies and complied the Manual on Internal Control and Management (內部控制管理手冊).
- We have established an effective internal control benchmark system. We comprehensively and systematically compare the current internal control regulations of various units and departments with the requirements of our internal control rules and policies, in order to systematically analyze the internal control profile of the Group and devise and improve our internal control benchmark system.
- We have established an internal control assessment system focusing on execution assessment. We facilitate the improvement of our internal control system by comprehensively reviewing relevant processes against internal control rules and benchmarks and requesting relevant parties to address all the issues identified.
- We analyze the sophistication level of our internal control system through developing our instruments for internal control sophistication evaluation by making reference to advanced experience in the industry, in order to improve our internal control.

Internal Control Assessment

As an integral part of our internal control system, we conduct an annual group-wide internal control assessment and engage outside consultants to evaluate the effectiveness of our internal control system so as to comprehensively review and analyze internal control risks of different business lines and ensure the effectiveness of our internal control system.

- The Internal Audit Department organizes and coordinates our annual internal control assessment under the leadership of the Board of Directors;
- the annual internal control assessment covers all major business lines and management processes of the Head Office, Company Branches and subsidiaries, and assesses the design and operation of our internal control system by focusing on key aspects such as internal environment, risk assessment, internal control activities, information collection and communication and internal supervision.
- We broadly collect evidence on the effectiveness of our internal control system's design and operation as well as analyze and identify internal control deficiencies by using methods and tools such as individual interviews, walk-through tests[4], surveys and comparative analyses.
- During the Track Record Period, we did not identify any material deficiencies in our internal control system.

Compliance Initiatives

We have adopted the following measures to ensure all of our business operations are in compliance with relevant laws and regulations:

- The legal & compliance departments of the Company and our subsidiaries continuously track the latest developments in relevant laws, regulations and policies, and, after considering our business conditions, timely submit proposals on the formulation and amendments of relevant internal regulations and policies to relevant departments.
- Various departments of our Head Office, Company Branches and subsidiaries formulate their respective business and management regulations and policies in accordance with their respective business conditions, applicable laws, regulations and regulatory requirements, industry practices and self-regulatory codes of conduct, as well as the code of conduct and ethics of the Group.
- The legal & compliance departments of the Company and our subsidiaries review and supervise the compliance status of our internal regulations and policies with applicable laws and regulations and the implementation of these regulations and policies. The review and supervision by the legal and compliance departments may involve either an on-site or off-site inspection. The legal & compliance departments of the Company and our subsidiaries also supervise the rectification of problems discovered during inspections.
- Our internal audit departments supervise the implementation of our compliance system as well as the fulfillment of the duties of our compliance personnel.
- We have established a multi-channel compliance risk reporting system and have dedicated staff as contact persons for compliance risk reports.

We have established a strict compliance assessment and accountability mechanism to hold accountable and penalize violators in strict accordance with relevant regulations and policies.

4 Refers to the method of tracking the processing of a particular transaction in our financial system.

DIRECTORS

The following table sets forth information regarding our Directors:

Name	Age	Position/Title (Responsibility)	Date of Joining our Company	Date of Appointment
HOU Jianhang	57	Chairman of the Board Executive Director (responsible for the business strategy and overall development of the Company) Chairman of Strategy and Development Committee	April 1999	May 2011 June 2010
ZANG Jingfan	58	Executive Director President (responsible for the business operation and management of the Company) Member of Strategy and Development Committee	June 2010	May 2011
XU Zhichao	53	Executive Director Vice President (responsible for the financial service business of the Company) Member of Risk Management Committee	February 2000	June 2010
WANG Shurong	58	Non-executive Director Member of Strategy and Development Committee Member of Audit Committee Member of Risk Management Committee Member of Nomination and Remuneration Committee	June 2010	June 2010
YIN Boqin	57	Non-executive Director Member of Strategy and Development Committee Member of Audit Committee	June 2010	June 2010
XIAO Yuping	53	Non-executive Director Chairman of Risk Management Committee Member of Strategy and Development Committee	June 2010	June 2010
YUAN Hong	49	Non-executive Director Member of Strategy and Development Committee Member of Related Party Transaction Control Committee	June 2013	June 2013
LU Shengliang	46	Non-executive Director Member of Strategy and Development Committee Member of Risk Management Committee	June 2012	June 2012

Name	Age	Position/Title (Responsibility)	Date of Joining our Company	Date of Appointment
LI Xikui	69	Independent non-executive Director Chairman of the Nomination and Remuneration Committee Member of Strategy and Development Committee Member of Audit Committee	June 2010	June 2010
QIU Dong	56	Independent non-executive Director Chairman of Related Party Transaction Control Committee Member of Nomination and Remuneration Committee	June 2010	June 2010
CHANG Tso Tung, Stephen	65	Independent non-executive Director Member of Strategy and Development Committee Member of Audit Committee	June 2013	June 2013
XU Dingbo	50	Independent non-executive Director Chairman of Audit Committee Member of Risk Management Committee Member of Related Party Transaction Control Committee	June 2013	June 2013

Executive Directors

Mr. HOU Jianhang, aged 57, has been executive Director of the Company since June 2010, and the executive Director and Chairman of the Board of the Company since May 2011. He was accredited as a senior economist by CCB in May 1993. Mr. Hou had held various positions successively with CCB (listed on the Hong Kong Stock Exchange, stock code: 00939; listed on the SSE, stock code: 601939), including deputy director and director of the Planning Department from June 1989 to February 1995, deputy branch general manager of CCB's Shandong Branch from February 1995 to March 1997, general manager of the Credit Management Department from March 1997 to March 1999, and general manager of the Credit Risk Management Department from March 1999 to April 1999. Mr. Hou joined the Company as director of the Creditors' Rights Management Department in April 1999. He served as Vice President of the Company from September 2000 to June 2010, and as President of the Company from June 2010 to May 2011. Mr. Hou did not hold any directorship in any other listed companies in the last three years. Mr. Hou graduated from Liaoning Finance and Economics College (currently known as Dongbei University of Finance and Economics) in August 1979 with a major in infrastructure finance.

Mr. ZANG Jingfan, aged 58, has been executive Director and President of the Company since May 2011. He was accredited as a senior economist by PBOC in September 1994. Mr. Zang served as deputy branch general manager and branch general manager of PBOC's Liaoyuan Branch from July 1984 to September 1994, deputy branch general manager of PBOC's Jilin Branch and deputy director of SAFE's Jilin Bureau from September 1994 to November 1998, deputy branch general manager of the PBOC's Shenyang Branch from November 1998 to July 2003, and head of the Preparation Team and director of the CBRC Heilongjiang Branch from July 2003 to October 2005. He was also director of the Cooperative Finance Supervision Department of the CBRC from October 2005 to June 2010. Mr. Zang joined the Company in June 2010 and worked as Chairman of the Board of Supervisors from

June 2010 to May 2011. Mr. Zang did not hold any directorship in any other listed companies in the last three years. Mr. Zang graduated from Shaanxi Institute of Finance and Economics (currently known as Xi'an Jiaotong University) in July 1999 majority in currency banking.

Mr. XU Zhichao, aged 53, has been Vice President of the Company since March 2008, and executive Director and Vice President of the Company since June 2010. He was accredited as a senior economist by the Company in December 2002, and also receives special allowance from the State Council. Mr. Xu successively served as an officer and deputy director of the Macro-economy Research Institute of the China Society of Economic Reform from July 1987 to May 1991. From November 1993 to August 1995, he was the chief economist of Beijing Vantone Holdings Co., Ltd. (北京萬通實業股份有限公司) and the vice president of Vantone Group. From August 1995 to February 2000, he worked successively as standing deputy general manager, acting general manager and general manager of Wuhan International Trust and Investment Co. Ltd. Mr. Xu joined the Company in February 2000 and had held various positions successively, including Vice Chairman of the Executive Committee from February 2000 to November 2000, Director of the Legal Department from November 2000 to March 2003, General Counsel and Director of the Legal Department from March 2003 to February 2005, General Counsel and Director of the Market Development Department from February 2005 to September 2005, General Counsel (Assistant to President level) and Chairman of the Asset Disposal Review Committee from September 2005 to February 2006, General Counsel (Assistant to President level) from February 2006 to March 2008, and Board Secretary from June 2010 to February 2011. Mr. Xu did not hold any directorship in any other listed companies in the last three years. Mr. Xu graduated from the Finance Department of Renmin University of China in July 1984 and July 1987, with a bachelor's degree and a master's degree in economics, respectively. He studied in the Department of Economics at Aarhus University of Denmark from September 1991 to July 1993, and graduated from Huazhong University of Science & Technology in December 2003 with a doctoral degree in management.

Non-executive Directors

Ms. WANG Shurong, aged 58, has been non-executive Director of the Company since June 2010. She was accredited as an economist and a senior accountant by the MOF in March 1989 and May 2003, respectively. Ms. Wang worked in the MOF successively as deputy director of the Control Office of the Budget Department, researcher of the Investment Division and Enterprise Division of the Capital Construction Department, director of the Enterprise Division and Investment Division of Capital Construction Department, director of the Investment Planning Division of the Economic Construction Department and deputy director of the Investment Review Centre from August 1985 to June 2010. Ms. Wang did not hold any directorship in any other listed companies in the last three years. Ms. Wang graduated from Tianjin College of Finance & Economics (currently known as Tianjin University of Finance & Economics) in February 1980 with a major in public finance.

Mr. YIN Boqin, aged 57, has been non-executive Director of the Company since June 2010. Mr. Yin served successively as deputy director of Foreign-related Taxation Division, and director of Income Tax Division of the Department of Taxation in MOF from August 1989 to March 1997. From March 1997 to March 1998, he was the Vice Mayor of Longkou City, Shandong Province. From March 1998 to September 2008, he served successively as director of the Local Tax Division, director of the Agricultural Tax Division and director of the Circulating Tax Division of the MOF. From September 2008 to June 2010, he was a deputy inspector of the Department of Taxation of the MOF. Mr. Yin did not hold any directorship in any other listed companies in the last three years. Mr. Yin graduated from Shanghai College of Finance and Economics (currently known as Shanghai University of Finance and Economics) in January 1983 with a bachelor's degree in economics.

Ms. XIAO Yuping, aged 53, has been non-executive Director of the Company since June 2010. She was admitted to practice PRC law in April 1989, and was accredited as a senior economist by PBOC in November 1999. Ms. Xiao joined PBOC in July 1986 and 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 Creditors' Right Management Office of Department of Treaty and Law (deputy director level), deputy director of Legal Affairs Division, director of Department of Banking Institutional Risk and 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 did not hold any directorship in any other listed companies in the last three years. Ms. Xiao graduated from Peking University in July 1986 with a bachelor's degree in law. She received "National Financial Labor-Day Medal" (全國金融五一勞動獎章) from the National Committee of China Financial Labor Union (中國金融工會全國委員會) in April 2007.

Ms. YUAN Hong, aged 49, has been non-executive Director of the Company since June 2013. She was accredited as an economist by Heilongjiang Branch of PBOC in December 1993. Ms. Yuan was an officer of Heilongjiang Branch of PBOC (Foreign Exchange Bureau) from July 1987 to August 1994 (on secondment to Office of Financial Institutions, Foreign Exchange Business Department of SAFE from October 1990 to August 1994), deputy principal officer and principal officer of Office of Financial Institutions, Management and Inspection Department of SAFE from August 1994 to August 1998. She also served successively as principal officer of Policy Bank Regulatory Office of Bank Regulatory First Division, Policy Bank Regulatory Second Office and Policy Bank Regulatory First Office of PBOC from August 1998 to September 2003. Ms. Yuan was an assistant consultant and deputy director of Policy Bank Regulatory First Office of Third Bank Regulatory Department, director of Off-site Regulatory Office of Fourth Bank Regulatory Department, director of Second Off-site Regulatory Office of Fourth Bank Regulatory Department, and an associate counsel of Fourth Bank Regulatory Department of CBRC from September 2003 to June 2013. Ms. Yuan served as a part-time supervisor of the Board of Supervisors of the ADBC from January 2009 to June 2013 and a part-time supervisor of the Board of Supervisors of Export-Import Bank of China from June 2009 to June 2013. Ms. Yuan did not hold any directorship in any other listed companies in the last three years. Ms. Yuan graduated from Nankai University in July 1987 with a bachelor's degree in economics.

Mr. LU Shengliang, aged 46, has been non-executive Director of the Company since June 2012. He was accredited as a deputy researcher by Chinese Academy of Social Sciences ("CASS") in August 1997. Mr. Lu served successively as associate researcher, deputy researcher and deputy director of the Finance, Trade and Economy Research Institution of CASS from August 1992 to May 2001. He also served successively as director of the Secretariat Office, director of the General Affairs Division of the Equity and Assets Department, and deputy director of the Equity and Assets Department (Industrial Investment Department) of the NSSF since May 2001. Mr. Lu has also served as non-executive director of AVIC International Holding Corporation since January 2010, and non-executive director of China UnionPay Company Limited since February 2011. Mr. Lu did not hold any directorship in any other listed companies in the last three years. Mr. Lu graduated from Zhongnan University of Economics and Law in July 1987 with a bachelor's degree in economics, and graduated from CASS Graduate School with a master's degree and a doctoral degree in economics in July 1990 and July 1999, respectively.

Independent Non-executive Directors

Mr. LI Xikui, aged 69, has been independent non-executive Director of the Company since June 2010. He was accredited as a researcher of CCB's head office by CCB in January 1993, and receives special allowance from the State Council. Mr. Li successively served as deputy director, deputy department director, vice president of head office, and director of the Research Institute of CCB from August 1982 to January 1994. He worked as vice general manager of Shougang Group and president of Hua Xia Bank Co., Limited (listed on the SSE, stock code: 600015) from January 1994 to February 2000. He served as vice president of China Galaxy Securities Co., Ltd. (listed on the Hong Kong Stock Exchange, stock code: 06881) from February 2000 to February 2006 and, served as chairman of the board of directors of Galaxy Fund Management Co., Ltd from February 2006 to April 2010. Mr. Li has also served as independent non-executive director of Chiho-Tiande Group Limited (listed on Hong Kong Stock Exchange, stock code: 00976) since July 2010. Mr. Li graduated from Liaoning College of Finance and Economics (currently known as Dongbei University of Finance and Economics) in August 1970, and graduated from the Finance Science Institute of the MOF with a master's degree in economics in July 1982.

Mr. QIU Dong, aged 56, has been independent non-executive Director of the Company since June 2010. He is a PhD supervisor, representative of the 10th NPC, expert entitled to Government Special Allowance by the State Council and distinguished guest professor of Changjiang Scholars Program. Mr. Qiu served successively as professor, vice president and president of Dongbei University of Finance and Economics from January 1985 to March 2005. From March 2005 to March 2009, he was a professor of Central University of Finance and Economics. Mr. Qiu currently is an independent non-executive director of ABC (listed on the Hong Kong Stock Exchange, stock code: 01288, and listed on the SSE, stock code: 601288). He is also the chairman of the academic committee of the National Accounting Research Institute of Beijing Normal University, member of the National Appraisal Group of Philosophy, Social Science and Planning, member of the Disciplines Evaluation Panel of the Academic Degrees Committee of the State Council (Applied Economics), member of the Advisory Committee of NBSC, vice president of the National Accounting Society of China, vice president of the Statistical Education Society of China, vice president of the China Association of Market Information and Research; vice chairman of the National Statistical Teaching Material Editing and Censoring Committee, member of Selection Committee for Science and Technology Progress Award on Statistics of China; an adjunct PhD supervisor of Tianjin University of Finance and Economics, an adjunct professor of Zhejiang Gongshang University, Jinan University, Zhongnan University of Economics and Law, Shanxi University of Finance and Economics, Zhejiang University of Finance and Economics, Southwest University of Finance and Economics, and member of Editorial Board of Statistical Research. Mr. Qiu graduated from Dongbei University of Finance and Economics in November 1990 with a doctoral degree in economics.

Mr. CHANG Tso Tung, Stephen, aged 65, has been independent non-executive Director of the Company since June 2013 and is a fellow member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants, respectively. He has been practising as a certified public accountant in Hong Kong for about 30 years and has extensive experience in accounting, auditing and financial management. He was the deputy chairman of Ernst & Young Hong Kong and China until his retirement at the end of 2003. He 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 has served as independent non-executive director of Kerry Properties Limited (listed on Hong Kong Stock

Exchange, stock code: 00683) since December 2012. Mr. Chang served as independent non-executive director of China Pacific Insurance (Group) Co., Ltd (listed on Hong Kong Stock Exchange, stock code: 02601) from June 2007 to May 2013, and independent director of China World Trade Center Co., Ltd (listed on the SSE, stock code: 600007) from December 2004 to November 2010. Mr. Chang graduated from the University of London in August 1973 with a bachelor's degree in science.

Mr. XU Dingbo, aged 50, has been independent non-executive Director of the Company since June 2013 and is a member of the American Accounting Association. Mr. Xu was a teaching assistant in the University of Pittsburgh and the University of Minnesota and an assistant professor in the Hong Kong University of Science & Technology from 1986 to 2003, and was an adjunct professor in Peking University from April 1999 to April 2009. Since joining China Europe International Business School in January 2004, Mr. Xu has served successively as professor, vice provost and member of management committee, and has also served as member of financial budget committee from October 2009. Mr. Xu has been appointed as independent non-executive director and the chairman of the audit committee of The People's Insurance Company (Group) of China Limited (listed on Hong Kong Stock Exchange, stock code: 01339) since September 2009. From December 2009 to November 2011, Mr. Xu served as independent non-executive director and chairman of the audit committee of Sanjiang Shopping Club Co., Ltd. (listed on the SSE, stock code: 601116). Mr. Xu has served as independent director and chairman of the audit committee of Dongyi Risheng Home Decoration Group Limited Company since December 2010. Since December 2012, Mr. Xu has served as independent director of Shanghai Shyndec Pharmaceutical Co., Ltd (listed on the SSE, stock code: 600420). Mr. Xu has served as independent director of Sany Heavy Industry Co., Ltd (listed on the SSE, stock code: 600031) since January 2013 and as the chairman of the audit committee since July 2013. Mr. Xu graduated from Wuhan University in July 1983 and October 1986 with a bachelor's degree in science and a master's degree in economics, respectively. Mr. Xu also graduated from the University of Minnesota in October 1996 with a doctoral degree in accounting.

SUPERVISORS

The following table sets out the information regarding our Supervisors:

Name	Age	Position/Title (Responsibility)	Date of Joining our Company	Date of Appointment
CHEN Weizhong	59	Chairman of the Board of Supervisors Shareholder Representative Supervisor	April 1999	May 2011
DONG Juan	61	External Supervisor	June 2010	June 2010
LIU Xianghui	59	External Supervisor	June 2010	June 2013
LIN Jian	57	Employee Representative Supervisor	August 1999	June 2013
WEI Jianhui	51	Employee Representative Supervisor	November 1999	June 2013

Mr. CHEN Weizhong, aged 59, has been Chairman of the Board of Supervisors of the Company since May 2011. He was accredited as a senior accountant by CCB in January 1993 and obtained the qualification of PRC certified public accountant in May 1994. Mr. Chen had held various positions successively in CCB, including deputy director and director of the Accounting Division of Finance Department from September 1986 to January 1992, deputy director of Finance Department from January 1992 to January 1996, deputy branch general manager of CCB's Zhejiang Branch from January 1996 to October 1998 (during which he also served as branch manager of CCB's Hangzhou

Branch from July 1996 to April 1997) and general manager of Auditing Department from October 1998 to April 1999. Mr. Chen joined the Company in April 1999 as Director of the Capital and Finance Department until September 2005. He served as Vice President of the Company from September 2005 to May 2011. Mr. Chen did not hold any directorship in any other listed companies in the last three years. Mr. Chen graduated from Liaoning Finance and Economics College (currently known as Dongbei University of Finance and Economics) in January 1982 majoring in finance and credit facilities, and graduated from Dongbei University of Finance and Economics in November 1999 with a master's degree in economics.

Ms. DONG Juan, aged 61, has been External Supervisor of the Company since June 2010. She obtained the qualification of PRC Certified Public Accountants in 1994. Ms. Dong had served as deputy director and director of the Foreign Trade Division in the Commerce and Trade Department of MOF from 1984 to 1994. She worked as director of the Enterprise Department of the National State-owned Assets Supervision and Administration Bureau from 1994 to 1998, director of the Assessment Department of MOF from 1998 to 2000, and has served as chairman of the board of directors of Grandchina International Consulting Co., Ltd. since 2000. She also served as independent non-executive director of Shanghai Qiangsheng Holdings Co., Ltd. (listed on the SSE, stock code: 600662) from May 2004 to May 2007 and June 2007 to March 2011, independent non-executive director of Baocheng Investment Co., Ltd. (listed on the SSE, stock code: 600892) from June 2006 to March 2011, independent non-executive director of Ming An (Holdings) Company Limited from September 2006 to November 2009, and independent non-executive director of Sinotex Investment & Development Co., Ltd (listed on the SSE, stock code: 600061) from September 2003 to September 2006, December 2006 to December 2009, and August 2011 to March 2013. Ms. Dong is currently also an external supervisor of ICBC (listed on the Hong Kong Stock Exchange, stock code: 01398, and the SSE, stock code: 601398). Ms. Dong graduated from Shanxi Finance and Economics College in July 1978, and graduated from Dongbei University of Finance and Economics in August 1997 with a master's degree in economics.

Mr. LIU Xianghui, aged 59, has been External Supervisor of the Company since June 2013. He was appointed as economist by the Economic Structural Reform Bureau of State Economic Commission in March 1988. Mr. Liu joined the State Economic Commission in September 1978, and served as officer and deputy director until May 1988. He served as deputy director and director of Department of State Planning and Regional Economy of State Planning Commission from May 1988 to May 1994, during which he interned at the United States Environmental Agency from June to December 1993. Mr. Liu served successively as director of the Industrial and Transportation Group and associate counsel (deputy director level) and counsel (director level) of Economic and Trading Group under the Office of Central Financial Work Leading Group from May 1994 to September 2004, director of CCB from September 2004 to June 2010, and non-executive Director of the Company from June 2010 to June 2013. Mr. Liu did not hold any directorship in any other listed companies in the last three years. Mr. Liu graduated from Liaoning University in August 1978. He studied advanced curriculum in national economic planning in Central School of Planning and Statistics in Poland from October 1989 to February 1990, and studied modern economic management in Beijing Economics Correspondence College from April 1985 to April 1986.

Mr. LIN Jian, aged 57, has been Employee Representative Supervisor of the Company since June 2013. He was appointed as senior economist by CCB in November 1993. Mr. Lin served successively as deputy director and director of General Affairs Office of Fujian Branch of CCB from June 1989 to December 1995, general manager of Quanzhou Branch of CCB from December 1995 to

January 1999, and deputy general manager of Fujian Branch of CCB from January 1999 to August 1999. Mr. Lin joined the Company in August 1999 and served as director of Fuzhou office until February 2007, director of Guangzhou office from March 2007 to July 2010 and has been general manager of Guangdong branch since July 2010. Mr. Lin did not hold any directorship in any other listed companies in the last three years. Mr. Lin graduated from Fujian Financial Institution in January 1979 majoring in finance, and graduated from Correspondence College of the Central School of the Communist Party of China with an undergraduate education certificate of foreign economic management in December 1996. He also studied postgraduate program in currency banking in the Department of Finance of Xiamen University from July 1995 to January 1997.

Mr. WEI Jianhui, aged 51, has been Employee Representative Supervisor since June 2013. He was accredited as an economist by CCB in November 1993. Mr. Wei worked as senior staff member of Hebei Branch Office of CCB from April 1990 to February 1992, vice president of Baoding Central Sub-branch of CCB from February 1992 to February 1993, and secretary of deputy director level, deputy director and director of the General Office of CCB's Hebei Branch from February 1993 to November 1999. Mr. Wei joined the Company in November 1999 and served as director assistant and deputy director of Shijiazhuang office until January 2008, director of Haikou office from April 2008 to July 2010, general manager of Hainan branch from July 2010 to December 2010, and deputy director (department general manager level) of the President Office of the Company from December 2010 to June 2011. He has served as deputy director of the labor union, director of the Supervisory Office and general manager of the Administration Division since June 2011. Mr. Wei did not hold any directorship in any other listed companies in the last three years. Mr. Wei graduated from Hebei Banking School in October 1983, Correspondence College of Renmin University of China in June 1988 majoring in economics of capital construction, and graduated from the Law Department, Graduate School of Chinese Academy of Social Sciences in April 1998 majoring in economic law.

SENIOR MANAGEMENT

The following table sets forth information regarding our senior management:

Name	Age	Position/Title (Responsibility)	Date of Joining our Company	Date of Appointment
ZANG Jingfan	58	President (responsible for the business operation and management of the Company)	June 2010	May 2011
CHEN Xiaozhou	51	Member of the senior management (responsible for the investment and asset management business of the Company)	April 1999	September 2000
YANG Junhua	56	Member of the senior management (responsible for the general affairs of the Head Office of the Company)	August 1999	September 2005
XIAO Lin	58	Vice President (responsible for labor union, supervision and operation support of the Company)	April 1999	June 2013
ZHUANG Enyue	52	Vice President (responsible for the custody, liquidation and restructuring business, as well as client development of the Company)	July 2003	March 2007
XU Zhichao	53	Vice President (responsible for the financial service business of the Company)	February 2000	March 2008

Name	Age	Position/Title (Responsibility)	Date of Joining our Company	Date of Appointment
LI Yuejin	55	Vice President (responsible for DES Asset management and information technology of the Company)	December 1999	February 2011
WU Songyun	49	Vice President (responsible for distressed debt asset management of the Company)	April 1999	June 2013
GU Jianguo	51	Vice President (responsible for asset/ liability management and financial/ accounting of the Company)	February 2011	June 2013
ZHANG Weidong	46	Assistant to President, Board Secretary (responsible for investor relationship management of the Company)	April 1999	June 2013
LUO Zhenhong	48	Chief Risk Officer (responsible for the risk management of the Company)	April 1999	October 2013

Mr. ZANG Jingfan, see "—Directors".

Mr. CHEN Xiaozhou, aged 51, has been a member of the senior management of the Company since September 2000, and is responsible for the investment and asset management business of the Company. He was accredited as a senior economist by CCB in December 1995. Mr. Chen had held various positions successively in CCB, including director of Projects Financing Division of International Business Department from October 1994 to June 1996, director of Agency Industry Financing Division of International Department from June 1996 to March 1997, and deputy general manager of the Business Department of Head Office from March 1997 to April 1999. Mr. Chen joined the Company in April 1999 and had served successively as director of Investment Banking Department until September 2000, Assistant to the President from September 2000 to February 2003, Vice President from February 2003 to January 2006, Vice President and chairman of the board of directors of Well Kent International Group Co., Ltd. from January 2006 to December 2008. He has been the chairman of the board of directors of Well Kent International Group Co., Ltd. since December 2008, and chairman and executive director of Well Kent International since April 2011. Mr. Chen worked as chairman and executive director of Silver Grant International Industries Limited (listed on Hong Kong Stock Exchange, stock code: 00171) since February 2006, and served as chairman and non-executive director since September 2006. He worked as executive director and its chairman of Cinda International (listed on Hong Kong Stock Exchange, stock code: 00111) since December 2008, and has been a director of China National Materials Limited (listed on Hong Kong Stock Exchange, stock code: 01893) from July 2007 to May 2011. Mr. Chen graduated from Hangzhou University in July 1983 with a bachelor's degree in economics, the Graduate School of Finance Research Institute of PBOC in November 1988 with a master's degree in economics, and the University of New South Wales in Australia in November 2002 with a master's degree in business.

Mr. YANG Junhua, aged 56, has been a member of the senior management of the Company since September 2005, and is responsible for the general affairs of the Head Office of the Company. He was accredited as a senior economist by CCB in December 1992. Mr. Yang had held various positions successively in CCB, including director of Construction & Economics Division of Shaanxi Branch from April 1989 to May 1993 (during which he also served as director of Property & Credit Department from May 1989 to June 1992), general manager of Central Sub-branch of Weinan District from May 1993 to March 1994, and vice general manager of Shaanxi Provincial Branch from March 1994 to August 1999. Mr. Yang joined the Company in August 1999 and had served successively as director of Xi'an office from August 1999 to September 2005, Vice President from September 2005 to

December 2007, Vice President and President of Happy Life from December 2007 to March 2008, President of Happy Life from March 2008 to March 2011, and chairman of the board of directors of Happy Life from March 2011 to July 2013. Mr. Yang did not hold any directorship in any other listed companies in the last three years. Mr. Yang graduated from Liaoning Finance and Economics College (currently known as Dongbei University of Finance and Economics) in August 1982 with a bachelor's degree in economics, University of International Business and Economics in June 2005 with an EMBA degree, and University of Science and Technology of China in December 2011 with a doctoral degree in management.

Mr. XIAO Lin, aged 58, has been Vice President of the Company since June 2013. Mr. Xiao was accredited as a senior political engineer by CCB in November 1997. Mr. Xiao had held various positions in CCB prior to joining the Company, including officer of Cadre System Division under the Human Resources Department from January 1991 to November 1992, organizer of deputy director level of Cadre System Division under the Human Resources Department from November 1992 to January 1995, and director of Cadre System Management Division under the Staff Education Department and deputy general manager of Staff Education Department from January 1995 to April 1999. Mr. Xiao joined the Company in April 1999 and served as director and general manager of the Human Resources Department until August 2007. Since February 2007 and August 2007, Mr. Xiao has served as the secretary of Disciplinary Committee and director of Labor Union, respectively. Mr. Xiao did not hold any directorship in any other listed companies in the last three years. Mr. Xiao graduated from the Department of Chemistry of Sichuan University in October 1977, and graduated from University of International Business and Economics in December 2006 with an EMBA degree.

Mr. ZHUANG Enyue, aged 52, has been Vice President of the Company since March 2007. He was accredited as a researcher by the National Audit Office in October 1997 and receives government special allowance from the State Council. Mr. Zhuang had held various positions successively in the National Audit Office, including deputy director of Directing Bureau from July 1990 to April 1994, director of the Second Scientific Research Office from April 1994 to January 1997, deputy director of Scientific Research Centre from January 1997 to July 1998, and deputy director of Economic and Trading Section from October 1999 to March 2001. Mr. Zhuang was the vice president of Nanjing Audit University from July 1998 to October 1999, supervisor of deputy director level of the board of supervisors and deputy office director of ICBC from March 2001 to November 2001, and supervisor of director level and office director of ICBC from November 2001 to July 2003. Mr. Zhuang was appointed as the Supervisor of director level of the Board of Supervisors of the Company from July 2003 to March 2007, and executive Director of the Company from May 2011 to June 2013. Mr. Zhuang did not hold any directorship in any other listed companies in the last three years. Mr. Zhuang graduated from the Department of Management of Shanghai Maritime University in July 1983 with a bachelor's degree in accounting, and graduated from Renmin University of China in July 1990 with a master's degree in economics.

Mr. XU Zhichao, see "—Directors".

Mr. LI Yuejin, aged 55, has been Vice President of the Company since February 2011. He was accredited as a senior economist by CCB in December 1995. Mr. Li had held various positions successively in CCB, including chief of the Credit Planning Department and deputy general manager of Dongying Branch, Shandong Province from November 1989 to September 1996, deputy general manager of Zibo Branch from September 1996 to November 1997 and branch general manager of Tai'an Branch from November 1997 to December 1999. Mr. Li joined the Company in December

1999, and had served as deputy director of Jinan office from December 1999 to March 2006, director of Xi'an office from August 2006 to July 2010, general manager of Shaanxi Branch from July 2010 to August 2010, and general manager of Shandong Branch from August 2010 to January 2011. Mr. Li did not hold any directorship in any other listed companies in the past three years. Mr. Li graduated from Shandong University in July 1999 majoring in currency banking, and graduated from Peking University in July 2007 with an EMBA degree.

Mr. WU Songyun, aged 49, has served as Vice President of the Company since June 2013. He was accredited as a senior economist by CCB in December 1997. Mr. Wu had held various positions successively in CCB, including officer in the Construction and Economic Department from July 1986 to August 1994, officer in the Second Credit Department from August 1994 to April 1996, and deputy director of the Credit Management Department and deputy director of Credit Risk Management Department from April 1996 to April 1999. Mr. Wu joined the Company in April 1999 and had served successively as senior manager and deputy director of the Creditors' Rights Management Department until February 2005, general manager of the Asset Management Department from February 2005 to April 2009, general manager of the Assets Operation Department from April 2009 to September 2011, and Assistant to the President from February 2011 to June 2013. Mr. Wu did not hold any directorship in any other listed companies in the past three years. Mr. Wu graduated from Tianjin University in July 1986 with a bachelor's degree in engineering and graduated from Tsinghua University in January 2012 with an EMBA degree.

Mr. GU Jianguo, aged 51, has served as Vice President of the Company since June 2013. He was accredited as a senior accountant by CCB in March 1997. Mr. Gu served successively as deputy manager of Securities Department, president assistant as well as manager of the Finance and Accounting Department of China Cinda Trust Investment Company from April 1994 to January 1998. From January 1998 to March 1999, he worked as deputy general manager of the Accounting Department of CCB. He worked as executive director and deputy general manager of Well Kent International from March 1999 to March 2002. Mr. Gu served as executive director and general manager of Well Kent International Group Co., Ltd. from March 2002 to February 2011, and served as Assistant to the President of the Company from February 2011 to June 2013. He was the executive director of Cinda International (listed on Hong Kong Stock Exchange, stock code: 00111) from December 2008 to December 2012, and the executive director of Silver Grant International Industries Limited (listed on Hong Kong Stock Exchange, stock code: 00171), the director of China Guangdong Nuclear Industrial Investment Fund Management Company, and the independent director of CCB Principal Asset Management Co., Ltd. Mr. Gu had served as the chairman of the supervisory board of Hong Yuan Securities Co., Ltd (listed on SZSE, stock code: 000562) and independent director of Shanghai Tongda Venture Capital Co. Ltd. (listed on the SSE, stock code: 600647). Mr. Gu had obtained a bachelor's degree in engineering from Zhejiang Institute of Technology (currently known as Zhejiang University of Technology) in July 1984 and a master's degree in economics from Zhejiang University in January 1991, respectively. He also received a doctoral degree in economics from the Research Institute for Fiscal Science of the MOF in July 1994.

Mr. ZHANG Weidong, aged 46, has been Assistant to President of the Company since June 2013. He has served as the Board Secretary of the Company since February 2011 and was appointed as a senior economist by the Company in December 1999. He served as officer of the Real Estate Credit Department and secretary of the Youth League Committee of CCB from July 1992 to April 1999. Mr. Zhang joined the Company in April 1999, and served as senior manager of the President Office, senior manager of the Review Committee, deputy director and general manager of the Asset Appraisal

Department from May 1995 to February 2006, and general manager of the Market Development Department from February 2006 to November 2008. He has also served successively as director of the Reorganization Leading Panel Office, the Strategic Investors Introduction and Listing Leading Panel Office and the Listing Preparation Leading Panel Office since November 2008 and general manager of the Investment and Financing Department from April 2009 to September 2011. Mr. Zhang has been the general manager of the Strategic Development Department and the director of the Financial Risk Research Center since September 2013. Mr. Zhang did not hold any directorship in any other listed companies in the last three years. He graduated from Tongji University in July 1989 with a bachelor's degree in engineering, and graduated from Renmin University of China in June 1992 with a master's degree in economics.

Mr. LUO Zhenhong, aged 48, has been the Chief Risk Officer of the Company since October 2013. Mr. Luo had worked consecutively in CCB's Inner Mongolia Branch and CCB's head office from July 1988 till April 1999. Mr. Luo joined the Company in April 1999 and served successively as senior manager, deputy general manager and general manager of Legal Department of the Company until April 2009. Since April 2009, Mr. Luo has served as the general manager of the Legal & Compliance Department of the Company. Mr. Luo was vice president of the Banking Law Division of China Law Society from October 2008 to November 2012, and has worked as vice president of China Banking Law Society since November 2012. Mr. Luo did not hold any directorship in any other listed companies in the last three years. Mr. Luo graduated from Peking University with a bachelor's degree in law in July 1988, a master's degree in law in July 2002, and an EMBA degree in July 2012.

JOINT COMPANY SECRETARIES

Mr. ZHANG Weidong, one of the joint company secretaries and a senior management of the Company. For the biographical details of Mr. Zhang, please refer to "Directors, Supervisors and Senior Management—Senior Management" in this prospectus.

Mr. NGAI Wai Fung, *FCIS, FCS(PE), CPA, FCCA*, aged 51, has served as the joint company secretary of the Company since August 2013. Mr. Ngai is a director and chief executive president of SW Corporate Services Group Limited, and the vice president of Hong Kong Institute of Chartered Secretaries. Mr. Ngai became a fellow member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in November 2000, a member of the Hong Kong Institute of Certified Public Accountants in July 2007 and a fellow member of the Association of Chartered Certified Accountants in March 2012. Mr. Ngai served as a joint company secretary of China Eastern Airlines Corporation Limited (listed on the Hong Kong Stock Exchange (stock code: 00670), the SSE (stock code: 600115) and New York Stock Exchange (stock code: CEA)) since April 2012, a joint company secretary of China Pacific Insurance (Group) Co., Ltd. (listed on the Hong Kong Stock Exchange (stock code: 02601) and the SSE (stock code: 601601)) since July 2013, company secretary of Anton Oilfield Services Group (listed on Hong Kong Stock Exchange (stock code: 03337) since November 2007, and company secretary of Sinosoft Technology Group Limited (listed on Hong Kong Stock Exchange (stock code: 01297)) since June 2013. Mr. Ngai has over 25 years of experience in providing company secretarial services. He graduated from Shanghai University of Finance and Economics with a doctoral degree in finance in June 2011, Hong Kong Polytechnic University with a master's degree in corporate finance in November 2002, Andrews University of Michigan in the United States with a MBA degree in August 1992 and the University of Wolverhampton in the United Kingdom with a bachelor's degree (Honorary) in October 1994.

BOARD COMMITTEES

Various committees are formed under the Board. In accordance with the relevant PRC laws and regulations and the corporate governance practice prescribed in the Hong Kong Listing Rules, our Company has formed five Board committees, namely Strategy and Development Committee, Audit Committee, Risk Management Committee, Nomination and Remuneration Committee, and Related Party Transaction Control Committee.

Strategy and Development Committee

We have established a Strategy and Development Committee with written terms of reference. The Strategy and Development Committee consists of nine Directors, namely Mr. Hou Jianhang, Mr. Zang Jingfan, Ms. Wang Shurong, Mr. Yin Boqin, Ms. Xiao Yuping, Ms. Yuan Hong, Mr. Lu Shengliang, Mr. Li Xikui and Mr. Chang Tso Tung, Stehpen. Mr. Hou Jianhang currently serves as the Chairman of the Strategy and Development Committee. The primary duties of the Strategy and Development Committee include, but are not limited to, the following:

(1) to review the general strategic development plan of the Company and make suggestions to the Board;

(2) to consider and approve the information technology development plan and other special development plans;

(3) to review the annual operation plan and the fixed asset investment budget for approval by the Board;

(4) to review the major restructuring and adjustment proposals and make suggestions to the Board;

(5) to review major investment and financing proposals and make suggestions to the Board;

(6) to review the major merger and acquisition proposals and make suggestions to the Board;

(7) to review and assess the comprehensiveness of the Company's corporate governance and make suggestions to the Board; and

(8) to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed and the requirements of the Articles of Association, and other matters as authorized by the Board.

Audit Committee

We have established an Audit Committee with written terms of reference. The Audit Committee consists of five Directors, namely Mr. Xu Dingbo, Ms. Wang Shurong, Mr. Yin Boqin, Mr. Li Xikui and Mr. Chang Tso Tung, Stephen. Mr. Xu Dingbo currently serves as the Chairman of the Audit Committee. The primary duties of the Audit Committee include, but are not limited to, the following:

(1) to review significant financial policies of the Company and their implementation, and supervise the financial activities of the Company;

(2) to review the financial information and relevant disclosure of the Company;

(3) to consider and approve the internal control evaluation proposal of the Company, and supervise and evaluate the internal control of the Company;

(4) to consider and approve the audit budget, remuneration of staff and appointment and dismissal of major officers of the Company, supervise and evaluate the work of the internal audit department of the Company and formulate medium-to-long term audit plans, annual working plan and internal audit system of the Company as authorized by the Board, and make suggestions to the Board;

(5) to propose the appointment or dismissal of an external accounting firm; to supervise the work of the external accounting firm; and to evaluate the audit report of the external accounting firm to ensure that the accounting firm undertakes its audit responsibilities;

(6) to facilitate communications and monitor relationship between the internal audit department of the Company and the external accounting firm;

(7) to monitor the non-compliance of the Company in respect of the preparation of financial reports and internal control; and

(8) to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed and the requirements of the Articles of Association, and other matters as authorized by the Board.

Risk Management Committee

We have established a Risk Management Committee with written terms of reference. The Risk Management Committee consists of five Directors, namely Ms. Xiao Yuping, Mr. Xu Zhichao, Ms. Wang Shurong, Mr. Lu Shengliang and Mr. Xu Dingbo. Ms. Xiao Yuping currently serves as the Chairman of the Risk Management Committee. The primary duties of the Risk Management Committee include, but are not limited to, the following:

(1) to examine the general risk management strategy and risk management policies of the Company according to overall strategic development plan, and supervise their implementation and effectiveness;

(2) to review overall risk management reports of the Company and supervise the deployment, structure, working procedures and effectiveness of the risk management departments; and to evaluate the risk exposure of the Company and make suggestions and report to the Board on the risk management of the Company;

(3) to supervise the risk control of the senior management in respect of credit, market and operation risks;

(4) to formulate and amend the compliance policies of the Company, evaluate and oversee the Company's level of compliance and make suggestions to the Board; and

(5) to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed and the requirements of the Articles of Association, and other matters as authorized by the Board.

Nomination and Remuneration Committee

We have established a Nomination and Remuneration Committee with written terms of reference. The Nomination and Remuneration Committee consists of three Directors, namely

Mr. Li Xikui, Ms. Wang Shurong and Mr. Qiu Dong. Mr. Li Xikui currently serves as the Chairman of the Nomination and Remuneration Committee. The primary duties of the Nomination and Remuneration Committee include, but are not limited to, the following:

(1) to formulate procedures and standards for the election of Directors and senior management and submit the proposed procedures and standards to the Board for approval;

(2) to nominate to the Board the candidates for directors, presidents and secretary to the Board;

(3) to preliminarily examine the eligibility of candidates for directors and senior management;

(4) to nominate candidates for chairmen and members of the special committees of the Board (other than the chairman of the strategic development committee);

(5) to review and make recommendation on the composition of the Board;

(6) to organize and formulate the remuneration plan of Directors and senior management for approval of the Board and propose remuneration distribution plan according to the performance appraisal of Directors and senior management for approval of the Board; and

(7) to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed and the requirements of the Articles of Association, and other matters as authorized by the Board.

Related Party Transaction Control Committee

We have established a Related Party Transaction Control Committee with written terms of reference. The Related Party Transaction Control Committee consists of three Directors, namely Mr. Qiu Dong, Ms. Yuan Hong and Mr. Xu Dingbo. Mr. Qiu Dong currently serves as the director of the Related Party Transaction Control Committee. The primary duties of the Related Party Transaction Control Committee include, but are not limited to, the following:

(1) to identify related parties of the Company and report to the Board and the Board of Supervisors and promptly inform the relevant parties of the Company;

(2) to review management rules for related party transactions, oversee its implementation and make suggestions to the Board;

(3) to conduct preliminary review on related party transactions to be approved by the Board or shareholders' general meeting and submit to the Board for approval;

(4) to consider and approve related party transactions and other matters thereof as authorized by the Board;

(5) to maintain records of related party transactions;

(6) to consider and approve the annual management report on related party transactions and report to the Board; and

(7) to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed and the requirements of the Articles of Association, and other matters as authorized by the Board.

REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The remuneration of our Directors and Supervisors (including fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, as well as other benefits in kind) during each of the three years ended December 31, 2012 and the six months ended June 30, 2013 were RMB7,235,000, RMB9,161,000, RMB9,700,000 and RMB3,060,000, respectively.

The aggregate amount of fees, salaries, discretionary bonus, contributions to defined contribution benefit plans (including pension), housing and other allowances, as well as other benefits in kind paid to our five highest paid individuals of our Company during each of the three years ended December 31, 2012 and the six months ended June 30, 2013 were approximately RMB21,546,000, RMB20,646,000, RMB22,029,000 and RMB4,376,000, respectively.

We have not paid any remuneration to our Directors or Supervisors or the five highest paid individuals as an inducement to join us or as a compensation for loss of office in respect of the three years ended December 31, 2012. Furthermore, none of our Directors or Supervisors had waived any remuneration during the same period.

According to the arrangements in force on the Latest Practicable Date, we expect that the total remuneration to be paid and granted to our Directors and Supervisors for the financial year ending December 31, 2013 will be approximately RMB9,700,000.

Save as disclosed above, there was no other amount paid or payable to the Directors by the Company or any of our subsidiaries for the three financial years ended December 31, 2010, 2011 and 2012, respectively.

DIRECTORS' INTEREST

Save as disclosed in "Directors, Supervisors and Senior Management" section of this prospectus, each of our Directors (i) did not hold other positions in our Company or other members of our Group as of the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or controlling shareholders of our Company as of the Latest Practicable Date; and (iii) did not hold any directorship in any other listed companies in the three years prior to the Latest Practicable Date. As of the Latest Practicable Date, each of our Directors did not have any interest in the H Shares or the Domestic Shares within the meaning of Part XV of the SFO.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, save as disclosed herein, there was no additional matter with respect to the appointment of our Directors that needs to be brought to the attention of the Shareholders, and there was no additional information relating to our Directors that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules as of the Latest Practicable Date.

COMPLIANCE ADVISOR

We have appointed Merrill Lynch Far East Limited as our compliance advisor pursuant to Rule 3A.19 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 of the Hong Kong Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;

- where a transaction, which might be a notifiable or connected transaction (as defined under the Hong Kong Listing Rules), is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner apart from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

So far as our Directors are aware, immediately following the completion of the Global Offering, the following persons will have an interest or short position in our Shares or underlying shares of our Company which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company:

			Immediately following the completion of the Global Offering (assuming no exercise of the Over-allotment Option)			Immediately following the completion of the Global Offering (assuming full exercise of the Over-allotment Option)		
Name of shareholder	**Nature of interest and capacity**	**Class**	**Number of Shares**	**Approximate % of interest in our Company**	**Approximate % of the relevant class of Shares of our Company**	**Number of Shares**	**Approximate % of interest in our Company**	**Approximate % of the relevant class of Shares of our Company**
MOF	Legal and beneficial owner	Domestic Shares	24,669,736,396	69.57%	100%	24,596,932,316	67.84%	100%
NSSF	Legal and beneficial owner	H Shares	2,896,562,459	8.17%	26.85%	2,969,366,539	8.19%	25.47%
UBS	Legal and beneficial owner	H Shares	1,503,987,199	4.24%	13.94%	1,503,987,199	4.15%	12.90%
CITIC Capital Financial Holding	Legal and beneficial owner	H Shares	611,278,846	1.72%	5.67%	611,278,846	1.69%	5.24%

Save as disclosed herein, the Directors are not aware of any person who will, immediately following the Global Offering, have an interest or short position in our Shares or underlying shares of our Company which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

CONVERSION OF OUR COMPANY TO A JOINT STOCK LIMITED COMPANY

Our Company was converted to a joint stock limited company in June 2010, with a registered capital of RMB25,155,096,932 and the MOF as our sole promoter. Following such conversion, the MOF holds 25,155,096,932 shares in our Company at par value RMB1.00 per share, all of which are state-owned shares.

AFTER THE STRATEGIC INVESTMENTS BUT BEFORE GLOBAL OFFERING

In December 2011, we entered into the Strategic Investment Agreements with NSSF, UBS, CITIC Capital and CITIC Capital Financial Holding, and Standard Chartered Bank and Standard Chartered Financial Holdings, respectively. Please see the section entitled "Our Strategic Investors" in this prospectus for more details. Following the completion of the strategic investments, our four Strategic Investors held an aggregate of 4,984,927,103 shares of our Company, which represented 16.54% of the total shares of the Company. Particulars of our Company's shareholdings were as follows:

Shareholder	Number of shares	Approximate percentage of registered capital
MOF	25,155,096,932	83.46%
NSSF	2,411,201,923	8.00%
UBS	1,503,987,199	4.99%
CITIC Capital Financial Holding	611,278,846	2.03%
Standard Chartered Financial Holdings	458,459,135	1.52%
Total	30,140,024,035	100.00%

UPON COMPLETION OF GLOBAL OFFERING

Immediately following the completion of the Global Offering, assuming that the Over-allotment Option is not exercised, the registered capital of our Company will be RMB35,458,864,035, comprising 10,789,127,639 H Shares and 24,669,736,396 Domestic Shares, representing approximately 30.43% and 69.57%, respectively, of the registered capital of our Company, and particulars of our Company's shareholdings will be as follows:

Shareholder	Class	Number of shares	Approximate percentage of registered capital
MOF	Domestic Shares	24,669,736,396	69.57%
NSSF	H shares	2,896,562,459	8.17%
UBS	H shares	1,503,987,199	4.24%
CITIC Capital Financial Holding	H shares	611,278,846	1.72%
Standard Chartered Financial Holdings	H shares	458,459,135	1.29%
H shares issued pursuant to the Global Offering	H shares	5,318,840,000	15.00%
Total		35,458,864,035	100.00%

Immediately following the completion of the Global Offering, assuming full exercise of the Over-allotment Option, the registered capital of our Company will be RMB36,256,690,035, comprising 11,659,757,719 H Shares and 24,596,932,316 Domestic Shares, representing approximately 32.16% and 67.84%, respectively, of the registered capital of our Company, and the particulars of our Company's shareholdings will be as follows:

Shareholder	Class	Number of shares	Approximate percentage of registered capital
MOF	Domestic Shares	24,596,932,316	67.84%
NSSF	H shares	2,969,366,539	8.19%
UBS	H shares	1,503,987,199	4.15%
CITIC Capital Financial Holding	H shares	611,278,846	1.69%
Standard Chartered Financial Holdings	H shares	458,459,135	1.26%
H shares issued pursuant to the Global Offering	H shares	6,116,666,000	16.87%
Total		36,256,690,035	100.00%

RANKING

The H Shares in issue upon the respective completion of the Global Offering and Domestic Shares are ordinary shares in the registered capital of our Company. However, apart from QDIIs and persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authority, H Shares may not be subscribed for by or traded between legal or natural persons of China.

H Shares and Domestic Shares are regarded as different classes of shares under the relevant provisions of our Articles of Association. The differences between the two classes of shares and provisions on class rights, the dispatch of notices and financial reports to shareholders, dispute resolution, registration of shares on different registers of shareholders, the method of share transfer and appointment of dividend receiving agents are set out in the Articles of Association and summarized in "Appendix VI—Summary of Articles of Association." Any change or abrogation of the rights of class shareholders should be approved by way of a special resolution at a general meeting of shareholders and at a separate meeting of the affected class of shareholders. However, the procedures for approval by separate class shareholders shall not apply (i) where our Company issues, upon approval by a special resolution in a general meeting, either separately or concurrently once every twelve months, Domestic Shares and foreign-listed shares representing not more than 20% of the respective existing issued Domestic Shares and foreign-listed shares; (ii) where the issuance of Domestic Shares and foreign-listed shares is part of our Company's plan at the time of our establishment which is implemented within fifteen months from the date of approval by the securities regulatory authorities of the State Council; or (iii) where, pursuant to the approval of the securities regulatory authority of the State Council, the promoter's Shares held by the MOF are listed and traded overseas. H Shares and Domestic Shares will however rank pari passu with each other in all other respects and, in particular, will rank equally for all dividends or distributions declared, paid or made after the date of this prospectus. H Shares and Domestic Shares are generally neither interchangeable nor fungible.

SHARES HELD BY THE MOF

Upon the completion of the Global Offering, all the Shares held by the MOF will be deposited with the China Securities Depository and Clearing Corporation Limited as Domestic Shares. Subject to the approval by the CSRC or the authorized securities approval authorities of the State Council and upon the Hong Kong Stock Exchange granting approval, MOF may convert its Domestic Shares into H Shares and such Shares could be listed on the Hong Kong Stock Exchange. Class shareholder voting is not required for the conversion of such Shares and the listing and trading of the converted Shares on an overseas stock exchange, including the Hong Kong Stock Exchange. After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from the China Securities Depository and Clearing Corporation Limited and be re-registered on our H Share register maintained in Hong Kong, on the condition that (a) the H Share Registrar lodges with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant shares on the H Share register, and the due dispatch of share certificates, and (b) the admission of the shares to trade in Hong Kong will comply with the Listing Rules and the General Rules of CCASS and CCASS Operational Procedures in force from time to time. Until such shares are re-registered on the H Share register, such shares would not be listed as H Shares.

To effect the withdrawal of the MOF's shares that are deposited with the China Securities Depository and Clearing Corporation Limited and register such shares on the H Share register, the MOF shall issue to our Company a removal request on a prescribed form in respect of a specified number of shares attaching the relevant documents of title. Subject to our Company being satisfied with the authenticity of the document, and with the approval of our Board of Directors, our Company would then issue a notice to the H Share Registrar with instructions that, with effect from a specified date, the H Share Registrar is to issue to the MOF the H Share certificates for such specified number of shares. The MOF's shareholding interest deposited with the China Securities Depository and Clearing Corporation Limited would then be correspondingly reduced. In addition, our Company will comply with the Listing Rules in respect of the issuance of an announcement to inform shareholders and the public of such fact not less than three days prior to the proposed specified date.

Upon the completion of the Global Offering and the deposit of the shares held by the MOF with the China Securities Depository and Clearing Corporation Limited, the MOF will be subject to the following regulatory transfer restrictions:

- Under the PRC Company Law, shares which have been in issue before we publicly issue shares may not be transferred within one year from the date of listing on a stock exchange.
- Under the Listing Rules, the MOF, as our Company's controlling shareholder, may not, amongst others (i) dispose of or agree to dispose any of our shares for a period commencing on the date of this prospectus and ending on the date which is six months from the date of listing on the Hong Kong Stock Exchange and (ii) during a period of six months thereafter, dispose of or agree to dispose of any of our Company's shares if, immediately after such disposal, it would cease to be our Company's controlling shareholder.

Upon any re-registration of the shares of the MOF on the H Share register, the MOF will remain subject to the above transfer restrictions under the PRC Company Law and Listing Rules to the extent that such restrictions have not expired.

As of the Latest Practicable Date, there were no pledges over or disputes on the shares held by the MOF.

SHARES HELD BY THE NSSF

Upon the completion of the Global Offering, the NSSF Subscription Shares held by the NSSF will be converted to H Shares on a one-for-one basis and will be listed for trading on the Hong Kong Stock Exchange. In accordance with the NSSF Strategic Investment Agreement, the shares subscribed and held by the NSSF, are subject to a lock-up period of three years commencing from the completion date of the NSSF Strategic Investment Agreement, except as required and approved by PRC government authorities. For details, please refer to "Our Strategic Investors—Rights and obligations of Strategic Investors—Transfer Restrictions".

As of the Latest Practicable Date, there are no pledges over or disputes on the NSSF Subscription Shares.

CONVERSION OF SHARES HELD BY OTHER STRATEGIC INVESTORS

Upon completion of the Global Offering, our Shares held by UBS, CITIC Capital Financial Holding and Standard Chartered Financial Holdings will be converted to H Shares on a one-for-one basis and will be listed for trading on the Hong Kong Stock Exchange. According to the Strategic Investment Agreements, the shares subscribed and held by UBS, CITIC Capital Financial Holding and Standard Chartered Financial Holdings are subject to a lock-up period from the date of the respective share subscription agreement until the third anniversary of its closing date (with certain exceptions). For details, please refer to "Our Strategic Investors—Rights and obligations of Strategic Investors—Transfer Restrictions".

LOCK-UP PERIODS

The following table summarizes applicable lock-up periods to the MOF, the NSSF, UBS, CITIC Capital Financial Holding and Standard Chartered Financial Holdings, upon the completion of the Global Offering.

Name	Class	Number of shares (assuming no exercise of the Over-allotment Option)	Number of shares (assuming full exercise of the Over-allotment Option)	Applicable lock-up period
MOF	Domestic Shares	24,669,736,396	24,596,932,316	One year from the date of listing on the Hong Kong Stock Exchange
NSSF	H shares	2,364,678,459(1)	2,357,699,939(1)	Three years from the completion date of NSSF Strategic Investment Agreement, or one year from the date of listing on the Hong Kong Stock Exchange, whichever is later
	H shares	531,884,000(2)	611,666,600(2)	None

Name	Class	Number of shares (assuming no exercise of the Over-allotment Option)	Number of shares (assuming full exercise of the Over-allotment Option)	Applicable lock-up period
UBS	H shares	1,503,987,199	1,503,987,199	The period from the date of the UBS Strategic Investment Agreement until the third anniversary of its completion date, or one year from the date of listing on the Hong Kong Stock Exchange, whichever is later
CITIC Capital Financial Holding	H shares	611,278,846	611,278,846	The period from the date of the CITIC Capital Strategic Investment Agreement until the third anniversary of its completion date, or one year from the date of listing on the Hong Kong Stock Exchange, whichever is later
Standard Chartered Financial Holdings	H shares	458,459,135	458,459,135	The period from the date of the Standard Chartered Bank Strategic Investment Agreement until the third anniversary of its completion date, or one year from the date of listing on the Hong Kong Stock Exchange, whichever is later

(1) NSSF Subscription Shares after deduction of Shares transferred according to the State-owned Shares Transfer Approval.
(2) Shares transferred according to the State-owned Shares Transfer Approval.

TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING

Under the PRC Company Law, shares which have been in issue before we publicly issue shares may not be transferred within one year from the date of listing on a stock exchange. Accordingly, shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and not be transferred within a period of one year from the Listing Date. However, the H Shares to be transferred by the MOF and the NSSF, respectively, to the NSSF in accordance with relevant PRC regulations regarding transfer of state-owned shares and calculated based on the Global Offering (see "—Transfer of State-Owned Shares" below) are not subject to such statutory restrictions.

TRANSFER OF STATE-OWNED SHARES

In accordance with relevant PRC rules regarding the transfer of state-owned shares in overseas capital markets, the state-owned shareholders of our Company, namely the MOF and the NSSF, are required to transfer to the NSSF, in proportion to their respective holdings in our Company, such number of shares in aggregate equivalent to 10% of the number of the Offer Shares (being 5,318,840,000 H Shares before the exercise of the Over-allotment Option, and an additional 797,826,000 H Shares upon the full exercise of the Over-allotment Option) or pay the equivalent cash at the Offer Price under the Global Offering to the NSSF. In accordance with the State-owned Shares Transfer Approval, the MOF will transfer such number of shares to the NSSF (being 485,360,536 H Shares before the exercise of the Over-allotment Option, and an additional 72,804,080 H Shares upon the full exercise of the Over-allotment Option). The H Shares to be converted from the NSSF Subscription Shares held by the NSSF pursuant to the State-owned Share Transfer Approval amount to 46,523,464 H Shares before the exercise of the Over-allotment Option, and an additional 6,978,520 H Shares upon the full exercise of the Over-allotment Option. At the time of listing, such shares will be converted into H Shares on a one-for-one basis. These H Shares will not be part of the Global Offering. Our Company will not receive any proceeds from the transfer of H Shares by the state-owned shareholders to the NSSF or any subsequent disposal of such H Shares by the NSSF.

The transfer of state-owned shares by our Company's state-owned shareholders to the NSSF was approved by the MOF on September 27, 2013. The conversion of those shares into H Shares was approved by the CSRC on November 5, 2013. We have been advised that the transfer and the conversion, and the holding of H Shares by the NSSF following such transfer and conversion, have been approved by the relevant PRC authorities and are legal under PRC law.

The H Shares transferred according to the State-owned Shares Transfer Approval from the MOF and the NSSF to the NSSF will not be subject to any lock-up arrangement upon the completion of the Global Offering.

The Cornerstone Placing

We have entered into cornerstone investment agreements with certain investors (the "Cornerstone Investors," each a "Cornerstone Investor"), pursuant to which the Cornerstone Investors have agreed to subscribe at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 H Shares) that may be purchased for an aggregate amount of US$1,087.95 million (the "Cornerstone Placing"). Assuming an Offer Price of HK$3.00 (being the low-end of the indicative Offer Price range stated in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 2,806,646,000, representing approximately (i) 7.74% of the Shares in issue upon the completion of the Global Offering and 45.89% of the H Shares issued pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised; or (ii) 7.92% of the Shares in issue upon completion of the Global Offering and 52.77% of the H Shares issued pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.29 (being the mid-point of the indicative Offer Price range stated in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 2,559,249,000, representing approximately (i) 7.06% of the Shares in issue upon the completion of the Global Offering and 41.84% of the H Shares issued pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised; or (ii) 7.22% of the Shares in issue upon completion of the Global Offering and 48.12% of the H Shares issued pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.58 (being the high-end of the indicative Offer Price range stated in this prospectus), the total number of H Shares to be subscribed for by the Cornerstone Investors would be 2,351,935,000, representing approximately (i) 6.49% of the Shares in issue upon the completion of the Global Offering and 38.45%% of the H Shares issued pursuant to the Global Offering, assuming that the Over-allotment Option is fully exercised; or (ii) 6.63% of the Shares in issue upon completion of the Global Offering and 44.22% of the H Shares issued pursuant to the Global Offering, assuming that the Over-allotment Option is not exercised.

Each of the Cornerstone Investors and their respective beneficial owner(s), are independent third party(ies), independent of each other, not our connected person(s), and not existing shareholder(s) of our Company. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around December 11, 2013.

The Cornerstone Placing forms part of the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid H Shares in issue and will be counted towards the public float of our Company. None of the Cornerstone Investors will subscribe for any Offer Shares under the Global Offering (other than and pursuant to the respective cornerstone investment agreements). Upon the completion of the Global Offering, none of the Cornerstone Investors will have any board representation in our Company, nor will any of the Cornerstone Investors become our substantial shareholder. The Cornerstone Investors do not have any preferential rights compared with other public Shareholders in the respective investment agreements. The Offer Shares to be subscribed for by the Cornerstone Investors will not be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in "Structure of the Global Offering—The Hong Kong Public Offering."

Our Cornerstone Investors

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing. The information about our Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing:

China Life Insurance (Group) Company

China Life Insurance (Group) Company ("China Life") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$200 million at the Offer Price. Assuming an Offer Price of HK$3.00, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that China Life would subscribe for would be 516,900,000 representing approximately 1.46% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.29, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that China Life would subscribe for would be 471,337,000, representing approximately 1.33% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.58, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that China Life would subscribe for would be 433,156,000 representing approximately 1.22% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

China Life, headquartered in Beijing, is a large state-owned financial and insurance company. Its subsidiaries include China Life Insurance Company Limited, China Life Asset Management Company Limited, China Life Property & Casualty Insurance Company Limited, China Life Pension Company Limited, China Life Insurance (Overseas) Company Limited, China Life Investment Holding Company Limited and Insurance Professional College. Its business covers life insurance, property & casualty insurance, pension plans (corporate annuity), asset management, industrial investment and overseas operations. Through capital operation, it has invested in several banks, security firms and other financial or non-financial institutions. China Life and its subsidiaries constitute the largest commercial insurance group in mainland China with assets exceeding RMB2 trillion. It is also one of the largest institutional investors in China's capital market.

Och-Ziff Capital Management Group

Certain affiliated investment funds of Och-Ziff Capital Management Group LLC (collectively, "OZ Funds") have agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$200 million at the Offer Price. Assuming an Offer Price of HK$3.00, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that OZ Funds would subscribe for would be 516,900,000 representing approximately 1.46% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.29, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that OZ Funds would subscribe for would be 471,337,000, representing approximately 1.33% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.58, being the high-end of the Offer Price range set out in this prospectus, the total number of

H Shares that OZ Funds would subscribe for would be 433,156,000 representing approximately 1.22% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Each of the OZ Funds is incorporated or formed in the Cayman Islands, the British Virgin Islands or the State of Delaware, U.S.A.. The investment manager of each of the OZ Funds is either OZ Management LP or OZ Management II LP, affiliates of Och-Ziff Capital Management Group LLC. Och-Ziff Capital Management Group LLC is one of the largest institutional alternative asset managers in the world, with approximately US$38.5 billion in assets under management as of November 1, 2013.

Norges Bank

Norges Bank (Central Bank of Norway) ("Norges Bank") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$150 million at the Offer Price. Assuming an Offer Price of HK$3.00, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Norges Bank would subscribe for would be 387,675,000 representing approximately 1.09% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.29, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Norges Bank would subscribe for would be 353,503,000, representing approximately 1.00% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.58, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Norges Bank would subscribe for would be 324,867,000 representing approximately 0.92% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Norges Bank may terminate its subscription described above in the event that there is an extension or re-opening of the Hong Kong Public Offering set out in the section headed "Expected Timetable" of this prospectus.

Norges Bank, the Central Bank of Norway, manages the Government Pension Fund Global (GPFG) through its asset management division, Norges Bank Investment Management (NBIM). The fund was established in 1990 with a purpose of facilitating long term government savings and management of the petroleum reserves. NBIM is headquartered in Oslo with five offices worldwide. The fund is invested globally in equity, fixed-income and real estate markets. As of September 30, 2013, it holds assets of approximately US$770 billion.

Farallon

Certain investment vehicles (collectively, the "Farallon Entities") managed by Farallon Capital Management, L.L.C. ("Farallon") have agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$100 million at the Offer Price. Assuming an Offer Price of HK$3.00, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that the Farallon Entities would subscribe for would be 258,450,000 representing approximately 0.73% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.29, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that the Farallon Entities would subscribe for would be 235,668,000, representing approximately 0.66% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.58, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that the Farallon Entities would subscribe for would be 216,578,000 representing approximately 0.61% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

The Farallon Entities are managed by Farallon. Farallon is a global institutional asset management firm founded in 1986 that manages equity capital for institutions, including college endowments, charitable foundations and pension plans, and for high net worth individuals. Farallon is headquartered in San Francisco and has offices in London, Singapore, Hong Kong, Tokyo and São Paulo. Farallon invests globally across asset classes, seeking to achieve superior risk-adjusted returns through a process of bottom-up fundamental analysis that emphasizes capital preservation. Farallon has been a registered investment adviser with the United States Securities and Exchange Commission since 1990.

Gatherspring

Gatherspring Limited ("Gatherspring") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$100 million (inclusive of brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at the Offer Price. Assuming an Offer Price of HK$3.00, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Gatherspring would subscribe for would be 255,870,000 representing approximately 0.72% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.29, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Gatherspring would subscribe for would be 233,316,000, representing approximately 0.66% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.58, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Gatherspring would subscribe for would be 214,416,000 representing approximately 0.60% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Gatherspring is a company incorporated in the BVI, who is ultimately owned by Haixia Industrial Investment Fund (Fujian) Limited Partnership, which is raised by Haixia Capital Management Co., Ltd. Haixia Capital Management Co., Ltd. is jointly established in the PRC by SDIC Capital Holdings Co., Ltd., Fujian Investment & Development Group Co., Ltd. and Fubon Xingji Investment Co., Ltd., and principally engaged in investment of enterprises in energy, equipment manufacturing and finance industries and related management and consulting services.

Shen Zhen Rongtong Capital Management Co., Ltd.

Shen Zhen Rongtong Capital Management Co., Ltd. ("Rongtong Capital") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$100 million (inclusive of brokerage fee, Hong Kong Stock Exchange trading fee and SFC transaction levy) at the Offer Price.

Assuming an Offer Price of HK$3.00, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Rongtong Capital would subscribe for would be 255,870,000 representing approximately 0.72% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.29, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Rongtong Capital would subscribe for would be 233,316,000, representing approximately 0.66% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.58, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Rongtong Capital would subscribe for would be 214,416,000 representing approximately 0.60% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Rongtong Capital is a specialized asset management company engaging in specified asset management and other businesses as approved by the CSRC, and is authorized to invest in various listed and unlisted financial instruments and products. Rongtong Capital was registered in Shenzhen, PRC, and its controlling shareholder is Rongtong Fund Management Co., Ltd., which is a fund management company established in accordance with CSRC's approval.

Ping An of China Asset Management

Ping An of China Asset Management (Hong Kong) Company Limited ("PAAMC HK") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$75 million at the Offer Price. Assuming an Offer Price of HK$3.00, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that PAAMC HK would subscribe for would be 193,837,000 representing approximately 0.55% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.29, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that PAAMC HK would subscribe for would be 176,751,000, representing approximately 0.50% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.58, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that PAAMC HK would subscribe for would be 162,433,000 representing approximately 0.46% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

PAAMC HK, established in May 2006, is a subsidiary under China Ping An Insurance Overseas (Holdings) Limited, which is registered in Hong Kong with an issued share capital of HKD145 million as of June 2013. As the major entity responsible for the overseas investment management business of Ping An group, PAAMC HK accepts investment management mandates from other subsidiaries of the Ping An group and also provides investors at home and abroad with various overseas investment products as well as external asset management services. As of September 2013, the asset under management of PAAMC HK is US$3.98 billion.

Shandong State-owned Assets Investment Holdings Co., Ltd.

Shandong State-owned Assets Investment Holdings Co., Ltd. ("Shandong State-owned Assets Investment") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$60 million at the Offer Price. Assuming an Offer Price of HK$3.00, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Shandong State-owned Assets Investment would subscribe for would be 155,070,000 representing approximately 0.44% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.29, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Shandong State-owned Assets Investment would subscribe for would be 141,401,000, representing approximately 0.40% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.58, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Shandong State-owned Assets Investment would subscribe for would be 129,946,000 representing approximately 0.37% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

The Shandong State-owned Assets Investment is a special corporate entity performing the government's duties both as investor and manager of the relevant state-owned enterprises. It performs the corporate functions of the government as an investor and has both policy and commercial objectives. Shandong State-owned Assets Investment, as authorized by the State-owned Assets Supervision and Administration Commission of the Shandong Province, acts as an investment and financing platform for material industrial projects as well as an asset transaction and disposal platform. It actively promotes the reform and reorganization of the enterprises under the provincial government's administration as well as the optimization of industry structure, with an aim of preserving and increasing the value of state-owned assets.

Oaktree Capital

Oaktree Capital I, L.P. and certain affiliated investment funds (collectively, "Oaktree Capital") have agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$52.95 million at the Offer Price. Assuming an Offer Price of HK$3.00, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Oaktree Capital would subscribe for would be 136,849,000, representing approximately 0.39% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.29, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Oaktree Capital would subscribe for would be 124,786,000, representing approximately 0.35% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.58, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Oaktree Capital would subscribe for would be 114,678,000, representing approximately 0.32% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Oaktree Capital I, L.P., a Delaware limited partnership, is a controlled affiliate of Oaktree Capital Group, LLC ("Oaktree"). The Class A units of Oaktree are listed on the New York Stock Exchange (stock ticker: OAK). Oaktree is a leading global investment manager specializing in alternative investments, with $79.8 billion in assets under management as of September 30, 2013. Oaktree emphasizes an opportunistic, value-oriented and risk-controlled approach to investments in distressed debt, corporate debt (including high yield debt and senior loans), control investing, convertible securities, real estate and listed equities.

On November 22, 2013, the Company and an affiliate of Oaktree entered into a memorandum of understanding (the "MOU") to establish a strategic relationship and to pursue business cooperation opportunities that would include establishing joint venture(s) ("JV(s)"), subject to negotiation and execution of definitive documentation. The MOU contemplates that each party will hold a 50% equity interest in the JV(s) for the purposes of investing in distressed assets and related opportunities in China and globally to fully utilize the Company's experience in China and Oaktree's experience overseas.

If the parties enter into binding agreements, the Company will comply with the applicable disclosure and other relevant requirements (including Chapter 14) under the Hong Kong Listing Rules.

Upper Horn Investments Limited

Upper Horn Investments Limited ("Upper Horn") has agreed to subscribe for such number of H Shares (rounded down to the nearest whole board lot of 1,000 H Shares) which may be purchased with an aggregate amount of US$50 million at the Offer Price. Assuming an Offer Price of HK$3.00, being the low-end of the Offer Price range set out in this prospectus, the total number of H Shares that Upper Horn would subscribe for would be 129,225,000 representing approximately 0.36% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.29, being the mid-point of the Offer Price range set out in this prospectus, the total number of H Shares that Upper Horn would subscribe for would be 117,834,000, representing approximately 0.33% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised. Assuming an Offer Price of HK$3.58, being the high-end of the Offer Price range set out in this prospectus, the total number of H Shares that Upper Horn would subscribe for would be 108,289,000 representing approximately 0.31% of the Shares in issue immediately following the completion of the Global Offering assuming that the Over-allotment Option is not exercised.

Upper Horn, incorporated on May 26, 1981 in Hong Kong, is a wholly-owned subsidiary of Guangdong Yudean Group Co., Ltd. ("Yudean Group"). Upper Horn's primary businesses include trade and investment. The business scope of Yudean Group mainly covers investment, construction, operation and management of power sources, production and sales of electric power (heat); investment, construction and operation of related industries, such as transportation, finance, new energy and environmental protection; investment, construction and management of electric fuel; technical service and investment planning as well as management consulting and information-based services related to the electric power industry.

Conditions Precedent

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

(1) the Hong Kong Underwriting Agreement and the International Purchase Agreement having been entered into and having become effective and unconditional and not having been terminated (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified or as subsequently waived or varied by agreement of the parties thereto in such agreements; and

(2) the Listing Committee having granted the listing of, and permission to deal in, the H Shares and such approval or permission not having been revoked.

Restrictions on disposal of H Shares by the Cornerstone Investors

Each of the Cornerstone Investors has agreed that, without the prior written consent of the Company and certain Underwriter/Underwriters or its/their respective representatives, it will not, whether directly or indirectly, at any time during the period of six (6) months following the Listing Date, dispose of (as defined in the relevant cornerstone investment agreement) any legal or beneficial interests in the H Shares subscribed for by it pursuant to the relevant cornerstone investment agreement (or any interest in any company or entity holding any of the H Shares), other than in certain limited circumstances such as transfers to any wholly-owned subsidiary of such Cornerstone Investor, provided that, among other things, such wholly-owned subsidiary undertakes in writing to be, and such Cornerstone Investor undertakes in writing prior to such transfer to procure such subsidiary to be, bound by the Cornerstone Investor's obligations under the relevant investment agreement.

The following discussion and analysis should be read in conjunction with our audited consolidated financial statements as of and for each of the years ended December 31, 2010, 2011 and 2012 and as of and for the six months ended June 30, 2013, and the unaudited financial information for the six months ended June 30, 2012 and the accompanying notes thereto, included in "Appendix I—Accountants' Report." Our consolidated financial statements have been prepared in accordance with IFRS.

The following discussion and analysis contains forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those anticipated in the forward-looking statements as a result of a number of factors including, but not limited to, those discussed below and elsewhere in this prospectus, particularly in "Risk Factors" and "Forward-Looking Statements."

OVERVIEW

We are the leading AMC in China. We focus on distressed asset management and provide customized financial solutions and differentiated asset management services to our clients through the synergistic operation of our diversified business platforms.

Our principal business segments include our (i) distressed asset management business, (ii) financial investment and asset management business and (iii) financial services business.

We experienced rapid growth during the Track Record Period. For the years ended December 31, 2010, 2011, 2012 and the six-month periods ended June 30, 2012 and 2013, our total income was RMB24,260.4 million, RMB24,382.1 million, RMB32,335.2 million, RMB12,209.6 million and RMB18,669.4 million, respectively, and the profit attributable to the equity holders of the Company was RMB7,399.0 million, RMB6,762.8 million, RMB7,306.3 million, RMB2,985.3 million RMB4,064.8 million, respectively. As at December 31, 2010, 2011, 2012 and June 30, 2013, our total assets were RMB150,701.4 million, RMB173,124.0 million, RMB254,614.4 million and RMB283,553.0 million, respectively, and the equity attributable to equity holders of the Company was RMB37,025.4 million, RMB37,813.1 million, RMB54,773.6 million and RMB56,362.6 million, respectively.

MAJOR EXTERNAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition are affected by external factors beyond our control, which primarily include: (i) macroeconomic conditions in China; (ii) monetary policy and interest rate environment; (iii) conditions of the capital markets; (iv) regulatory environment; and (v) competitive landscape of the financial industry in China.

Macroeconomic Conditions in China

Our business operations are primarily conducted in China and most of our income is generated within China. Our business, financial condition, results of operations and prospects are significantly affected by the macroeconomic conditions in China and indirectly by the economic and market conditions of other regions in the world.

China has achieved significant economic development over the last few decades and has become one of the fastest growing economies in the world. According to the NBSC, from 2007 to 2012, China's real GDP grew at a CAGR of 9.3%. According to the 2012 Sigma Report, despite China's slower economic growth due to the global financial crisis that began in 2008, the recovery of China's economy was faster than that of most other economies. The real GDP growth rate of China from 2010 to 2011 was 9.3%, as compared to 1.8%, -0.6% and 1.6% for the U.S., Japan and European Union, respectively, in the same period. Since 2012, the growth rate of China's economy has slowed down but is still at a relatively high level. China's real GDP growth rate in 2012 decreased to 7.8%. In the first half of 2013, China's real GDP growth rate was 7.6%. The PRC Government has been actively promoting the transformation of economic development and expediting industrial restructuring, which will accelerate the consolidation of resources, eliminate enterprises with excess production capacity and improve the operating efficiency of the real economy.

Impact on Distressed Asset Management Business

We believe we can benefit from the rapid growth of GDP, the growing innovations in the financial market and the improved regulatory and legal environment to achieve satisfactory returns from our existing distressed assets or distressed assets to be acquired in the future. In addition, the transformation of China's economic structure, fluctuations in market liquidity and changes in the quality of bank loans and accounts receivable from enterprises will create opportunities for us to grow our distressed asset management business. In particular:

- In line with the rapid growth of China's economy from 2009 to 2011, the NPL ratio in China's banking industry remained at a low level. According to the CBRC, the balance and ratio of NPLs of the commercial banks in China gradually decreased from 2009 to 2011. However, from 2010 to 2012, the distressed assets our Company acquired from financial institutions grew at a CAGR of 169.4% primarily because we expanded the acquisition channels of distressed assets through continuous innovation efforts, in particular, from non-bank financial institutions. Along with the moderately slowing growth of China's economy since 2012, NPLs in the banking industry in China have increased for seven consecutive quarters since the fourth quarter of 2011, and the NPL ratio has increased moderately since the first quarter of 2012. Due to the slowing growth and further restructuring of China's economy, the operational challenges faced by enterprises as well as the loan overdue ratio may further increase. It is expected that the total balance of commercial bank NPLs may continue to increase. We expect the following factors to bring us more opportunities for acquiring distressed assets in the future: the growing balance of commercial bank NPLs, the continuing needs for banks to remove NPLs from their balance sheets and de-leverage, the restructurings of city commercial banks, rural commercial banks and credit cooperatives as well as the structural adjustments carried out by non-bank financial institutions, such as trusts.

- The softness of the global economic recovery, the moderate slowdown of China's economy and inadequate overall market demand may lead to increased defaults and delinquencies with respect to certain enterprises. During the current transformation of China's economy, there will be more opportunities to acquire NFE Distressed Assets as a result of the restructuring of industries, enterprises and assets. NFE Distressed Assets have become a major source for our distressed debt assets acquisitions. Since 2011, we have launched innovative products in a timely manner and commenced the Restructuring Model. The balance of our newly acquired amount of NFE Distressed Assets increased from RMB427.6 million in 2010 to RMB29,670.1 million in 2012, representing a CAGR of 733.0%. For the six months ended June 30, 2013, the balance of our newly acquired NFE Distressed Assets reached RMB24,541.7 million.

- The DES Companies mainly operate in industries that are highly correlated with China's economic cycle, including coal, chemical and metals. China's macroeconomic performance may affect the results of operations and financial conditions of DES Companies which in turn would affect our gains on disposal of and dividend income from these enterprises. China's macroeconomic performance may also affect our income from disposal of debt assets. From 2010 to 2012, as China's economy maintained rapid growth, we achieved superior return from distressed debt assets and DES Assets. However, our asset quality, financial condition and results of operations may deteriorate if there are adverse changes to China's macroeconomic conditions.

Impact on Financial Investment and Asset Management and Financial Services Businesses

Our Company and certain of our subsidiaries are engaged in the businesses of investment and asset management, real estate, securities and futures, trust, financial leasing, fund management and insurance. The profitability of these businesses has been and will continue to be affected by the economic conditions in China in various aspects, including:

- The performance of our principal investment, private equity investments, investment portfolio by our financial subsidiaries as well as the impairment ratio and overdue ratio of our finance lease receivables and the value of relevant collaterals of our financial leasing business are affected by the macroeconomic condition, industry cycle and operating conditions of enterprises in China and the intensity of financing and investment activities in China.
- The continuing increases in the disposable income and personal wealth attributable to China's economic growth have resulted in increasing demand for investment management products by institutions, enterprises and individuals, driving the growth of our private equity, trust and fund management businesses.
- The economic and population growth in China leads to increased demand for various insurance products. The increases in disposable income and personal wealth drive the demand for life insurance and P&C insurance products (including insurance products for household properties and automobiles). The growth in fixed assets investment and enterprise assets drives the demand for P&C insurance products.

Monetary Policy and Interest Rate Environment

Monetary policy is an important measure used by the PRC Government to carry out macroeconomic adjustments and controls. In order to curb excessive inflation, the PBOC raised the RMB benchmark lending and deposit interest rates five consecutive times from October 2010 to July 2011. The PBOC further adjusted monetary policy in 2012, including consecutive reductions of the statutory deposit reserve ratio and benchmark interest rates. In addition, the PBOC removed the lower limit for the lending rates of financial institutions on July 20, 2013, further promoting the liberalization of interest rates.

The profitability of certain of our businesses is sensitive to the monetary policy of the PRC government and condition of the currency market, including the level of interest rates and liquidity.

- *Distressed asset management*. (i) Our financing cost for the acquisitions of distressed assets may be affected by changes in interest rates. Currently, our sources of external financing primarily include borrowings from banks and other financial institutions as well as proceeds from issuing bonds and equity. If the market interest rates increase, our interest expense on borrowings from banks and other financial institutions and financing cost of issuing bonds may also increase. (ii) Changes in market liquidity affect enterprises' needs for external financing from sources other than banks, which in turn affect our opportunities and bargaining power to acquire distressed debt assets.
- *Financial investment and asset management*. Changes in market interest rates affect funding costs and the overall performance of our investment portfolio, in particular the performance of fixed-income investments, and, to a certain extent, also affect the securities market and the business operations of our investee enterprises.
- *Securities*. Changes in interest rates may affect (i) our interest income, (ii) our interest expense for deposits held on behalf of our clients and financial assets sold under repurchase agreements and (iii) the investment return of our fixed-income securities.
- *Financial leasing*. Changes in market interest rates will affect our interest income from financial leasing clients and interest expenses paid for borrowings.
- *Insurance*. Changes in interest rates may affect the investment yield of our investment portfolio and the fair value of our securities investment. Changes in interest rates and the impact on personal consumption by changes in inflation may also affect the market demand for insurance products, hence affecting the insurance premium income of our insurance business.

For more information, please refer to the section entitled "Risk Factors—Risks Relating to the Financial Industry in China—Significant interest rate fluctuations could have a material impact on our financial condition and results of operations".

The Capital Markets Environment

Our equity assets include the equities we hold in publicly listed and unlisted enterprises. For the equities we hold in unlisted enterprises, we usually exit from such investment through swaps for equities in publicly listed companies in connection with their initial public offerings, private placements of newly issued shares, repurchases of equity interests by such unlisted companies themselves or sales of equity interest to existing major shareholders or other institutions. Our principal investment, private equity, trust, fund management and insurance businesses mainly focus on debt and equity investments in China. As a result, our investment return is affected by changes in capital market conditions. The capital markets in China are less developed than those in the U.S. and certain other developed countries, and may be significantly affected by changes in the laws, regulations and policies in China. Fluctuations in the domestic and overseas capital markets, general investment environment, volatile market value and trading volume, and the uncertainty in liquidity and financial market may lead to significant fluctuations in securities' prices, liquidity shortages and lack of financing activities in the capital markets, which will affect the timing of our exit from equity investments, including DES Assets, and result in changes in asset values, as well as fluctuations in our overall investment income.

Regulatory Environment

Most of our business operations are in China and are subject to strict regulations. Please refer to the section entitled "Regulatory Environment" in this prospectus.

In recent years, the regulation of China's financial industry has been gradually reformed and improved to reflect market demands. For example, the MOF promulgated the Administrative Measures on the Packaged Transfer of Distressed Assets of Financial Enterprises (金融企業不良資產批量轉讓管理辦法) in February 2012 for financial institutions to streamline the procedures to dispose of distressed assets in a market-oriented manner, allowing Chinese financial institutions to independently conduct sales of distressed assets. We believe that such changes in the regulatory environment will facilitate AMCs' acquisition of distressed assets through various channels and will improve the operational efficiency of AMCs. In addition, the financial regulatory authorities in the PRC may further revise and refine the regulatory rules for AMCs, which may help AMCs, including us, in managing existing businesses and expanding into new businesses. For example, we have been approved by the CBRC to acquire NFE Distressed Assets. We are also the first AMC approved by the PBOC for interbank borrowing. However, changes in certain applicable laws, rules and regulations may impair our profitability and hinder our future growth.

Competitive Landscape of the Financial Industry in China

The financial industry is becoming increasingly competitive in China, and our business segments face competition at various levels.

Our major competitors in distressed asset management are the other three AMCs: Huarong, Great Wall and Orient. We may also compete with asset management companies established by local governments in China, as well as private or foreign financial institutions which engage in the management and disposal of distressed assets. In addition, we compete with domestic and international financial institutions in principal investment, private equity funds, securities and futures, trust, financial leasing, fund management and insurance businesses.

In order to effectively compete and preserve or increase our market share, we need to maintain our competitive strengths, including acquiring suitable distressed debt assets and realizing gain from disposal of such assets. We also need to maintain and enhance our investment management capability and our investment returns, and provide differentiated financial products and services tailored to the various needs of our clients.

INTERNAL FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition are also affected by various internal factors relating to how we develop our business. Our operating results primarily depend on (i) our capabilities of managing distressed assets, including capabilities in sourcing, management and disposal of distressed assets, (ii) investment and financing capabilities and (iii) centralized management and synergistic operations.

Capabilities of Operating Distressed Asset Management Business

- *Capabilities in sourcing of distressed assets.* We possess leading capabilities in sourcing distressed assets and, during the past 14 years, have maintained and further developed the most extensive acquisition channels among the Four AMCs based on our brand, leading valuation and pricing capabilities, innovative acquisition structures, track record of distressed asset disposal, extensive business and client networks and close relationships with local governments, large-scale financial institutions and other strategic partners. The ending gross balance of our distressed debt assets increased from RMB7,293.7 million as at December 31, 2010 to RMB57,510.7 million as at December 31, 2012, representing a CAGR of 180.8%. As at June 30, 2013, the ending gross balance of our distressed debt assets amounted to RMB88,458.0 million, representing an increase of 53.8% from RMB57,510.7 million as at December 31, 2012.

- *Capabilities in management of distressed assets*. Through our synergistic and diversified business platforms, we provide our clients with differentiated and diversified services such as debt restructuring, liquidity support and consolidation of industrial resources based on the characteristics of various obligors. These services help enhance the value of the debt assets we manage. We also established the first financial risk research center among the Four AMCs to enhance our understanding of macroeconomic trends and industry development patterns.
- *Capabilities in disposal of distressed assets*. We adhere to the management philosophy of discovering and enhancing the value of distressed assets and specialize in utilizing diversified asset disposal plans and tailoring them to the nature of various distressed assets. In order to maximize value recovery, we constantly innovate asset disposal plans based on our in-depth knowledge of local administrative, judicial and social environments and capital markets. For the years ended December 31, 2010, 2011, 2012 and the six months ended June 30, 2013, our Traditional Distressed Assets realized rate of return on disposal of such assets was 118.8%, 146.6%, 111.6% and 73.5%, respectively. For the years ended December 31, 2011, 2012 and the six months ended June 30, 2013, annualized return on monthly average balance of our Restructured Distressed Asset reached 17.2%, 16.0% and 13.8%, respectively.

Our results of operations may be materially affected by our abilities to continuously source distressed assets, enhance asset values and formulate effective disposal plans to realize asset values.

Investment and Financing Capabilities

We make direct investments through DES arrangements or through our principal investment business. We also hold equity interests in various companies through private equity investments. Leveraging our experiences of managing DES Companies, we invest in the industries and companies in which we have unique advantages. The investment selection, management of investments during the holding period, divestment schedule, and investment returns of our investment portfolio are important factors affecting our operating results. In 2010, 2011 and 2012 and the six months ended June 30, 2013, our net gains on disposal of DES Assets were 126.6%, 116.3%, 165.6% and 111.1% of the acquisition cost, respectively.

We also engage in investment business through our platforms of securities, trust, fund management and insurance businesses. Our investment assets are mainly concentrated on bonds and stocks in the PRC. The quality and performance of the investment portfolios of our securities and insurance businesses have direct effect on the operating results of such businesses, while the investment results of our securities, trust, and fund management businesses affect the AUMs of our securities, trust, and fund management businesses, which in turn affect our fee and commission income.

Our distressed asset management business and financial investment and asset management business have significant funding requirements. We strive to meet such requirements by exploring diversified financing channels. We are the first AMC qualified for interbank borrowing. We also explore direct financing channels such as bond and equity financings as well as the securitization of assets, raising funds from third parties and leveraging our financial services platform to provide funding support and other innovative financing methods.

Capabilities of Centralized Management and Synergistic Operations

Our business consists of three principal business segments, namely (i) distressed asset management, (ii) financial investment and asset management and (iii) financial services. With distressed asset management as our core business, we have established a diversified business platform and strive to provide our clients with customized financial solutions through integrated design and development of various products while also enhancing the value of our own asset portfolio.

We seek to achieve synergistic operations through the centralized management and control at the Group level with respect to, among others, client relationships, business operations, cross-selling, institutional networks, management system, performance review mechanism, branding, sharing of talent and expertise as well as information system, and by doing so, effectively control cost and improve the efficiency of resource utilization. From 2011 to the first half of 2013, we generated income from not less than 349 projects through our cross-selling efforts and provided not less than 211 existing clients with our other services through our different business lines such as securities and futures, trust, financial leasing and insurance. Our cost-to-income ratio for 2010, 2011, 2012 and the six months ended June 30, 2013 was 30.8%, 35.2%, 29.7% and 24.3%, respectively.

Our income and profitability may be affected by our resource allocation capabilities, including our ability to effectively reallocate resources among various businesses based on our strategies, market conditions, clients' needs and changes in other factors as well as our ability to consolidate and utilize the existing resources to effectively control cost.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of our consolidated financial statements requires selecting accounting policies and making estimates and assumptions that affect items reported in the consolidated financial statements. The determination of these accounting policies is fundamental to our results of operations and financial condition and requires management to make subjective and complex judgments about matters that are inherently uncertain based on information and data that may change in future periods. As a result, determinations regarding these items necessarily involve the use of assumptions and subjective judgments as to future events and are subject to change, and the use of different assumptions or data could produce materially different results. In addition, actual results could differ from estimates and may have a material adverse effect on our business, financial condition, results of operations or cash flows. For more information regarding our significant accounting policies and the summary of significant accounting judgments and estimates, see Notes IV and V to the Accountants' Report set forth in Appendix I to this prospectus.

Significant Accounting Policies

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.

Determination of fair value

Fair value is determined in the manner described in Note VI.69 to the Accountants' Report set forth in Appendix I to this prospectus.

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, we estimate 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.

Financial assets

Our 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.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and those designated as at fair value through profit or loss 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 we manage 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.

A financial asset other than a financial asset held for trading may be designated as at fair value through profit or loss 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 our 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 fair value through profit or loss.

Financial assets at fair value through profit or loss 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.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities for which we have a positive intention and the 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 us include bank balances, deposits with exchanges and a financial institution, placements with banks, 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 fair value through profit or loss, loans and receivables or held-to-maturity investments.

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

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

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

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, 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:

a) significant financial difficulty of the issuer or obligor;

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

c) 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;

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

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

f) 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.

g) 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;

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

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

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.

The calculation of present value of the estimated future cash flows of a collateral financial asset includes the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

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

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

Impairment of available-for-sale financial assets

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

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

Impairment of financial assets measured at cost

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

Revenue Recognition

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

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 debt.

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 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 debt. The accounting policy for interest income arising on distressed debt assets classified as receivables is detailed in Note IV.19.5 to the Accountants' Report set forth in Appendix I to this prospectus.

Income from equity instruments relating to distressed asset business classified as available-for-sale financial assets includes dividend income and gains or losses from disposal of these instruments and are presented under investment income. The accounting policy for dividend income is detailed in Note IV.19.6 to the Accountants' Report set forth in Appendix I to this prospectus.

Fee and commission income

Income from investment contracts

Fees are charged for investment contracts issued by us 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 when services are provided on accrual basis.

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

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

Premium income

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

Critical Accounting Estimations and Judgments

The following are the critical judgments and key estimation uncertainties that the management has made in the process of applying our accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements and/or in the next twelve months:

Classification of financial assets

Our 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 we 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.

Fair value of financial instruments

We use valuation techniques 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 us 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.

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, we evaluate 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.

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 a 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.

Impairment of loans and advances to customers and financial assets classified as receivables

We review our loans and advances to customers and financial assets classified as receivables to assess impairment on a periodic basis. In determining whether there are objective evidences of impairment, we make 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. We first make 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 the differences between loss estimates and actual loss experience.

Measurement method of insurance contract reserve

At the end of each reporting period, we need to make reasonable estimations on the future cash layout for carrying out insurance contract obligations. Such estimations are based on the current information available at the end of each reporting period, and determined by taking into account all different circumstances and relevant probability calculation. We make 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.

PRINCIPAL COMPONENTS OF CONSOLIDATED INCOME STATEMENTS

Total Income

Income from Distressed Debt Assets Classified as Receivables

Income from distressed debt assets classified as receivables represents income generated from the restructuring of loans acquired from financial institutions and the accounts receivable acquired from non-financial enterprises (together, the "distressed debt assets classified as receivables"), which are accounted for as interest income. Such income is derived from the Restructuring Model as described in "Business."

Fair Value Changes on Distressed Debt Assets

Fair value changes on distressed debt assets consist of (i) net gains or losses generated from disposal or collection of distressed debt assets which are designated as at fair value through profit or loss in consolidated statements of financial position that we purchased at discount prices, and (ii) unrealized fair value changes on such distressed debt assets. Such income is derived from the Traditional Model as described in "Business."

Fair Value Changes on Other Financial Assets

Fair value changes on other financial assets consist of net realized gains or losses from disposal of and unrealized fair value changes of financial assets at fair value through profit or loss, primarily including bonds, wealth management products, fund products, equity instruments and derivatives for investment purpose.

Investment Income

Our investment income consists of (i) realized net gains or losses from disposal of available-for-sale financial assets; (ii) interest income from available-for-sale financial assets, held-to-maturity investments and debt securities classified as receivables; and (iii) dividend income on available-for-sale financial assets. The available-for-sale equity assets under distressed asset management segment are our DES Assets.

Net Gains on Disposal of Subsidiaries and Associates

Our net gains on disposal of subsidiaries and associates primarily consist of net gains generated from disposal of equity interests in subsidiaries and associates by the Company and our subsidiaries. The equity interests we held in Beijing Zizhu Pharmaceutical Co., Ltd. and Qinghai Salt Lake Industry Co., Ltd., are included in our DES Assets.

Net Insurance Premiums Earned

Premiums from direct insurance contracts include premiums written by Cinda P&C and Happy Life on P&C insurance contracts, life insurance contracts and accident and health insurance contracts issued or renewed for a given period.

Premiums ceded to reinsurers represent the portion of gross premiums ceded to reinsurers who share part of the insured risk that we have assumed under our P&C insurance contracts and life and health insurance contracts.

Changes in unearned premium reserves represent the reserves provided for the net written premiums (net of certain acquisition costs) relating to the unexpired terms of insurance at the end of the current period, less the reserves provided for the net written premiums relating to the expired terms of insurance coverage at the end of the previous period.

Net insurance premiums earned represent the gross premium income after deduction of (i) premiums ceded to reinsurers and (ii) changes of unearned premium reserves.

Commission and Fee Income

Our commission and fee income consists primarily of (i) commission and fee income on securities and futures brokerage business, (ii) commission and fee income on our trust services, (iii) consultancy and financial advisory fee income, (iv) fee income on fund and asset management services, (v) commission and fee income on securities underwriting and (vi) fee income on agency services.

Revenue from Sales of Inventories

Revenue from sales of inventories primarily consist of (i) revenue from sales of properties from Cinda Investment's property development business, and (ii) revenues generated from merchandise trading of Cinda Investment and Zhongrun Development and certain of their subsidiaries.

Interest Income

Our interest income primarily consists of (i) interest income from loans and advances to clients, (ii) interest income from our deposits with banks and (iii) interest income from accounts receivable.

Our interest income from loans and advances to clients primarily consists of (i) interest income from financial lease receivables of Cinda Leasing, (ii) interest income from loans extended to clients in course of existing businesses of Jingu Trust and (iii) interest income from entrusted loans and financing projects.

Other Income and Other Net Gains or Losses

Our other income and other net gains or losses primarily consist of (i) rental income of leased properties, (ii) revenue from hotel operation, (iii) net gains on disposal of assets in satisfaction of debt in distressed assets, and (iv) government grants and compensation. As government grants and compensation are non-recurring in nature, we cannot assure you that we will continue to receive them in the future.

Total Costs and Expenses

Our total costs and expenses consist of insurance costs, commission and fee expense, purchases and changes in inventories, employee benefits, business tax and surcharges, depreciation and amortization expenses, other expenses, impairment losses on assets and interest expense.

Costs of Insurance Business

Our costs of insurance business primarily consist of (i) reserves for insurance contracts, (ii) interest credited to policyholders on investment contracts and policyholder dividends payable on Happy Life's participating life insurance products, (iii) refund of reinsurers premium and (iv) other insurance expenses, including claims incurred and surrenders paid on life insurance policies issued by us.

Commission and Fee Expense

Our commission and fee expense primarily consist of (i) commission and fee expense for insurance sales and (ii) commission and fee expense for securities brokerage, including securities dealing expenses charged by the stock exchange and other authorized institutions for using their transaction and settlement systems.

Purchases and Changes in Inventories

Purchases and changes in inventories represents the cost of sales of properties from Cinda Investment's property development business and the cost for merchandise trading of Cinda Investment and Zhongrun Development and certain of their subsidiaries.

Employee Benefits

Employee benefits primarily consist of (i) salaries, bonuses, allowances and subsidies, (ii) social insurance, (iii) housing funds, and (iv) staff welfare, labor union fees and staff education fees.

Business Tax and Surcharges

Business tax is levied at 5% primarily based on the total of (i) our net income generated from the difference between the proceeds from disposal of distressed assets and the carrying value of such assets, (ii) our gross commission and fee income and (iii) gross written premiums (excluding tax-free insurance). Surcharges primarily consist of education surcharges.

Depreciation and Amortization Expenses

Our depreciation and amortization expenses primarily consist of depreciation of our property, equipment and investment properties and amortization of intangible assets.

Other Expenses

Other expenses primarily consist of daily administrative expenses, operating lease expenses, business promotion, litigation expenses, attorneys' fees, appraisal expenses and other administrative expenses.

Impairment Losses on Assets

Provisions for impairment losses primarily consist of provisions for impairment losses on available-for-sale financial assets, debt securities classified as receivables, loans and advances to customers, accounts receivable, assets in satisfaction of debt and other receivables.

Interest Expenses

Our interest expenses primarily consist of (i) interest expenses on borrowings from banks, other financial institutions and non-financial enterprises, (ii) interest expenses on amounts due to central bank and the MOF[1], (iii) interest expenses paid for repurchase transactions and (iv) interest expenses on bonds issued.

Income Tax Expense

We are subject to income tax on an entity basis on profits arising or derived from the jurisdictions in which members of our Group are domiciled and operate. During the Track Record Period, our Company and most of our subsidiaries in the PRC (excluding subsidiaries established in Shenzhen and the western region in the PRC) were subject to an enterprise income tax rate of 25% in accordance with the EIT Law that became effective on January 1, 2008.

SUMMARY FINANCIAL INFORMATION

You should read the summary of historical consolidated financial statement set forth below in conjunction with our consolidated financial information included in the Accountants' Report set forth in Appendix I to this prospectus, together with the accompanying notes, which have been prepared in accordance with IFRS. The summary of audited historical consolidated income statements for the years ended December 31, 2010, 2011 and 2012 and six months ended June 30, 2013, unaudited historical consolidated income statements for the six months ended June 30, 2012 and the consolidated statements of financial position as of December 31, 2010, 2011 and 2012 and June 30, 2013 set forth below are derived from our consolidated financial statements, including the notes thereto, which are set forth in "Appendix I—Accountants' Report."

1 Our transactions with the MOF mainly include two types of transactions by nature. One type is accounts payable to the MOF resulted from acquisition of assets in the policy business portfolio from the MOF at a value determined based on an independent valuation. The other type is purchasing of treasury bonds issued by the MOF in our ordinary course of business. The Directors are of the view that the transactions with the MOF were based on normal commercial terms, and that the first type of transactions between us and the MOF may not continue, while the second type of transactions may continue in the future.

Summary Historical Consolidated Income Statements Data

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Income from distressed debt assets classified as receivables	—	180.9	3,518.4	1,087.0	4,244.5
Fair value changes on distressed debt assets	5,850.9	4,463.1	3,878.3	1,889.1	1,967.9
Fair value changes on other financial assets	426.1	40.5	399.3	234.2	321.6
Investment income	4,834.8	5,779.3	6,528.8	2,701.0	3,908.7
Net insurance premiums earned	4,584.3	5,698.0	5,324.9	2,356.5	2,603.6
Interest income	848.6	1,479.4	2,493.3	879.3	1,934.2
Revenue from sales of inventories	4,148.4	3,236.7	3,924.1	1,394.8	1,376.6
Commission and fee income	2,082.7	1,902.4	2,226.3	954.8	1,129.2
Net gains on disposal of subsidiaries and associates	12.1	174.4	2,585.3	78.0	111.5
Other income and other net gains or losses	1,472.5	1,427.4	1,456.5	634.9	1,071.6
Total	24,260.4	24,382.1	32,335.2	12,209.6	18,669.4
Interest expense	(1,366.3)	(1,807.0)	(3,697.6)	(1,558.4)	(3,155.1)
Insurance costs	(4,433.8)	(5,337.4)	(4,690.1)	(2,103.9)	(2,176.7)
Employee benefits	(2,366.7)	(2,672.4)	(3,417.6)	(1,406.6)	(1,699.4)
Purchases and changes in inventories	(2,654.9)	(1,844.2)	(2,391.8)	(724.5)	(823.9)
Commission and fee expense	(697.4)	(803.5)	(900.7)	(444.9)	(479.4)
Business tax and surcharges	(504.0)	(561.8)	(785.7)	(290.5)	(523.0)
Depreciation and amortization expenses	(499.5)	(428.6)	(449.1)	(244.6)	(210.9)
Other expenses	(1,784.3)	(2,035.3)	(2,266.5)	(898.1)	(1,009.1)
Impairment losses on assets	(495.7)	(536.5)	(4,601.0)	(952.8)	(3,475.9)
Total	(14,802.6)	(16,026.7)	(23,200.1)	(8,624.3)	(13,553.4)
Change in net assets attributable to other holders of consolidated structured entities	(6.1)	50.0	(151.5)	(62.3)	(216.5)
Profit before share of profit or loss of associates and tax	9,451.8	8,405.3	8,983.6	3,523.0	4,899.5
Share of results of associates	504.5	652.9	612.3	360.2	237.9
Profit before tax	9,956.4	9,058.2	9,595.9	3,883.2	5,137.4
Income tax expense	(2,453.8)	(2,271.9)	(2,378.7)	(901.7)	(1,120.4)
Profit for the year/period	**7,502.6**	**6,786.3**	**7,217.2**	**2,981.5**	**4,017.0**
Profit attributable to					
Equity holders of the Company	7,399.0	6,762.8	7,306.3	2,985.3	4,064.8
Non-controlling interests	103.6	23.5	(89.1)	(3.8)	(47.8)

Summary Historical Consolidated Statements of Financial Position Data

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Assets				
Cash and bank balances	33,772.6	27,187.2	42,726.3	29,730.9
Clearing settlement funds	1,415.5	1,286.3	1,525.8	2,059.6
Deposits with exchanges	877.1	778.9	907.2	696.1
Placements with banks	—	—	2,000.0	—
Financial assets at fair value through profit or loss	10,101.9	13,402.1	16,923.0	16,689.8
Financial assets held under resale agreements	369.3	560.5	57.2	1,008.1
Available-for-sale financial assets	62,155.8	64,382.3	64,376.6	62,673.1
Financial assets classified as receivables	—	12,149.8	51,195.1	80,429.7
Loans and advances to customers	2,508.4	9,447.9	25,041.5	31,977.1
Accounts receivable	6,418.2	4,062.5	5,257.3	8,896.3
Held-to-maturity investments	3,775.6	6,261.9	7,343.3	7,636.9
Properties held for sale	11,537.2	13,091.8	13,815.4	14,638.7
Investment properties[(1)]	2,364.3	2,339.4	2,099.7	1,934.5
Interests in associates	5,971.0	6,712.9	7,476.3	7,913.8
Property and equipment	3,733.8	3,732.4	3,466.8	3,394.6
Goodwill	368.0	361.6	361.6	359.5
Other intangible assets	90.9	102.7	137.2	131.1
Deferred tax assets	334.3	1,400.2	2,623.0	3,503.5
Other assets	4,907.5	5,863.6	7,281.1	9,879.7
Total assets	**150,701.4**	**173,124.0**	**254,614.4**	**283,553.0**
Liabilities				
Borrowings from central bank	16,464.6	11,310.7	7,053.4	6,872.7
Accounts payable to brokerage clients	13,677.5	8,150.5	6,629.5	6,773.8
Financial liabilities at fair value through profit or loss	—	0.7	53.4	3.7
Financial assets sold under repurchase agreements	879.5	6,920.5	11,993.6	6,235.0
Placement from banks	—	—	—	950.0
Borrowings	7,826.2	25,178.9	76,099.2	104,100.8
Accounts payable	47,219.5	47,994.9	39,539.4	34,425.3
Investment contract liabilities for policyholders	2,697.3	3,617.8	3,213.1	3,002.9
Tax payable	2,860.3	3,325.3	2,132.1	1,306.8
Insurance contract liabilities	7,632.5	12,300.9	17,585.7	19,673.9
Bonds issued	—	495.0	12,534.6	12,792.1
Deferred tax liabilities	677.9	348.6	356.7	248.2
Other liabilities	8,264.5	10,637.5	16,538.9	24,422.5
Total liabilities	**108,199.8**	**130,281.3**	**193,729.6**	**220,807.7**
Equity				
Share capital	25,155.1	25,155.1	30,140.0	30,140.0
Capital reserve	1,229.0	1,192.5	6,520.6	6,209.0
Investment revaluation reserve	3,402.0	(738.9)	406.1	(98.3)
Surplus reserve	620.2	1,222.4	1,760.0	1,760.0
General reserve	—	501.6	912.3	2,142.0
Retained earnings	6,928.0	10,875.0	15,426.5	16,646.5
Foreign currency translation reserve	(309.0)	(394.6)	(391.9)	(436.8)
Equity attributable to equity holders of the Company	37,025.4	37,813.1	54,773.6	56,362.6
Non-controlling interests	5,476.2	5,029.6	6,111.2	6,382.7
Total equity	42,501.6	42,842.7	60,884.8	62,745.3
Total equity and liabilities	**150,701.4**	**173,124.0**	**254,614.4**	**283,553.0**

(1) We have not obtained certificate of land use right or certificate of property ownership for certain of our investment properties. Under IAS 40, the cost of an item of investment properties shall be recognized as an asset if, and only if: (i) it is probable that future economic benefits associated with the item will flow to the entity; and (ii) the cost of such item can be measured reliably. Considering that we have paid consideration to obtain those investment properties, and relevant economic benefits from such assets have flowed to us, we recognized the investment properties although property right registration has not been completed.

The following table sets forth the revenue breakdown according to the types of the financial assets during the Track Record Period.

Items of Statement of Financial Position	As at December 31,			As at June 30,	Items of Income Statement	For the year ended December 31,			For the six months ended June 30,
	2010	2011	2012	2013		2010	2011	2012	2013
					(in millions of RMB)				
Cash and bank balances	33,772.6	27,187.2	42,726.3	29,730.9	Interest income	290.1	451.7	652.1	431.5
Clearing settlement funds	1,415.5	1,286.3	1,525.8	2,059.6	Interest income from clearing settlement funds and deposits with exchanges and a financial institution	159.1	157.6	153.9	64.1
Deposits with exchanges and a financial institution	877.1	778.9	907.2	696.1					
Placements with banks	—	—	2,000.0	—	Interest income	—	—	31.1	32.1
Distressed debt assets at fair value through profit or loss	7,293.7	7,415.4	7,960.2	8,371.6	Fair value changes on distressed debt assets	5,850.9	4,463.1	3,878.3	1,967.9
Other financial assets at fair value through profit or loss	2,808.2	5,986.7	8,962.8	8,318.2	Fair value changes on other financial assets	426.1	40.5	399.3	321.6
Financial assets held under resale agreements	369.3	560.5	57.2	1,008.1	Interest income	1.2	12.9	4.5	5.7
Available-for-sale financial assets	62,155.8	64,382.3	64,376.6	62,673.1	Investment income	4,710.5	5,515.7	5,843.1	3,564.5
Financial assets classified as receivables— Distressed debt assets	—	9,681.1	48,068.2	77,888.2	Income from distressed debt assets classified as receivables	—	180.9	3,518.4	4,244.5
Financial assets classified as receivables— Others	—	2,468.7	3,126.9	2,541.5	Investment income	—	59.4	396.3	167.7
Loans and advances to customers	2,508.4	9,447.9	25,041.5	31,977.1	Interest income	238.1	748.8	1,593.1	1,245.6
Accounts receivable	6,418.2	4,062.5	5,257.3	8,896.3	Interest income	160.0	108.3	58.6	155.2
Held-to-maturity investments	3,775.6	6,261.9	7,343.3	7,636.9	Investment income	124.4	204.2	289.5	176.5

MAJOR FINANCIAL RATIOS

	For the year ended December 31,			For the six months ended June 30,
	2010	2011	2012	2013(4)
Return on average shareholders' equity(1)	25.5%	18.1%	15.8%	14.6%
Return on average assets(2)	6.3%	4.2%	3.4%	3.0%
Cost-to-income ratio(3)	30.8%	35.2%	29.7%	24.3%

(1) Represents the percentage of profit attributable to the equity holders of the Company 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) For convenience only, the ratios of return on average shareholders' equity and return on average assets for the six months ended June 30, 2013 presented above are annualized amounts derived by multiplying by two the actual ratios for the six months ended June 30, 2013, are not intended to be representative of what the ratios would be for the twelve months ending December 31, 2013 and are not comparable to the ratios in the twelve months ended December 31, 2010, 2011 or 2012.

Our total income increased by 0.5% from RMB24,260.4 million in 2010 to RMB24,382.1 million in 2011, and further increased by 32.6% to RMB32,335.2 million in 2012. The significant increase in 2012 was mainly attributable to the expansion of income sources by developing our Restructuring Model business, a significant increase in income from the disposal of DES Assets and the substantial increase in interest income and commission and fee income due to the rapid development of trust and financial leasing businesses. Our total income increased by 52.9% from RMB12,209.6 million for the six months ended June 30, 2012 to RMB18,669.4 million for the same period in 2013, which was primarily attributable to the expansion of our income sources by continuously developing our Restructuring Model business, a significant increase in income from the disposal of DES Assets and a substantial increase in related income derived from our fast-growing business at our financial subsidiaries.

Our net profit decreased by 9.5% from RMB7,502.6 million in 2010 to RMB6,786.3 million in 2011. The decrease was mainly because our insurance business was still in an early stage of development and was still at loss, which is in line with the development pattern of insurance companies. Our net profit increased by 6.3% from RMB6,786.3 million in 2011 to RMB7,217.2 million in 2012. Our net profit increased by 34.7% from RMB2,981.5 million for the six months ended June 30, 2012 to RMB4,017.0 million for the same period in 2013. The significant increases in our net profit in 2012 and for the six months ended June 30, 2013 were driven by the increase in income from distressed debt assets classified as receivables and gains from disposal of DES Assets, thus our profit before tax and impairment losses significantly increased from 2011 to 2012 and from the six months ended June 30, 2012 to the same period in 2013. However, we made provisions for impairment losses of RMB2,917.9 million in 2012 and RMB1,585.6 million in the six months ended June 30, 2013 and in accordance with the accounting standards in respect of our equity interests in Chalco, a listed DES Company, which limited the growth of our profit.

Our total assets increased by 14.9% from RMB150,701.4 million as at December 31, 2010 to RMB173,124.0 million as at December 31, 2011, and further increased by 47.1% to RMB254,614.4 million as at December 31, 2012. Our total assets increased by 11.4% to RMB283,553.0 million as at June 30, 2013 from December 31, 2012. The significant increases from December 31, 2011 to December 31, 2012 and further to June 30, 2013 were mainly attributable to (i) the significant increase in the balance of investments classified as receivables in line with our vigorous development of the Restructuring Model business, (ii) the significant increase in the assets of our financial investment and asset management business in 2012 and (iii) the significant increase in assets of our financial services business, reflecting the rapid development of our financial leasing and insurance businesses.

Equity attributable to equity holders of the Company increased by 2.1% from RMB37,025.4 million as at December 31, 2010 to RMB37,813.1 million as at December 31, 2011, and further increased by 44.9% to RMB54,773.6 million as at December 31, 2012. The significant increase was mainly attributable to the proceeds of RMB10,368.6 million from issuing shares to strategic investors in 2012 and the increase in retained earnings for 2012. Equity attributable to equity holders of the Company increased by 2.9% from RMB54,773.6 million as at December 31, 2012 to RMB56,362.6 million as at June 30, 2013, primarily due to the increase in our retained earnings in the first half of 2013, which was partially offset by the dividends paid to our Shareholders for 2012.

In 2010, 2011 and 2012, the return on average shareholders' equity was 25.5%, 18.1% and 15.8%, respectively, and return on average assets was 6.3%, 4.2% and 3.4%, respectively. Return on average shareholders' equity and return on average assets decreased from 2010 to 2011 mainly because: (i) the beginning balances of our total assets and total equity in 2010 were relatively low as such balances did not reflect the revaluation gain as a result of the appraisal made in connection with the restructuring and establishment of our Company as a joint stock company in 2010; and (ii) we completed the disposal of a portion of the distressed debt assets and DES Assets in 2010 through which we realized relatively high net gains on these DES Assets. Return on average shareholders' equity and return on average assets decreased from 2011 to 2012, mainly attributable to: (i) the equity dilution as a result of issuing new shares to strategic investors in 2012; (ii) the additional capital injections into our insurance business to improve its solvency ratio, which lowered overall returns; and (iii) the provisions we made in response to the downturn of the capital markets in 2012 and in accordance with accounting policy lowered the net profit growth despite of the significant increase in profit before impairment losses on assets as a result of the rapid increase in income from distressed assets, the rapid development of trust and financial leasing businesses as well as our effective cost control measures.

For the six months ended June 30, 2013, our annualized return on average shareholders' equity and annualized return on average assets were 14.6% and 3.0%, respectively.

Our cost-to-income ratio increased from 30.8% in 2010 to 35.2% in 2011, mainly attributable to (i) the decrease in the income from the disposal of distressed debt assets generated from Traditional Model and (ii) the expansion of our business network and the increase in the number of employees. The cost-to-income ratio decreased from 35.2% in 2011 to 29.7% in 2012 and further decreased to 24.3% in the first half of 2013, mainly attributable to the enlarged scale of our three principal business segments, the significant increase in total income and our effective cost control.

RESULTS OF OPERATIONS OF THE CONSOLIDATED GROUP

Total Income

Income from Distressed Assets

Our income from distressed assets, which is classified as different accounting items based on the nature of the assets, includes (i) income from distressed debt assets classified as receivables, which is also known as income from debt restructuring, (ii) fair value changes on distressed debt assets, including realized gains or losses from disposal of distressed debt assets designated as at fair value and unrealized fair value changes on such assets, (iii) 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 (iv) net gains on disposal of assets in satisfaction of debt. The table below sets out the components of our income from distressed assets for the years and periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2010	**2011**	**2012**	**2012**	**2013**
				(unaudited)	
	(in millions of RMB)				
Income from distressed debt assets classified as receivables	—	180.9	3,518.4	1,087.0	4,244.5
Fair value changes on distressed debt assets	5,850.9	4,463.1	3,878.3	1,889.1	1,967.9
Income from DES Assets	3,562.4	4,058.7	5,647.7	1,815.5	3,166.2
Available-for-sale financial assets(1)	3,562.4	4,058.7	4,664.5	1,815.5	3,166.2
Interests in associates(2)	—	—	983.2	—	—
Net gains on disposal of assets in satisfaction of debt(3)	3.2	83.4	189.1	61.8	27.8
Total	**9,416.5**	**8,786.1**	**13,233.5**	**4,853.4**	**9,406.4**

(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, which is included as investment income on our consolidated income statements.
(2) Represents net gains on disposal of interest in associates included in our DES assets, which are included as net gains on disposal of subsidiaries and associates on our consolidated income statements.
(3) Included in other income and other net gains or losses on our consolidated income statements.

Our income from distressed assets increased from RMB9,416.5 million in 2010 to RMB13,233.5 million in 2012 with a CAGR of 18.5%, accounting for 38.8%, 36.0% and 40.9% of our total income for 2010, 2011 and 2012, respectively. Our income from distressed assets increased by 93.8% from RMB4,853.4 million for the six months ended June 30, 2012 to RMB9,406.4 million for the same period in 2013, accounting for 39.8% and 50.4%, respectively, of our total income for their corresponding periods. For the analysis of the income from distressed assets, please refer to "—Income from Distressed Debt Assets Classified as Receivables," "—Fair Value Changes on Distressed Debt Assets," "—Investment Income," "—Net Gains on Disposal of Subsidiaries and Associates" and "—Other Income and Other Net Gains or Losses" below. For the specific definition of DES Assets, please refer to the section entitled "Business—Distressed Asset Management—DES Assets Management" in this prospectus.

Income from Distressed Debt Assets Classified as Receivables

Our income from distressed debt assets classified as receivables refers to income from distressed debt assets classified as receivables on consolidated statements of financial position. Distressed debt assets classified as receivables include NPLs and other distressed debts acquired from financial institutions and accounts receivable acquired from non-financial enterprises through our Restructuring Model. Income from distressed assets classified as receivables represented nil, 0.7%, 10.9%, 8.9% and 22.7% of our total income for the years ended December 31, 2010, 2011, 2012 and for the six months ended June 30, 2012 and 2013, respectively.

In 2011, we developed the Restructuring Model based on our Traditional Model. Under the Restructuring Model, we determined debt restructuring plans when we acquire accounts receivable from non-financial enterprises and distressed loans or debts from banks, trusts and other financial institutions. We generally determine the rate of return on debt restructuring of accounts receivable of non-financial enterprises through negotiating with debtors and creditors based on their liquidity and financial conditions. In respect of loans acquired from financial institutions, we mainly take into account the interest rates set out in the original contracts and charge penalties when debtors fail to repay in a timely manner. After reaching agreement among us, the creditors and the debtors, a series of debt restructuring arrangements are carried out in relation to, among others, the amount, methods and schedules for repayment as well as the collateral or guarantee for the purposes of debt collection and realizing gains from restructuring. As at December 31, 2010, 2011, 2012 and June 30, 2013, the gross balance of our distressed debt assets classified as receivables under such business model amounted to nil, RMB9,701.1 million, RMB49,550.5 million and RMB80,086.4 million, mainly because we had designed and continuously adjusted the transaction structures of such products to meet market demands, and as a result, we achieved a rapid growth of our Restructured Distressed Assets since 2011.

We significantly increased our investment in distressed debt assets classified as receivables primarily because (1) we seized the arising opportunities of accounts receivable of non-financial enterprises as a result of the increased volume of accounts receivable due to macroeconomic conditions and industry consolidation; (2) since the distressed assets for sale in the market by commercial banks was limited due to the regulatory restrictions during the period after the state-owned banks disposed of their distressed assets in large volume in 2004 and 2005 and before the regulatory promulgation of the administrative measures on the batch transfer of distressed assets of financial enterprises in 2012, we proactively explored alternative sources of distressed assets and increased our acquisition of distressed debt assets classified as receivables in response to the changes in market conditions; and (3) we obtained the license to conduct this business in 2010, expanded into this business rapidly in 2011, and achieved significant growth in 2012.

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Our income from distressed debt assets classified as receivables increased by 290.5% to RMB4,244.5 million for the six months ended June 30, 2013 compared to RMB1,087.0 million for the same period in 2012, primarily because the total average amount of distressed debt assets classified as receivables increased rapidly, which resulted in significant increase of the profit, and the gross balance of distressed debt assets classified as receivables increased further by 61.6% from RMB49,550.5 million as at December 31, 2012 to RMB80,086.4 million as at June 30, 2013.

As at December 31, 2012 and June 30, 2013, our balance of distressed debt assets classified as receivables, accounts receivable acquired from non-financial enterprises and loans acquired from financial institutions increased from RMB30,256.0 million and RMB19,294.5 million to RMB50,402.6 million and RMB29,683.8 million, respectively. Accounts receivable of non-financial enterprises were the major assets in distressed debt assets classified as receivables acquired by us. Under current market and macroeconomic environments, we have made significant efforts to acquire distressed debt assets classified as receivables from non-financial enterprises in light of the gradually expanded scale and the prolonged recovery period of accounts receivable from non-financial enterprises, as well as the increased demand for restructuring accounts receivable. As at December 31, 2012 and June 30, 2013, our balance of accounts receivable acquired from non-financial enterprises accounted for 61.1% and 62.9%, respectively, of the balance of distressed debt assets classified as receivables.

Annualized return of monthly average balance of distressed debt assets classified as receivables decreased from 15.2% for the six months ended June 30, 2012 to 13.8% for the six months ended June 30, 2013 mainly due to adjustments in our industry concentration and increases in the shares of our business with leading enterprises in their respective industries as well as changes in the liquidity of the market from 2012 to the first half of 2013.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Our income from distressed debt assets classified as receivables increased by 18.4 times to RMB3,518.4 million in 2012 compared to RMB180.9 million in 2011, primarily because the gross balance of distressed debt assets classified as receivables increased by 4.1 times from RMB9,701.1 million as at December 31, 2011 to RMB49,550.5 million as at December 31, 2012.

As at December 31, 2011 and 2012, in our balance of distressed debt assets classified as receivables, accounts receivable acquired from non-financial enterprises and loans acquired from financial institutions increased from RMB6,601.8 million and RMB3,099.3 million to RMB30,256.0 million and RMB19,294.5 million, respectively. Accounts receivable of non-financial enterprises were the major assets in distressed debt assets classified as receivables acquired by us. As at December 31, 2011 and 2012, our balance of accounts receivable acquired from nonfinancial institutions accounted for 68.1% and 61.1% of the balance of distressed debt assets classified as receivables, respectively.

Annualized return of monthly average balance of distressed debt assets classified as receivables decreased slightly from 17.2% in 2011 to 16.0% in 2012 mainly because (i) the market liquidity was looser in the second half of 2012 than that in the period from 2011 to early 2012, and (ii) the PBOC lowered the benchmark interest rate twice, once in each of June and July 2012.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

We launched our Restructuring Model business in 2011. We did not have income from distressed debt assets classified as receivables in 2010.

Fair Value Changes on Distressed Debt Assets

Fair value changes on distressed debt assets include (i) net gains realized from disposal of distressed debt assets designated as at fair value through profit or loss and (ii) unrealized fair value changes on such distressed debt assets. Distressed debt assets at fair value mainly include distressed assets sold by commercial banks, other financial institutions and non-financial enterprises. We usually acquired such assets at discount to their Original Values under our Traditional Model. We categorize these assets based on their nature, devise the corresponding management and disposal strategies to increase the value of the assets and achieve cash recovery. As at December 31, 2010, 2011, 2012 and June 30, 2013, our balance of distressed debt assets at fair value was RMB7,293.7 million, RMB7,415.4 million, RMB7,960.2 million and RMB8,371.6 million, respectively. For the years ended December 31, 2010, 2011, 2012 and the six-month periods ended June 30, 2012 and 2013, fair value changes on distressed debt financial assets were RMB5,850.9 million, RMB4,463.1 million, RMB3,878.3 million, RMB1,889.1 million and RMB1,967.9 million, respectively, accounting for 24.1%, 18.3%, 12.0%, 15.5% and 10.5% of our total income, respectively.

The table below sets out the changes of our distressed debt assets at fair value:

	As at and for the year/period ended December 31/June 30,
	(in millions of RMB)
Group	
December 31, 2009	**7,622.0**
Ending balance of:	
Acquisition for the year	3,547.1
Disposal for the year	(4,446.3)
Unrealized fair value changes	570.9
December 31, 2010	**7,293.7**
Ending balance of:	
Acquisition for the year	2,893.7
Disposal for the year	(2,934.4)
Unrealized fair value changes	162.4
December 31, 2011	**7,415.4**
Ending balance of:	
Acquisition for the year	3,456.1
Disposal for the year	(3,208.9)
Unrealized fair value changes	297.6
December 31, 2012	**7,960.2**
Ending balance of:	
Acquisition for the period	2,113.1
Disposal for the period	(2,114.5)
Unrealized fair value changes	412.8
June 30, 2013	**8,371.6**

The table below sets out the components of fair value changes on our distressed debt assets for the years and periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Realized fair value changes	5,280.0	4,300.7	3,580.7	1,578.0	1,555.1
Unrealized fair value changes	570.9	162.4	297.6	311.1	412.8
Total fair value changes on distressed debt assets	**5,850.9**	**4,463.1**	**3,878.3**	**1,889.1**	**1,967.9**

Due to the nature of the Traditional Distressed Assets management business, the timing of and income generated from disposal of distressed debt assets depend on specific factors for each project, including the financial and operation conditions of debtors, the status of distressed debt assets at the time of disposal, the methods of disposal of distressed debt assets, the prevailing market conditions, and negotiations with our counterparties. The income generated from disposal and the timing of income recognition may vary from project to project. Therefore, the net gain or loss and rate of return (which represents the realized fair value changes divided by the amount of disposal for the year/period) from the disposal of distressed debt assets for each year/period fluctuate significantly as they depend on the conditions of specific projects disposed of in the year/period and previous years/periods. During and after acquiring such distressed debt assets, we formulate proposals for overall goals and plans for disposal based upon the conditions of each asset and our operation strategies to cover our acquisition costs in a timely manner and increase our disposal gains.

In 2010, 2011, 2012 and for the six months ended June 30, 2013, our net rate of return on such assets were 118.8%, 146.6%, 111.6% and 73.5%, respectively.

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Fair value changes on distressed debt assets slightly increased by 4.2% to RMB1,967.9 million for the six months ended June 30, 2013 compared to RMB1,889.1 million for the same period in 2012, which remained stable. The amount of disposed distressed debt assets for the six months ended June 30, 2013 was RMB2,114.5 million, while the rate of return from disposal of such assets during this period decreased to 73.5% from 111.6% in 2012, primarily due to our disposal of certain assets in the first half of 2013 with a disposal cost of RMB587 million, for which we did not realize substantial gains as a result of the facts that: (i) gains from disposal of certain assets were recorded as unrealized fair value changes in 2012, leading to a relatively small amount of fair value changes realized through disposal in 2013; and (ii) certain projects were disposed of within a short period of time since the acquisition, which in turn lowered the yields.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Fair value changes on distressed debt assets decreased by 13.1% to RMB3,878.3 million in 2012 compared to RMB4,463.1 million in 2011, primarily due to a decrease in the realized fair value changes on distressed debt assets (which represents the net gains on disposal of such assets) by 16.7% from RMB4,300.7 million in 2011 to RMB3,580.7 million in 2012. The decrease in net gains from disposal of such assets was primarily attributable to a decrease in the rate of return despite an increase of the amount of distressed debt assets disposed by 9.4% from RMB2,934.4 million in 2011 to RMB3,208.9 million in 2012. The rate of return decreased from 146.6% in 2011 to 111.6% in 2012 primarily because we disposed of a piece of distressed debt asset in 2012 in the amount of approximately RMB1,200 million, the rate of return and means of disposal for which was pre-determined when we acquired it in 2010. We disposed this asset through collection in stages in 2011 and 2012 and realized a rate of return on disposal of assets of 9.6% in 2012, which lowered our overall rate of return on disposal of assets during 2012.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Fair value changes on distressed debt assets decreased by 23.7% to RMB4,463.1 million in 2011 compared to RMB5,850.9 million in 2010, primarily due to a decrease in the realized fair value changes of distressed debt assets by 18.5% from RMB5,280.0 million in 2010 to RMB4,300.7 million in 2011. The decrease in net gain from disposal of such assets was mainly attributable to a decrease of the amount of disposed distressed debt assets by 34.0% from RMB4,446.3 million in 2010 to RMB2,934.4 million in 2011 which was mainly because (i) we managed the schedule of disposing Traditional Distressed Assets based on our business strategies and prevailing market conditions; (ii) the volume of distressed asset packages sold by banks in the public market decreased, and consequently, we adapted to the changes in the market and actively explored other sources of distressed debt assets. The rate of return on disposal of such assets increased from 118.8% to 146.6%, mainly because the variations in the rates of return reflect the normal fluctuation in the rates of return on disposal of the Traditional Distressed Assets.

Fair Value Changes on Other Financial Assets

Fair value changes on other financial assets consist of net realized gain from disposal of, dividend and interest income from and unrealized fair value changes of non-distressed financial assets at fair value through profit or loss stated in our consolidated statements of financial position, primarily including bonds, wealth management products, fund products, equity instruments and derivatives for investment purposes.

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Fair value changes on other financial assets increased by 37.3% to RMB321.6 million for the six months ended June 30, 2013 compared to RMB234.2 million for the same period in 2012, primarily due to income from the investment in stocks, mutual fund and bonds by Cinda Securities and Happy Life.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Fair value changes on other financial assets increased significantly to RMB399.3 million in 2012 compared to RMB40.5 million in 2011, primarily due to an increase in the volume of bonds held by Happy Life and Cinda Securities and the fact that there was no significant decrease in prices of certain securities in our investment portfolio in 2012 as comparable to that in 2011.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Fair value changes on other financial assets decreased significantly to RMB40.5 million in 2011 compared to RMB426.1 million in 2010, primarily due to the substantial decrease in the fair value of bonds, mutual funds and stocks held by Happy Life and Cinda Securities, mainly reflecting the unfavorable PRC securities market in 2011.

Investment Income

For the years ended December 31, 2010, 2011, 2012 and the six-month periods ended June 30, 2012 and 2013, investment income accounted for 19.9%, 23.7%, 20.2%, 22.1% and 20.9% of our total income, respectively. The table below sets out the components of our investment income for the years and periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Net realized gains from disposal of					
Available-for-sale financial assets	3,843.9	3,308.2	3,908.2	1,328.5	2,647.1
Interest income from investment securities					
Available-for-sale financial assets	263.7	576.1	686.9	336.9	313.3
Debt securities classified as receivables	—	59.4	396.3	241.9	167.7
Held-to-maturity financial assets	124.4	204.2	289.4	139.1	176.6
Dividend income					
Available-for-sale financial assets	602.8	1,631.4	1,248.0	654.6	604.0
Total investment income	**4,834.8**	**5,779.3**	**6,528.8**	**2,701.0**	**3,908.7**

Investment income from available-for-sale financial assets, including (i) net realized gains on disposal of available-for-sale financial assets stated in our consolidated statements of financial position, (ii) interest income from available-for-sale financial assets stated in our consolidated statements of financial position and (iii) dividend income from available-for-sale financial assets stated in our consolidated statements of financial position, is the main part of our investment income, and accounted for 97.4%, 95.4%, 89.5%, 85.9% and 91.2% of our total investment income in 2010, 2011, 2012 and for the six-month periods ended June 30, 2012 and 2013, respectively. The changes of investment income from available-for-sale financial assets from 2010 to 2012 as well as from the first half of 2012 to the first half of 2013 were mainly attributable to the changes in dividend income and net gains from disposal of the DES Assets held by our Company. In accordance with our accounting policies, since the fair value of the unlisted available-for-sale equity investments cannot be reliably measured, they are measured at cost less any identified impairment losses at the balance sheet date. In 2010, 2011, 2012 and for the six months ended June 30, 2013, we disposed of 27, 54, 43 and 12 debt-to-equity enterprises[1], respectively, the acquisition cost for which was RMB2,458.4 million, RMB2,226.5 million, RMB2,827.0 million and RMB2,394.5 million while the net gains on disposal of which were RMB3,111.2 million, RMB2,589.3 million, RMB4,682.9 million and RMB2,659.6 million, accounting for 126.6%, 116.3%, 165.6% and 111.1% of the acquisition cost, respectively. Please refer to the section entitled "Business—Distressed Asset Management—DES Assets Management" for details of DES Assets held by our Company. The table below sets out the components of investment income from our available-for-sale financial assets for the years and periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Net realized gains on disposal of available-for-sale financial assets	3,843.9	3,308.2	3,908.2	1,328.5	2,647.1
DES Assets of our Company(1)	3,111.2	2,589.3	3,699.7	1,192.5	2,659.6
Others (2)	732.7	718.9	208.5	136.0	(12.5)
Interest income from available-for-sale financial assets	263.7	576.1	686.9	336.9	313.3
Dividend income from available-for-sale financial assets	602.8	1,631.4	1,248.0	654.6	604.0
DES Assets of our Company	451.2	1,469.4	964.8	623.0	506.6
Principal equity investment of our Company and others	151.6	162.0	283.2	31.6	97.4
Total investment income from available-for-sale financial assets	**4,710.4**	**5,515.7**	**5,843.1**	**2,320.0**	**3,564.4**

(1) Net realized gains on disposal of DES Assets under available-for-sale financial assets do not include net realized gains from disposal of interests in associates included in DES Assets.
(2) Mainly include net gains on disposal of equity assets held by Cinda Investment and Well Kent International as well as bonds and mutual funds held by Happy Life.

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Our investment income increased by 44.7% to RMB3,908.7 million for the six months ended June 30, 2013 compared to RMB2,701.0 million for the same period in 2012, primarily due to

1 Includes the available-for-sale equity assets which are included under the distressed asset management segment and the equity interests we held in Beijing Zizhu Pharmaceutical Co. Ltd.

increases in (i) our net realized gains on disposal of available-for-sale financial assets and (ii) interest income from held-to-maturity financial assets which were partially offset by the decrease in (i) dividend income from available-for-sale financial assets and (ii) interest income from available-for-sale financial assets and debt securities classified as receivables.

Our net realized gains on disposal of available-for-sale financial assets increased by 99.3% to RMB2,647.1 million for the six months ended June 30, 2013 compared to RMB1,328.5 million for the same period in 2012, primarily attributable to the substantial gains realized as a result of the large amount of DES Assets we disposed of in the first half of 2013. Our realized net gains on disposal of DES Assets of our Company under available-for-sale financial assets increased by 123.0% to RMB2,659.6 million for the six months ended June 30, 2013 compared to RMB1,192.5 million for the same period in 2012.

Our interest income from debt securities classified as receivables decreased by 30.7% to RMB167.7 million for the six months ended June 30, 2013 compared to RMB241.9 million for the same period in 2012, primarily due to a decrease in the balance of interest-earning trust products and certificate treasury products purchased by us. Our interest income from held-to-maturity investments increased by 27.0% to RMB176.6 million for the six months ended June 30, 2013 compared to RMB139.1 million for the same period in 2012, primarily due to an increase in interest income on debt securities held by Happy Life and Cinda P&C as a result of the increase in its investment in debt securities.

Our dividend income from available-for-sale financial assets decreased by 7.7% to RMB604.0 million for the six months ended June 30, 2013 compared to RMB654.6 million for the same period in 2012, primarily due to a decrease in dividend income from the DES Companies in the first half of 2013, which was subject to the dividend distribution plans determined by these companies. The decrease in the dividends distribution from DES Companies during the first half of 2013 reflected the impact of the macro-economy and operating conditions in the relevant industries.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Our investment income increased by 13.0% to RMB6,528.8 million in 2012 compared to RMB5,779.3 million in 2011, primarily due to increases in (i) our net realized gains on disposal of available-for-sale financial assets and (ii) interest income from available-for-sale financial assets, debt securities classified as receivables and held-to-maturity financial assets which were partially offset by a decrease in dividend income from available-for-sale financial assets.

Our net realized gains on disposal of available-for-sale financial assets increased by 18.1% to RMB3,908.2 million in 2012 compared to RMB3,308.2 million in 2011, primarily because we had substantial gains from disposal of certain DES Assets held by us in 2012, which resulted in an increase in the rate of return of assets disposed. Our realized net gains on disposal of DES assets of our Company under available-for-sale financial assets increased by 42.9% to RMB3,699.7 million in 2012 as compared to RMB2,589.3 million in 2011.

Our interest income from available-for-sale financial assets increased by 19.2% to RMB686.9 million in 2012 compared to RMB576.1 million in 2011, primarily due to an increase in interest income on debt securities held by Cinda Securities and Happy Life. Our interest income from debt securities classified as receivables significantly increased to RMB396.3 million in 2012 compared to RMB59.4 million in 2011, primarily due to an increase in interest income on trust products and certificate treasury bonds purchased by the Company and Jingu Trust in late 2011 which generated interest income in 2012. Our interest income from held-to-maturity investments increased by 41.7% to RMB289.4 million in 2012 compared to RMB204.2 million in 2011, primarily due to an increase in interest income on debt securities held by Happy Life as a result of the increase in its investment in debt securities.

Our dividend income from available-for-sale financial assets decreased by 23.5% to RMB1,248.0 million in 2012 compared to RMB1,631.4 million in 2011, primarily due to a decrease in dividend income from the DES Companies in 2012, which was subject to the dividend distribution plans determined by these companies.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Our investment income increased by 19.5% to RMB5,779.3 million in 2011 compared to RMB4,834.8 million in 2010, primarily due to increases in (i) our dividend income from available-for-sale financial assets and (ii) interest income from available-for-sale financial assets, held-to-maturity financial assets and debt securities classified as receivables, which were partially offset by a decrease in the net gains realized on disposal of available-for-sale financial assets.

Our dividend income from available-for-sale financial assets increased by 170.6% to RMB1,631.4 million in 2011 compared to RMB602.8 million in 2010, primarily due to an increase in dividends received from the DES Companies.

Our interest income from available-for-sale financial assets increased by 118.5% to RMB576.1 million in 2011 compared to RMB263.7 million in 2010, primarily due to an increase in the debt securities held by Cinda Securities and Happy Life in 2011. Our interest income from held-to-maturity investments increased by 64.1% to RMB204.2 million in 2011 compared to RMB124.4 million in 2010, primarily due to an increase in the interest income from debt securities held by Happy Life as a result of its additional investments in debt securities. Our interest income from debt securities classified as receivables increased to RMB59.4 million in 2011 compared to nil in 2010. Our interest income in 2011 primarily included interest income from trust products and certificate treasury bonds purchased by us in 2011.

Our net realized gains on disposal of available-for-sale financial assets decreased by 13.9% to RMB3,308.2 million in 2011 compared to RMB3,843.9 million in 2010, primarily due to a decrease of the DES assets sold under available-for-sale financial assets, which was partially offset by higher rate of return of assets disposed. The net realized gains on disposal of DES Assets of our Company decreased by 16.8% to RMB2,589.3 million in 2011 compared to RMB3,111.2 million in 2010.

Net Insurance Premiums Earned

The following table sets out, for the years and periods indicated, the breakdown of our net insurance premiums earned:

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Gross written premiums	4,842.2	6,258.6	8,101.4	4,189.5	3,953.6
Less: Premiums ceded to reinsurers	(41.8)	(246.6)	(2,258.7)	(1,700.9)	(1,194.7)
Change of unearned premium reserves	(216.1)	(314.0)	(517.8)	(132.1)	(155.3)
Net insurance premiums earned	**4,584.3**	**5,698.0**	**5,324.9**	**2,356.5**	**2,603.6**

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Our gross written premiums decreased by 5.6% to RMB3,953.6 million for the six months ended June 30, 2013 compared to RMB4,189.5 million for the same period in 2012, primarily attributable to a decrease in gross written premiums of Happy Life, which was partially offset by the increased gross written premiums of Cinda P&C. Gross written premiums of Cinda P&C significantly increased from the six months ended June 30, 2012 compared to the same period in 2013 primarily due to the expansion of Cinda P&C's branches from 54 as at June 30, 2012 to 115 as at June 30, 2013, along with higher productivity at its branches. Gross written premiums of Happy Life decreased from the six months ended June 30, 2012 compared to the same period in 2013 primarily because Happy Life's solvency margin ratio fell below the required ratio and was suspended for launching new businesses for a period of time, which subsequently led to the decrease in insurance premiums. Our premiums ceded to reinsurers significantly decreased to RMB1,194.7 million for the six months ended June 30, 2013 compared to RMB1,700.9 million for the same period in 2012, primarily because Cinda P&C and Happy Life decreased their respective cession ratios; in particular, Happy Life reduced its cession ratio as a result of its completion of capital injection on April 18, 2013 and its compliance with the required solvency margin ratio. Charge of unearned premium reserves was RMB155.3 million for the six months ended June 30, 2013 compared to RMB132.1 million for the same period in 2012, which was in line with the business growth of Cinda P&C and Happy Life and the change in cession ratios during the same period.

As a result of the foregoing, our net insurance premiums earned increased by 10.5% to RMB2,603.6 million for the six months ended June 30, 2013 compared to RMB2,356.5 million for the same period in 2012.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Our gross written premiums increased by 29.4% to RMB8,101.4 million in 2012 compared to RMB6,258.6 million in 2011, primarily attributable to the branch network expansion by both Cinda P&C and Happy Life. Gross written premiums of Cinda P&C increased from 2011 to 2012, primarily due to an increase in premiums received from motor vehicle insurance in line with expansion of Cinda P&C's branches, which increased from 30 as at December 31, 2011 to 86 as at December 31, 2012. Gross written premiums of Happy Life increased from 2011 to 2012, primarily due to (i) an increase of renewal premiums as a result of accumulation of regular premiums, and (ii) an increase in the number of Happy Life's branches from 156 as at December 31, 2011 to 206 as at December 31, 2012. Our premiums ceded to reinsurers significantly increased to RMB2,258.7 million in 2012 compared to RMB246.6 million in 2011, primarily because Happy Life increased the cession ratios in order to maintain the solvency ratio and ensure the steady and healthy growth of business. Charge of unearned premium reserves was RMB517.8 million in 2012 compared to RMB314.0 million in 2011, which was in line with the business growth of Cinda P&C and Happy Life and the change in cession ratios during the same period.

As a result of the foregoing, our net insurance premiums earned decreased by 6.5% to RMB5,324.9 million in 2012 compared to RMB5,698.0 million in 2011.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Our gross written premiums increased by 29.3% to RMB6,258.6 million in 2011 compared to RMB4,842.2 million in 2010, primarily due to the branch network expansion by both Cinda P&C and

Happy Life. Gross written premiums of Cinda P&C increased from 2010 to 2011, primarily attributable to an increase in premiums received from motor vehicle insurance because Cinda P&C's branches increased from 6 as at December 31, 2010 to 30 as at December 31, 2011. Gross written premiums of Happy Life increased from 2010 to 2011, primarily due to (i) an increase in renewal premiums as a result of accumulation of regular premiums and (ii) an increase in the number of branches from 94 as at December 31, 2010 to 156 as at December 31, 2011. Our premiums ceded to reinsurers significantly increased to RMB246.6 million in 2011 compared to RMB41.8 million in 2010, primarily due to the increase in premiums ceded to reinsurers by Happy Life and Cinda P&C. Change of unearned premium reserves was an increase of RMB314.0 million in 2011 compared to RMB216.1 million in 2010, which was in line with the business growth of Cinda P&C and Happy Life and the change in cession ratios during the same period.

As a result of the foregoing, our net insurance premiums earned increased by 24.3% to RMB5,698.0 million in 2011 compared to RMB4,584.3 million in 2010.

Commission and Fee Income

The following table sets out the components of our commission and fee income for the years and periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Securities and futures brokerage	1,417.6	960.2	768.7	381.8	413.0
Trust services	19.1	139.8	556.6	233.8	408.2
Consultancy and financial advisory	159.7	287.5	528.9	201.6	127.3
Fund and asset management business	251.0	240.1	178.2	89.4	93.9
Securities underwriting	162.7	118.9	134.9	39.0	50.7
Agency business	38.4	62.4	35.6	7.4	15.3
Others	34.2	93.5	23.4	1.8	20.8
Total commission and fee income	**2,082.7**	**1,902.4**	**2,226.3**	**954.8**	**1,129.2**

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Our commission and fee income increased by 18.3% to RMB1,129.2 million for the six months ended June 30, 2013 compared to RMB954.8 million for the same period in 2012, primarily due to an increase in commission and fee income from trustee services, which was partially offset by a decrease in commission and fee income from consultancy and financial advisory.

Our fee income on trust services consists primarily of fees for trust services provided by Jingu Trust. Such fee income increased by 74.6% to RMB408.2 million for the six months ended June 30, 2013 compared to RMB233.8 million for the same period in 2012, primarily attributable to the enhanced cross selling of our Group and the improved trust product portfolio. The trust assets managed by Jingu Trust increased to RMB100,522.2 million as at June 30, 2013 compared to RMB54,942.8 million as at June 30, 2012. The proportion of collective trust products, which have relatively high rate of return, to the total trust assets increased to 24.5% as at June 30, 2013 compared to 21.4% as at June 30, 2012.

Our consultancy and financial advisory fee income consists primarily of income from consultancy services provided by our Company, Cinda Investment, Well Kent International and Jingu Trust. Such fee income decreased by 36.9% to RMB127.3 million for the six months ended June 30, 2013 compared to RMB201.6 million for the same period in 2012, primarily attributable to a large amount of one-time consultancy service fee received by Well Kent International in the first half of 2012.

Our commission and fee income on securities and futures brokerage services slightly increased by 8.2% to RMB413.0 million for the six months ended June 30, 2013 compared to RMB381.8 million for the same period in 2012, primarily due to an increase in trading volumes of stocks and mutual funds. According to the SSE and the SZSE, the daily average stock and mutual fund brokerage volume in the China A share market increased by 26.4% to RMB192,332.1 million for the six months ended June 30, 2013 compared to RMB152,121.8 million for the same period in 2012. Our average securities brokerage commission rate was 0.0891% and 0.0948% for the six months ended June 30, 2012 and 2013, respectively.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Our commission and fee income increased by 17.0% to RMB2,226.3 million in 2012 compared to RMB1,902.4 million in 2011, primarily due to an increase in commission and fee income from trustee services, consultancy and financial advisory services and financial leasing business, which were partially offset by a decrease in commission and fee income from securities and futures brokerage services.

Our fee income on trust services consists primarily of fees for trust services provided by Jingu Trust. Such fee income significantly increased to RMB556.6 million in 2012 compared to RMB139.8 million in 2011, primarily attributable to the enhanced cross selling of the Group and the improved trust product portfolio. The trust assets managed by Jingu Trust increased to RMB101,835 million as at December 31, 2012 compared to RMB72,406 million as at December 31, 2011. The proportion of collective trust products, which have relatively high return, to the total trust assets increased to 21.9% as at December 31, 2012 compared to 13.5% as at December 31, 2011.

Our consultancy and financial advisory fee income consists primarily of income from consultancy services provided by our Company, Cinda Investment, Well Kent International and Jingu Trust. Such fee income significantly increased to RMB528.9 million in 2012 compared to RMB287.5 million in 2011, primarily attributable to the growth of consultancy services provided by Jingu Trust and Well Kent International.

Our commission and fee income on securities and futures brokerage services decreased by 19.9% to RMB768.7 million in 2012 compared to RMB960.2 million in 2011, primarily due to (i) a decrease in trading volume of stocks and mutual funds, reflecting the overall weak performance of stock markets in China in 2012 and (ii) a decrease in commission rates for securities brokerage resulting from the increasingly intensive price competition among securities firms in China. According to the SSE and the SZSE, the daily average stock and mutual fund brokerage volume in the China A share market decreased by 24.3% to RMB132,440.0 million in 2012 compared to RMB174,879.1 million in 2011. Our average securities brokerage commission rate was 0.0904% and 0.1014% in 2012 and 2011, respectively.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Our commission and fee income decreased 8.7% to RMB1,902.4 million in 2011 compared to RMB2,082.7 million in 2010, primarily due to a decrease in commission and fee income from securities and futures brokerage services, which was partially offset by an increase in commission and fee income from financial leasing business, consultancy and financial advisory services and trustee services.

Our commission and fee income on securities and futures brokerage decreased by 32.3% to RMB960.2 million in 2011 compared to RMB1,417.6 million in 2010, primarily due to (i) a decrease in trading volume of stocks and mutual funds, reflecting the overall weak performance of stock markets in China in 2011 and (ii) a decrease in commission rates for securities brokerage resulting from the increasingly intensive price competition among securities firms in China. According to the SSE and the SZSE, the daily average stocks and mutual funds brokerage volume in China A share market decreased by 23.4% to RMB174,879.1 million in 2011 compared to RMB228,290.2 million in 2010. Our average securities brokerage commission rate was 0.1014% and 0.1305% in 2011 and 2010, respectively.

Our consultancy and financial advisory fee income increased by 80.0% to RMB287.5 million in 2011 compared to RMB159.7 million in 2010, primarily due to the growth of consultancy services provided by Jingu Trust.

Our fee income on trust services significantly increased to RMB139.8 million in 2011 compared to RMB19.1 million in 2010, primarily due to the rapid growth of Jingu Trust as a result of offerings of more diversified products tailored to market demands and various measures adopted to enhance the cross-selling. The trust assets managed by Jingu Trust increased to RMB72,406 million as at December 31, 2011 compared to RMB11,743 million as at December 31, 2010.

Revenue from Sales of Inventories and Purchases and Changes in Inventories

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Revenue from sales of inventories	4,148.4	3,236.7	3,924.1	1,394.8	1,376.6
Purchases and changes in inventories	(2,654.9)	(1,844.2)	(2,391.8)	(724.5)	(823.9)
Including:					
Revenue from sales of properties	3,799.2	3,096.5	3,752.8	1,342.5	1,278.0
Purchases and changes in properties held for sales	(2,353.8)	(1,771.5)	(2,254.4)	(682.6)	(767.6)
Gross profit from sales of properties	1,445.4	1,325.0	1,498.4	659.9	510.3
Gross profit margin from sales of properties	38.0%	42.8%	39.9%	49.2%	39.9%

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Our revenue from sales of inventories slightly decreased by 1.3% to RMB1,376.6 million for the six months ended June 30, 2013 compared to RMB1,394.8 million for the same period in 2012 and our purchases and changes in inventories increased by 13.7% to RMB823.9 million for the six months ended June 30, 2013 compared to RMB724.5 million for the same period in 2012.

Our revenue from sales of properties decreased by 4.8% to RMB1,278.0 million for the six months ended June 30, 2013 compared to RMB1,342.5 million for the same period in 2012, primarily due to a decrease in average selling prices of properties sold by Cinda Real Estate in the first half of 2013. Our purchases and changes in properties increased by 12.5% to RMB767.6 million for the six months ended June 30, 2013 compared to RMB682.6 million for the same period in 2012. In the first half of 2013, the proportion of sales of properties located in the Central Region of China by Cinda Real Estate increased, which generally have a low gross profit margin. Our profit from sales of properties decreased by 22.7% to RMB510.3 million for the six months ended June 30, 2013 compared to RMB659.9 million for the same period in 2012.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Our revenue from sales of inventories increased by 21.2% to RMB3,924.1 million in 2012 compared to RMB3,236.7 million in 2011 and our purchases and changes in inventories increased by 29.7% to RMB2,391.8 million in 2012 compared to RMB1,844.2 million in 2011.

Our revenue from sales of properties increased by 21.2% to RMB3,752.8 million in 2012 compared to RMB3,096.5 million in 2011, primarily due to the increase in revenue from the sales of properties as a result of an increase in sales and delivery of properties developed by Cinda Real Estate in 2012. Our purchases and changes in properties increased by 27.3% to RMB2,254.4 million in 2012 compared to RMB1,771.5 million in 2011. The increase was in line with the increase in our revenue from sales of properties. Our profit from sales of properties increased by 13.1% to RMB1,498.4 million in 2012 compared to RMB1,325.0 million in 2011.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Our revenue from sales of inventories decreased by 22.0% to RMB3,236.7 million in 2011 compared to RMB4,148.4 million in 2010 and our costs of sales of inventories decreased by 30.5% to RMB1,844.2 million in 2011 compared to RMB2,654.9 million in 2010.

Our revenue from sales of properties decreased by 18.5% to RMB3,096.5 million in 2011 compared to RMB3,799.2 million in 2010, primarily due to the decrease in sales and delivery of properties developed by Cinda Real Estate in 2011. The decrease in sales and delivery of properties was mainly because Cinda Real Estate slowed down the development of its projects to maintain steady operations in light of the macroeconomic control measures for the property market adopted by the PRC government. Our purchases and changes in properties held for sales decreased by 24.7% to RMB1,771.5 million in 2011 compared to RMB2,353.8 million in 2010. The decrease was in line with the decrease in revenue from sales of properties. As a result, our profit from sales of properties decreased by 8.3% to RMB1,325.0 million in 2011 compared to RMB1,445.4 million in 2010.

Interest Income

The following table sets out, for the years and periods indicated, the components of our interest income:

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Loans and advances to customers	238.1	748.8	1,593.1	467.7	1,245.6
Bank balances	290.1	451.7	652.1	284.2	431.5
Accounts receivable	160.0	108.3	58.6	30.0	155.2
Placements with banks	—	—	31.1	15.8	32.1
Financial assets held under resale agreements	1.2	12.9	4.5	4.3	5.7
Others(1)	159.2	157.7	153.9	77.3	64.1
Total	**848.6**	**1,479.4**	**2,493.3**	**879.3**	**1,934.2**

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

Interest income primarily includes cash and balances, clearing settlement funds, deposits with exchanges and financial institutions, placements with banks, financial assets held under resale agreements, loans and advances to customers as well as accounts receivable.

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Our interest income increased by 120.0% to RMB1,934.2 million for the six months ended June 30, 2013 compared to RMB879.3 million for the same period in 2012, primarily due to an increase in interest income from loans and advances to clients and interest income from bank deposits.

Our interest income from loans and advances to clients increased by 166.3% to RMB1,245.6 million for the six months ended June 30, 2013 compared to RMB467.7 million for the same period in 2012, primarily due to an increase in interest income from Cinda Leasing as a result of the increase in its average total balance of interest-earning assets in line with its rapid growth.

Our interest income from bank deposits increased by 51.8% to RMB431.5 million for the six months ended June 30, 2013 compared to RMB284.2 million for the same period in 2012, primarily attributable to our Company's enhanced capabilities of short-term cash management.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Our interest income increased by 68.5% to RMB2,493.3 million in 2012 compared to RMB1,479.4 million in 2011, primarily due to an increase in interest income from loans and advances to customers and interest income from bank deposits, which were partially offset by a decrease in interest income from accounts receivable.

Our interest income from loans and advances to clients increased by 112.8% to RMB1,593.1 million in 2012 compared to RMB748.8 million in 2011, primarily due to an increase in interest income from Cinda Leasing as a result of the increase in its average total balance of interest-earning assets in line with its rapid growth.

Our interest income from bank deposits increased by 44.4% to RMB652.1 million in 2012 compared to RMB451.7 million in 2011, primarily attributable to an increase in bank deposits of the Company and Happy Life.

Our interest income from accounts receivable decreased by 45.9% to RMB58.6 million in 2012 compared to RMB108.3 million in 2011, primarily due to a decrease in the outstanding balance of the receivables from Orient in connection with the arrangement for our disposal of a distressed asset portfolio to Orient made in November 2004.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Our interest income increased by 74.3% to RMB1,479.4 million in 2011 compared to RMB848.6 million in 2010, primarily due to an increase in interest income from loans and advances to clients and interest income from bank deposits, which were partially offset by a decrease in interest income from accounts receivable.

Our interest income from loans and advances to clients increased by 214.5% to RMB748.8 million in 2011 compared to RMB238.1 million in 2010, primarily due to an increase in interest income from Cinda Leasing as a result of the increase in its average total balance of interest-earning assets in line with its rapid growth since its inception in 2010.

Our interest income from bank deposits increased by 55.7% to RMB451.7 million in 2011 compared to RMB290.1 million in 2010, primarily attributable to an increase in bank deposits of our Company and Happy Life.

Our interest income from accounts receivable decreased by 32.3% to RMB108.3 million in 2011 compared to RMB160.0 million in 2010, primarily due to a decrease in the outstanding balance of the receivables from Orient in connection with the arrangement for our disposal of a distressed asset portfolio to Orient made in November 2004.

Net Gains on Disposal of Subsidiaries and Associates

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Our net gains on disposal of subsidiaries and associates increased by 42.9% to RMB111.5 million for the six months ended June 30, 2013 compared to RMB78.0 million for the same period in 2012, primarily attributable to the net gains on disposal of a project company by Cinda Real Estate.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Our net gains on disposal of subsidiaries and associates significantly increased to RMB2,585.3 million in 2012 compared to RMB174.4 million in 2011, primarily attributable to (i) gains of RMB983.2 million realized from the disposal of a 42.28% equity interest in Beijing Zizhu Pharmaceutical Co., Ltd., an associate held by our Company, in 2012, and (ii) the gains realized from disposal of equity in certain subsidiaries and associates held by Cinda Investment.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Our net gains on disposal of subsidiaries and associates increased to RMB174.4 million in 2011 compared to RMB12.1 million in 2010, primarily attributable to the income from disposal of equity interests in certain subsidiaries and associates held by Cinda Investment with an aim to streamline its shareholding structure by eliminating intermediate holding entities.

Other Income and Other Net Gains or Losses

The following table sets out the components of our other income and other net gains or losses for the years and periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Net gains on disposal of investment properties	380.8	263.5	102.2	14.3	296.6
Net gains/(losses) on exchange differences	12.9	13.8	(23.0)	(2.0)	(11.6)
Net gains on disposal of other assets	3.2	83.4	189.1	61.8	27.8
Rental income	322.5	362.0	467.7	214.7	284.7
Revenue from hotel operation	399.6	474.8	401.0	234.2	214.4
Revenue from property management business	117.7	156.1	190.8	78.4	71.6
Government grant and compensation	68.3	21.6	34.7	16.2	12.1
Others	167.5	52.2	94.0	17.3	176.0
Total	**1,472.5**	**1,427.4**	**1,456.5**	**634.9**	**1,071.6**

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Our other income and net gains or losses increased by 68.8% to RMB1,071.6 million for the six months ended June 30, 2013 compared to RMB634.9 million for the same period in 2012, primarily due to an increase in net gains from sales of investment properties and other assets.

Our net gains on disposal of investment properties increased by 1,974.1% to RMB296.6 million for the six months ended June 30, 2013 compared to RMB14.3 million for the same period in 2012, primarily due to the net gains on disposal of a piece of property by Cinda Investment, which is one of its primary businesses.

The others under the item of other income and other net gains or losses was RMB17.3 million for the six months ended June 30, 2012 as compared to RMB176.0 million for the same period in 2013 primarily due to the recognition of management fee income from funds during the first half of 2013.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Our other income and net gains or losses increased by 2.0% to RMB1,456.5 million in 2012 compared to RMB1,427.4 million in 2011, primarily due to an increase in net gains on disposal of assets in satisfaction of debt and rental income from investment properties, which were partially offset by a decrease in net gains on disposal of investment properties and revenue from hotel operation.

Our net gains on disposal of other assets increased by 126.7% to RMB189.1 million in 2012 compared to RMB83.4 million in 2011, primarily because (i) we sold more assets in satisfaction of debt and (ii) the sales prices of certain properties were higher than our acquisition prices due to the rise in market prices in 2012.

Our rental income from investment properties increased by 29.2% to RMB467.7 million in 2012 compared to RMB362.0 million in 2011, primarily due to the increase in rental income by Cinda Investment as a result of rising rental prices in China.

Our net gains on disposal of investment properties decreased by 61.2% to RMB102.2 million in 2012 compared to RMB263.5 million in 2011, primarily reflecting the impact on the sales of our investment properties by the changes in market prices and the number of potential buyers.

Our revenue from hotel operation decreased by 15.5% to RMB401.0 million in 2012 compared to RMB474.8 million in 2011, primarily attributable to the disposal of a hotel operated by Cinda Investment.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Our other income and net gains or losses decreased by 3.1% to RMB1,427.4 million in 2011 compared to RMB1,472.5 million in 2010, primarily due to a decrease in net gains on disposal of investment properties.

Our net gains on disposal of investment properties decreased by 30.8% to RMB263.5 million in 2011 compared to RMB380.8 million in 2010, primarily reflecting the impact on the sales of our investment properties by the changes in the market prices and the number of potential buyers.

Our net gains on disposal of other assets increased to RMB83.4 million in 2011 compared to RMB3.2 million in 2010, primarily due to (i) our increased sales of assets in satisfaction of debt and (ii) the sales prices of certain assets in satisfaction of debt were higher than our acquisition prices, primarily due to the rise in market prices.

The income from hotel operation increased by 18.8% to RMB474.8 million in 2011 as compared to RMB399.6 million in 2010, primarily attributable to an increase in revenue from hotel operation of Cinda Investment.

Total Costs and Expenses

The following table sets out the breakdown of our total costs and expenses for the years and periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Interest expense	(1,366.3)	(1,807.0)	(3,697.6)	(1,558.4)	(3,155.1)
Insurance costs	(4,433.8)	(5,337.4)	(4,690.1)	(2,103.9)	(2,176.7)
Employee benefits	(2,366.7)	(2,672.4)	(3,417.6)	(1,406.6)	(1,699.4)
Purchases and changes in inventories	(2,654.9)	(1,844.2)	(2,391.8)	(724.5)	(823.9)
Commission and fee expense	(697.4)	(803.5)	(900.7)	(444.9)	(479.4)
Business tax and surcharges	(504.0)	(561.8)	(785.7)	(290.5)	(523.0)
Depreciation and amortization expenses	(499.5)	(428.6)	(449.1)	(244.6)	(210.9)
Other expenses	(1,784.3)	(2,035.3)	(2,266.5)	(898.1)	(1,009.1)
Impairment losses on assets	(495.7)	(536.5)	(4,601.0)	(952.8)	(3,475.9)
Total costs and expenses	**(14,802.6)**	**(16,026.7)**	**(23,200.1)**	**(8,624.3)**	**(13,553.4)**

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Our total costs and expenses increased by 57.2% to RMB13,553.4 million for the six months ended June 30, 2013 compared to RMB8,624.3 million for the same period in 2012, primarily due to increases in impairment losses on assets and interest expense.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Our total costs and expenses increased by 44.8% to RMB23,200.1 million in 2012 compared to RMB16,026.7 million in 2011, primarily due to the increases in impairment losses on assets, interest expense, employee benefits and the purchases and changes in inventories, which were partially offset by a decrease in insurance costs.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Our total costs and expenses increased by 8.3% to RMB16,026.7 million in 2011 compared to RMB14,802.6 million in 2010, primarily due to the increases in insurance costs, interest expense, employee benefits and other expenses, which were partially offset by a decrease in cost of inventories sold.

Insurance Costs

The following table sets out, for the years and periods indicated, the components of our insurance costs.

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Reserves for insurance contracts	(3,900.3)	(4,309.2)	(4,785.7)	(1,846.5)	(1,897.5)
Interest credited and policyholder dividends	(338.3)	(342.9)	(321.9)	(223.4)	(232.7)
Refund of reinsurance premium	24.2	174.7	2,212.0	765.2	1,154.2
Other insurance expenses(1)	(219.4)	(860.0)	(1,794.5)	(799.2)	(1,200.7)
Total	**(4,433.8)**	**(5,337.4)**	**(4,690.1)**	**(2,103.9)**	**(2,176.7)**

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

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Our insurance costs slightly increased by 3.5% to RMB2,176.7 million for the six months ended June 30, 2013 compared to RMB2,103.9 million for the same period in 2012, which was lower than the growth rate of net insurance premiums earned, reflecting the improved overall quality of our insurance business.

Our refund of reinsurance premiums significantly increased by 50.8% to RMB1,154.2 million for the six months ended June 30, 2013 compared to RMB765.2 million for the same period in 2012, primarily due to the increase in the premiums ceded to reinsurers by Happy Life in 2012.

Our other insurance expenses increased by 50.2% to RMB1,200.7 million for the six months ended June 30, 2013 compared to RMB799.2 million for the same period in 2012, primarily due to increases in claims paid and other expenses as a result of the increased insurance premiums of Cinda P&C.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Our insurance costs decreased by 12.1% to RMB4,690.1 million in 2012 compared to RMB5,337.4 million in 2011, primarily due to a significant increase in refunds of reinsurance premiums which was partially offset by other insurance expenses and reserves for insurance contracts.

Our refund of reinsurance premium significantly increased to RMB2,212.0 million in 2012 compared to RMB174.7 million in 2011, primarily due to an increase in the reinsurance ratios that led to an increase in premiums ceded to reinsurers by Happy Life in 2012 based on their business growth and solvency conditions.

Our other insurance expenses increased by 108.7% to RMB1,794.5 million in 2012 compared to RMB860.0 million in 2011, primarily due to an increase in claims paid as a result of the business growth of Happy Life and Cinda P&C. Our reserves for insurance contracts increased by 11.1% to RMB4,785.7 million in 2012 compared to RMB4,309.2 million in 2011. Such increase was in line with the increased premiums for insurance contracts of Happy Life and Cinda P&C.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Our insurance costs increased by 20.4% to RMB5,337.4 million in 2011 compared to RMB4,433.8 million in 2010, primarily due to increases in our other insurance expenses and withdrawal of reserves of insurance contracts, which were partially offset by an increase in refund of reinsurance premiums.

Our other insurance expenses increased to RMB860.0 million in 2011 compared to RMB219.4 million in 2010, primarily due to an increase in claims paid as a result of the business growth of Happy Life and Cinda P&C. Our reserves for insurance contracts increased by 10.5% to RMB4,309.2 million in 2011 compared to RMB3,900.3 million in 2010. These increases were in line with the growth of premiums from insurance contracts of Happy Life and Cinda P&C.

Our refund of reinsurance premiums significantly increased to RMB174.7 million in 2011 from RMB24.2 million in 2010, primarily due to an increase in the reinsurance ratios that led to increases in premiums ceded to reinsures and the cession ratios by Happy Life and Cinda P&C in 2011 based on their business growth.

Commission and Fee Expenses

The following table sets out, for the years and periods indicated, the breakdown of our commission and fee expenses:

	For the year ended December 31,			For the six months ended June 30,	
	2010	**2011**	**2012**	**2012**	**2013**
				(unaudited)	
	(in millions of RMB)				
Insurance sales	(442.9)	(608.9)	(702.1)	(355.0)	(373.1)
Securities brokerage	(212.0)	(141.7)	(105.5)	(60.8)	(61.5)
Others	(42.5)	(52.9)	(93.1)	(29.1)	(44.8)
Total	**(697.4)**	**(803.5)**	**(900.7)**	**(444.9)**	**(479.4)**

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Our commission and fee expenses increased by 7.8% to RMB479.4 million for the six months ended June 30, 2013 compared to RMB444.9 million for the same period in 2012, primarily due to the increases in commission and fees paid for insurance agency services and commission paid for bancassurance by Happy Life and Cinda P&C. Our commission and fee expenses paid for insurance agency services increased by 5.1% to RMB373.1 million for the six months ended June 30, 2013 compared to RMB355.0 million for the same period in 2012, primarily due to an increase in sales commission and fee as a result of the business growth of Cinda P&C.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Our commission and fee expenses increased by 12.1% to RMB900.7 million in 2012 compared to RMB803.5 million in 2011, primarily due to the increases in commission and fees paid for insurance agency services and commission paid for bancassurance by Happy Life and Cinda P&C. Our commission and fee expenses paid for insurance agency services increased by 15.3% to RMB702.1 million in 2012 compared to RMB608.9 million in 2011, primarily due to an increase in sales commission and fee as a result of the business growth of Happy Life and Cinda P&C.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Our commission and fee expenses increased by 15.2% to RMB803.5 million in 2011 compared to RMB697.4 million in 2010, primarily due to an increase in commission and fees paid for insurance agency services by Happy Life and Cinda P&C. Our commission and fee expenses paid for insurance agency services increased by 37.5% to RMB608.9 million in 2011 compared to RMB442.9 million in 2010, primarily due to the business growth of Happy Life and Cinda P&C and the increase in commission for sales through our bancassurance partners.

Employee Benefits

The following table sets out the breakdown of our employee benefits for the years and periods indicated.

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Wages or salaries, bonuses, allowances and subsidies	(1,911.6)	(2,050.7)	(2,681.4)	(1,121.3)	(1,354.6)
Staff welfare	(71.6)	(96.6)	(107.0)	(34.8)	(43.5)
Social insurance	(182.8)	(253.7)	(313.4)	(129.8)	(146.6)
Annuity Scheme	—	(18.9)	(28.4)	(3.7)	(10.5)
Housing funds	(107.1)	(122.2)	(146.4)	(66.4)	(71.0)
Labor union fees and staff education fees	(54.3)	(66.9)	(85.2)	(37.0)	(39.6)
Others	(39.3)	(63.4)	(55.8)	(13.6)	(33.6)
Total	**(2,366.7)**	**(2,672.4)**	**(3,417.6)**	**(1,406.6)**	**(1,699.4)**

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Our employee benefits increased by 20.8% to RMB1,699.4 million for the six months ended June 30, 2013 compared to RMB1,406.6 million for the same period in 2012, primarily due to the increases in wages or salaries, bonuses, allowances and subsidies as well as social insurance under employee benefits.

Wages or salaries, bonuses, allowances and subsidies increased by 20.8% to RMB1,354.6 million for the six months ended June 30, 2013 compared to RMB1,121.3 million for the same period in 2012, primarily due to an increase in performance-based salaries and bonuses in line with our increase in total income.

Social insurance increased by 12.9% to RMB146.6 million for the six months ended June 30, 2013 compared to RMB129.8 million for the same period in 2012, primarily due to an increase in payments and contributions we made for employees' social welfare benefits attributable to an increase in local benchmark salaries.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Our employee benefits increased by 27.9% to RMB3,417.6 million in 2012 compared to RMB2,672.4 million in 2011, primarily due to the increases in wages or salaries, bonuses, allowances and subsidies as well as social insurance under the employee benefits.

Wages or salaries, bonuses, allowances and subsidies increased by 30.8% to RMB2,681.4 million in 2012 compared to RMB2,050.7 million in 2011, primarily due to an increase in the total number of our employees as a result of the expansion of insurance and financial leasing subsidiaries and our overall business growth. Our significant increase in income in 2012 also resulted in an increase in performance-based salaries and bonuses.

Social insurance increased by 23.5% to RMB313.4 million in 2012 compared to RMB253.7 million in 2011, primarily due to an increase in payments and contributions we made for employees' social welfare benefits attributable to an increase in the number of employees and an increase in local benchmark salaries.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Our employee benefits increased by 12.9% to RMB2,672.4 million in 2011 compared to RMB2,366.7 million in 2010, primarily due to the increases in wages or salaries, bonuses, allowances and subsidies as well as social insurance.

Our wages or salaries, bonuses, allowances and subsidies increased by 7.3% to RMB2,050.7 million in 2011 compared to RMB1,911.6 million in 2010, primarily due to (i) the increased salary levels for our employees, and (ii) an increase in the number of our employees as a result of the expansion of securities, financial leasing and insurance subsidiaries.

Our social insurance increased by 38.8% to RMB253.7 million in 2011 compared to RMB182.8 million in 2010, primarily due to an increase in payments and contributions we made for employees' social welfare benefits attributable to an increase in local benchmark salaries and an increase in the number of our employees.

Business Tax and Surcharges

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Our business tax and surcharges increased by 80.0% to RMB523.0 million for the six months ended June 30, 2013 compared to RMB290.5 million for the same period in 2012, primarily due to an increase in our income subject to business tax and surcharges.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Our business tax and surcharges increased by 39.9% to RMB785.7 million in 2012 compared to RMB561.8 million in 2011, primarily due to an increase in our income subject to business tax and surcharges.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Our business tax and surcharges increased by 11.5% to RMB561.8 million in 2011 compared to RMB504.0 million in 2010.

Other Expenses

Our other expenses mainly include general administrative expenses, leasing expenses for operations, litigation fees, attorney's fees, appraisal's fees, business promotion and other management fees.

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Our other expenses increased by 12.4% to RMB1,009.1 million for the six months ended June 30, 2013 compared to RMB898.1 million for the same period in 2012, primarily due to the overall growth of our business.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Our other expenses increased by 11.4% to RMB2,266.5 million in 2012 compared to RMB2,035.3 million in 2011, primarily due to the overall growth of our business.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Our other expenses increased by 14.1% to RMB2,035.3 million in 2011 compared to RMB1,784.3 million in 2010, primarily due to the overall growth of our business.

Impairment Losses on Assets

The following table sets out the principal components of our impairment losses on assets for the years and periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Distressed debt assets classified as receivables	—	(20.0)	(1,471.7)	(514.6)	(745.7)
Debt securities classified as receivables	—	—	(17.9)	—	—
Available-for-sale financial assets	(454.5)	(246.0)	(3,340.2)	(234.1)	(2,473.7)
Loans and advances to customers	(15.7)	(155.9)	(266.9)	(56.9)	(224.1)
Accounts receivable	34.1	(3.6)	835.4	0.1	(7.3)
Investment properties	—	(12.0)	(1.8)	—	—
Property and equipment	—	(5.0)	(13.2)	—	—
Others	(59.6)	(94.0)	(324.7)	(147.3)	(25.1)
Total	**(495.7)**	**(536.5)**	**(4,601.0)**	**(952.8)**	**(3,475.9)**

For equity investments classified as available-for-sale financial assets that have quoted market prices, objective evidences of impairment include, among others, significant (i.e. equal to or more than 50%) or prolonged (i.e. equal to or more than one year) decline in the value of the investments. When an equity investment is impaired, impairment loss is reclassified from equity to profit or loss. 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 and therefore are measured at cost, 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. Objective evidences of impairment include, among others, significant financial or operating difficulties of the investee companies and significant adverse changes in the technological, market, economic or legal environment in which the investee companies operate.

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Our impairment losses on assets increased by 264.8% to RMB3,475.9 million for the six months ended June 30, 2013 compared to RMB952.8 million for the same period in 2012, primarily due to the increases in provision for impairment losses on available-for-sale financial assets, provision for impairment losses on distressed debt assets classified as receivables, and provision for impairment losses on loans and advances to clients.

Our impairment losses on available-for-sale financial assets significantly increased to RMB2,473.7 million for the six months ended June 30, 2013 compared to RMB234.1 million for the same period in 2012, primarily due to provisions for impairment losses we made on our listed DES Companies, including a provision of RMB1,585.6 million made in connection with Chalco. In consideration of the quoted market price of Chalco as at June 30, 2013, we believe the impairment loss provision recognized for our investment in Chalco for the six months ended June 30, 2013 is adequate and therefore no further impairment provision needs to be recognized.

Our impairment losses on distressed debt assets classified as receivables increased by 44.9% to RMB745.7 million for the six months ended June 30, 2013 compared to RMB514.6 million for the same period in 2012, partly reflecting the increase of our distressed debt assets classified as receivables. In addition, we adopted prudent policies in connection with making provisions for impairment losses. Our risk management department categorizes the financial assets classified as receivables into "normal," "special mention," "alert," "risky" and "loss" according to the debtors' capability and willingness of repayment, our risk exposures of assets and our risk protection measures and based on the overdue period and expected loss ratios of such assets. We will carry out impairment tests on an individual or portfolio basis, depending on the risk classification. We will make allowance for impairment losses and recognize impairment losses based on the reviewed and approved impairment test results. We will perform portfolio impairment tests on financial assets classified as receivables categorized as "normal" and "special mention," and perform individual impairment tests on financial assets classified as receivables categorized as "alert," "risky" and "loss." We will recognize the differences between the carrying balance and the present value calculated as impairment losses based on the projected future cash flows test. The coverage ratio of distressed debt assets classified as receivable was 464.7% for the six months ended June 30, 2013.

The following table sets forth the breakdown of impairment amount by risk profile.

	For the year ended December 31,			For the six months ended June 30,
	2010	**2011**	**2012**	**2013**
Normal	n/a	—	1,221.6	698.2
Special mention	n/a	—	80.7	26.3
Alert	n/a	20.0	150.9	2.4
Risky	n/a	—	18.5	18.8
Loss	n/a	—	—	—
Total		**20.0**	**1,471.7**	**745.7**

Our impairment losses on loans and advances to clients increased by 293.8% to RMB224.1 million for the six months ended June 30, 2013 from RMB56.9 million for the same period in 2012, primarily attributable to the significant increase in loans and advances to the clients as a result of the rapid growth of our leasing business.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Our impairment losses on assets significantly increased to RMB4,601.0 million in 2012 compared to RMB536.5 million in 2011, primarily due to the increases in provision of impairment losses on available-for-sale financial assets and provision of impairment losses on distressed debt assets classified as receivables, which were partially offset by an increase in reversal of impairment losses on accounts receivable.

The increase in provisions for impairment losses is generally in line with the increase in the volume of our distressed debt asset classified as receivables. Our Company is of view that the quality of such asset remained stable during the Track Record Period. We commenced distressed debt assets classified as receivables business in the second half of 2011, the business scale increased significantly since then. Therefore, the significant increase in provision for impairment losses was in line with the rapid growth of this business. In respect of credit quality of distressed debt asset classified as receivables business, the impairment ratio remained stable since the commencement of this business. As at December 31, 2011 and 2012 and June 30, 2013, the impairment ratio was 0.8%, 1.2% and 0.6%, respectively. The coverage ratio of provision for impairment increased continuously. As at

December 31, 2011 and 2012 and June 30, 2013, the coverage ratio of provision for impairment losses was 27.4%, 248.4% and 464.7%, respectively. We have an effective risk management and prudent policies for provision for impairment losses. The Directors of our Company are of the view that the provision made for impairment losses during the Track Record Period was adequate.

The Reporting Accountants had compiled and formed an independent opinion on the financial information included in the Accountants' Report set forth in the prospectus in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board and examined the financial information with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" as recommended by the HKICPA for the purpose of giving a true and fair view of our financial information included in the Accountants' Report as a whole. Based on the audit procedures performed by the Reporting Accountants on the level of provision for impairment losses on distressed debt assets classified as receivables, the Reporting Accountants give a true and fair view opinion on the financial information of our Group as a whole as set out in Appendix I to the prospectus.

Our impairment losses on available-for-sale financial assets increased to RMB3,340.2 million in 2012 compared to RMB246.0 million in 2011, primarily because price of shares we held in Chalco, a DES Company listed on the SSE, significantly decreased and remained lower than their carrying value for more than one year. In 2012, the provisions for impairment made by us for the equity interests we held in listed companies significantly increased, which was mainly attributable to the ongoing downturn in the domestic A share market and the continuous decreases in share prices of listed companies such as Chalco. Thus, we made provisions for impairment losses in respect of equity interests we held in listed companies such as Chalco out of prudence and pursuant to accounting principles and our accounting policies, which resulted in a substantial increase in the provisions for impairment losses in 2012, among which, approximately RMB2,917.9 million was made in respect of the equity interests we held in Chalco. In consideration of the quoted market price of Chalco as at December 31, 2012, we believe the impairment loss provision recognized for our investment in Chalco for the year of 2012 is adequate and therefore no further impairment provision needs to be recognized.

Our provision of impairment losses on distressed debt assets classified as receivables increased to RMB1,471.7 million in 2012 compared to RMB20.0 million in 2011, attributable to the increases in the accounts receivable we acquired from non-financial enterprises and distressed debt assets we acquired from financial institutions by 410.8% from RMB9,701.1 million in 2011 to RMB49,550.5 million in 2012. In addition, we adopted prudent policies in connection with making provisions for impairment losses, the coverage ratio of distressed debt assets classified as receivable was 248.4% in 2012.

We had reversal of impairment losses of accounts receivable of RMB835.4 million in 2012, primarily due to settlement of certain accounts receivable with the recovered value, fully covering the provision of impairment losses previously made on such accounts receivable, which was partially offset by an increase in the provision made on accounts receivable by our subsidiaries. We made a provision for impairment losses of accounts receivable of RMB3.6 million in 2011.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Our impairment losses on assets increased by 8.2% to RMB536.5 million in 2011 compared to RMB495.7 million in 2010, primarily due to the increases in provision for impairment losses on loans and advances to clients in connection with Cinda Leasing's receivables from financial leases and provision for impairment losses on assets in satisfaction of debt, which were partially offset by a decrease in provision for impairment losses on available-for-sale financial assets.

Our impairment losses on loans and advances to clients significantly increased to RMB155.9 million in 2011 compared to RMB15.7 million in 2010, primarily attributable to the increased provisions made by Cinda Leasing in order to enhance its capability to defend against risk and the rapid growth of Cinda Leasing's receivables from financial leases in 2011.

Our impairment losses on available-for-sale financial assets decreased by 45.9% to RMB246.0 million in 2011 compared to RMB454.5 million in 2010, primarily attributable to the provisions we made as a result of the deteriorated business conditions of certain DES Companies in which we held interests.

Interest Expense

The following table sets out the principal components of our interest expense for the years and periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Borrowings from central bank					
wholly repayable within five years	(430.8)	(284.6)	(196.8)	(92.6)	(59.5)
Accounts payable to brokerage clients	(43.7)	(52.1)	(26.2)	(16.9)	(10.8)
Financial assets sold under repurchase agreements	(17.0)	(123.3)	(326.9)	(154.6)	(233.0)
Borrowings					
wholly repayable within five years	(442.1)	(483.5)	(2,137.4)	(834.7)	(2,233.2)
not wholly repayable within five years	(3.9)	(66.4)	(65.3)	(33.2)	(34.4)
Amount due to the MOF	(386.2)	(779.0)	(810.5)	(408.5)	(295.8)
Bonds issued	(26.4)	(9.2)	(114.0)	(17.8)	(287.5)
Others	(16.2)	(8.9)	(20.5)	(0.1)	(0.9)
Total	**(1,366.3)**	**(1,807.0)**	**(3,697.6)**	**(1,558.4)**	**(3,155.1)**

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Our interest expenses increased by 102.5% to RMB3,155.1 million for the six months ended June 30, 2013 compared to RMB1,558.4 million for the same period in 2012, primarily due to the increases in interest expense on our borrowings and interest expenses on financial assets sold under repurchase agreements.

Our interest expense from borrowings increased by 161.3% to RMB2,267.6 million for the six months ended June 30, 2013 compared to RMB867.9 million for the same period in 2012, primarily due to (i) an increase in our borrowings from banks and other financial institutions to support our growing acquisitions of distressed assets and (ii) an increase in borrowings by Cinda Leasing to support the growth of its businesses.

Our interest expense on financial assets sold under repurchase agreements increased by 50.7% to RMB233.0 million for the six months ended June 30, 2013 compared to RMB154.6 million for the same period in 2012, primarily due to the increased volume of repurchase transactions conducted by Cinda Securities based on its investment strategies and Cinda Leasing based on its funding needs.

Our interest expense on the amount due to the MOF was RMB295.8 million for the six months ended June 30, 2013 and RMB408.5 million for the same period in 2012, which was the interest expense in connection with the consideration payable to the MOF for the acquisition of distressed assets by us before 2010. Such consideration shall be paid to the MOF by installments of RMB9,713.5 million each within five years from 2011. In February 2012, the MOF approved extension of our payment of the first installment of RMB9,713.5 million to the end of 2014. The deferred payment bears an interest rate of 2.25% per annum.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Our interest expenses increased by 104.6% to RMB3,697.6 million in 2012 compared to RMB1,807.0 million in 2011, primarily due to the increases in interest expense on our borrowings and interest expenses on financial assets sold under repurchase agreements.

Our interest expense from borrowings significantly increased to RMB2,202.7 million in 2012 compared to RMB549.9 million in 2011, primarily due to (i) an increase in our borrowings from banks and other financial institutions to support our growing acquisitions of distressed debt assets classified as receivables and (ii) an increase in borrowings by Cinda Leasing and Cinda Investment to support the growth of their businesses.

Our interest expense on financial assets sold under repurchase agreements increased by 165.1% to RMB326.9 million in 2012 compared to RMB123.3 million in 2011, primarily due to the increased volume of repurchase transactions conducted by Happy Life and Cinda Leasing based on their investment strategies and funding needs.

Our interest expense on the amount due to the MOF was RMB810.5 million in 2012 and RMB779.0 million in 2011.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Our interest expense increased by 32.3% to RMB1,807.0 million in 2011 compared to RMB1,366.3 million in 2010, primarily due to increases in interest expense on the amount due to the MOF, financial assets sold under repurchase agreements and borrowings, which were partially offset by a decrease in interest expense on borrowings from the central bank.

Our interest expense on the amount due to the MOF was RMB779.0 million in 2011 and RMB386.2 million in 2010.

Our interest expense on financial assets sold under repurchase agreements significantly increased to RMB123.3 million in 2011 compared to RMB17.0 million in 2010, primarily due to the increased volume of repurchase transactions conducted by Happy Life, Cinda Leasing and Cinda Securities based on their investment strategies and funding needs.

Our interest expense from borrowings increased by 23.3% to RMB549.9 million in 2011 compared to RMB446.0 million in 2010, primarily due to (i) an increase in our borrowings from banks and other financial institutions to support our growing acquisitions of distressed assets classified as receivables and (ii) an increase in borrowings by Cinda Leasing to support the growth of its businesses.

Our interest expense on borrowings from central bank decreased by 33.9% to RMB284.6 million in 2011 compared to RMB430.8 million in 2010, primarily due to a decrease in the outstanding amount due to the PBOC as we repaid a portion of the amount due to the PBOC.

Profit Before Tax

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Our profit before tax increased by 32.3% to RMB5,137.4 million for the six months ended June 30, 2013 compared to RMB3,883.2 million for the same period in 2012.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Our profit before tax increased by 5.9% to RMB9,595.9 million in 2012 compared to RMB9,058.2 million in 2011.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Our profit before tax decreased by 9.0% to RMB9,058.2 million in 2011 compared to RMB9,956.4 million in 2010.

Income Tax Expense

The following table sets out our income tax expense for the years and periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Profit before tax	9,956.4	9,058.2	9,595.9	3,883.2	5,137.4
Income tax expense	(2,453.8)	(2,271.9)	(2,378.8)	(901.7)	(1,120.4)
Effective tax rate	24.6%	25.1%	24.8%	23.2%	21.8%

According to the Enterprise Income Tax Law of PRC, effective on January 1, 2008, our Company and most of our subsidiaries incorporated in the PRC are subject to the enterprise income tax rate of 25%. Our subsidiaries in Shenzhen were subject to preferential tax rates of 22%, 24%, 25%, 25% and 25%, respectively, for the years ended December 31, 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013. A subsidiary of our Company in the Western Region in the PRC was subject to a preferential tax rates of 15% for the years ended December 31, 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013. Our subsidiaries in Hong Kong were subject to a tax rate of 16.5% for the years ended December 31, 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013.

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Our income tax expense increased by 24.3% to RMB1,120.4 million for the six months ended June 30, 2013 compared to RMB901.7 million for the same period in 2012, primarily due to an increase in our taxable income. Our effective tax rate was 23.2% and 21.8% for the six months ended June 30, 2012 and 2013, respectively.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Our income tax expense increased by 4.7% to RMB2,378.8 million in 2012 compared to RMB2,271.9 million in 2011, primarily due to an increase in our taxable income. Our effective tax rate was 25.1% and 24.8% in 2011 and 2012, respectively.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Our income tax expense decreased by 7.4% to RMB2,271.9 million in 2011 compared to RMB2,453.8 million in 2010, primarily due to a decrease in our taxable income. Our effective tax rate was 24.6% and 25.1% in 2010 and 2011, respectively.

SEGMENT RESULTS OF OPERATIONS

Each of our business segments is subject to different risks and returns. We report our financial results in three segments: (i) distressed asset management, operated by our Company, which mainly includes distressed debt asset management and DES asset management, and the custody, liquidation and restructuring services for Distressed Entities; (ii) financial investment and asset management, which primarily includes, among other things, our principal investment, real estate business, private equity funds and (iii) financial services, primarily operated through our subsidiaries, which mainly include securities and futures, trust, financial leasing, fund management and insurance. The tables in this section set forth certain information with respect to segment results of operations. For more information, see Note VI.66 to the Accountants' Report set forth in Appendix I to this prospectus.

The table below sets out the total income and profit before tax of each of our business segments during the Track Record Period:

	For the year ended December 31,												For the six months ended June 30,							
	2010				2011				2012				2012				2013			
	Total income	% of total	Profit before tax	% of total	Total income	% of total	Profit before tax	% of total	Total income	% of total	Profit before tax	% of total	Total income	% of total	Profit before tax	% of total	Total income	% of total	Profit before tax	% of total
													(unaudited)							
	(in millions of RMB, except percentages)																			
Distressed asset management	9,812.6	40.4	7,464.9	75.0	9,956.6	40.8	7,201.8	79.5	14,392.0	44.5	6,234.0	65.0	5,356.8	43.9	2,999.0	77.2	10,049.1	53.8	3,710.7	72.3
Financial investment and asset management	7,042.8	29.0	2,332.7	23.4	5,946.1	24.4	2,488.3	27.5	7,911.3	24.5	3,284.6	34.2	2,407.1	19.7	800.8	20.6	3,304.4	17.7	1,147.3	22.3
Financial services	7,718.3	31.8	180.3	1.8	9,230.9	37.9	(207.0)	(2.3)	10,552.6	32.6	164.3	1.7	4,642.6	38.0	89.2	2.3	5,511.9	29.5	283.7	5.5
Elimination	(313.3)	(1.2)	(21.5)	(0.2)	(751.5)	(3.1)	(424.9)	(4.7)	(520.7)	(1.6)	(87.0)	(0.9)	(196.9)	(1.6)	(5.8)	(0.1)	(196.0)	(1.0)	(4.3)	(0.1)
Total	**24,260.4**	**100.0**	**9,956.4**	**100.0**	**24,382.1**	**100.0**	**9,058.2**	**100.0**	**32,335.2**	**100.0**	**9,595.9**	**100.0**	**12,209.6**	**100.0**	**3,883.2**	**100.0**	**18,669.4**	**100.0**	**5,137.4**	**100.0**

The table below sets out the profit margin for each of our business segments during the Track Record Period. The profit margin of each segment is based on profit before tax of each segment (before inter-segment eliminations) divided by total income of each segment (before inter-segment eliminations):

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Distressed asset management	76.1%	72.3%	43.3%	56.0%	36.9%
Financial investment and asset management	33.1%	41.8%	41.5%	33.3%	34.7%
Financial services					
Cinda Securities and others[(1)]	30.0%	16.4%	16.1%	12.3%	22.3%
Jingu Trust	67.0%	72.3%	72.5%	83.6%	76.9%
Cinda Leasing	29.0%	30.4%	27.9%	20.4%	9.5%
First State Cinda Fund	23.9%	12.5%	1.2%	(3.8)%	7.4%
Cinda P&C	(71.4%)	(29.2%)	(21.2%)	(17.6)%	(2.3%)
Happy Life	(8.8%)	(13.0%)	(16.6%)	(13.9)%	(21.9%)

(1) Includes Cinda Futures and Cinda International. Cinda International is a listed subsidiary in which Well Kent International holds a 63.87% interest as of June 30, 2013.

The table below sets out the total assets and net assets of each of our business segments during the Track Record Period.

	As at December 31,												As at June 30,			
	2010				2011				2012				2013			
	Total assets	% of total	Net assets	% of total	Total assets	% of total	Net assets	% of total	Total assets	% of total	Net assets	% of total	Total assets	% of total	Net assets	% of total
	(in millions of RMB, except percentages)															
Distressed asset management	84,476.1	56.1	17,349.7	40.8	91,550.7	52.9	14,989.9	35.0	140,327.7	55.1	24,777.8	40.7	160,920.6	56.8	24,124.4	38.4
Financial investment and asset management	32,147.1	21.3	15,314.0	36.0	35,387.2	20.4	17,492.1	40.8	49,026.6	19.3	21,661.7	35.6	52,150.1	18.4	22,935.3	36.6
Financial services	36,418.0	24.2	8,687.0	20.5	49,785.6	28.8	9,634.8	22.5	69,352.1	27.2	13,801.9	22.7	74,503.4	26.3	15,046.6	24.0
Elimination	(2,339.8)	(1.6)	1,150.9	2.7	(3,599.5)	(2.1)	725.9	1.7	(4,092.0)	(1.6)	643.4	1.0	(4,021.1)	(1.5)	639.0	1.0
Total	**150,701.4**	**100.0**	**42,501.6**	**100.0**	**173,124.0**	**100.0**	**42,842.7**	**100.0**	**254,614.4**	**100.0**	**60,884.8**	**100.0**	**283,553.0**	**100.0**	**62,745.3**	**100.0**

The table below sets out the ratios of return on average net assets before tax(1) for each of our business segments during the Track Record Period:

	For the year ended December 31,			For the six months ended June 30,
	2010	2011	2012	2013(3)
Distressed asset management	43.0%	44.5%	31.4%	30.4%
Financial investment and asset management	15.2%	15.2%	16.8%	10.3%
Financial services				
Cinda Securities and others(2)	15.7%	5.4%	4.7%	7.3%
Jingu Trust	9.9%	23.0%	38.9%	37.4%
Cinda Leasing	4.0%	18.7%	21.1%	5.8%
First State Cinda Fund	13.6%	7.2%	0.6%	4.4%
Cinda P&C	N/A	N/A	N/A	N/A
Happy Life	N/A	N/A	N/A	N/A

(1) Represents ratios of return on net assets before tax (profit before tax/balance of the net assets at the end of that period) for 2010, and ratios of return on average net assets before tax (profit before tax/balance of the average of beginning and ending balance of the net assets) for 2011, 2012 and the six months ended June 30, 2013.

(2) Includes Cinda Futures and Cinda International. Cinda International is a listed subsidiary in which Well Kent International holds a 63.87% interest as of June 30, 2013.

(3) For convenience only, the ratios of return on average net assets before tax for the six months ended June 30, 2013 presented above are annualized amounts derived by multiplying by two the actual ratios for the six months ended June 30, 2013, are not intended to be representative of what the ratios would be for the twelve months ending December 31, 2013 and are not comparable to the ratios in the twelve months ended December 31, 2010, 2011 or 2012.

The decrease in the profit margin of distressed asset management was mainly because the Company has made significant impairment provisions for listed DES Assets, especially Chalco, due to the adverse change in the stock market since 2012.

The profitability of Cinda Securities significantly decreased, which was in line with the performance of the industry, primarily due to the relatively low turnover of stocks and funds in the market, the continuous decreases in commission rates, the ongoing downturn of the stock market, and changes in the IPO policies in the PRC in recent years. In addition, as competition in the securities industry intensified, the profitability of Cinda Securities had been adversely affected since its business scale is relatively small. However, Cinda Securities has remained profitable since its establishment.

The profitability of First State Cinda Fund was closely correlated with the performance of the stock market in China. The ongoing downturn in the stock market led to decreases in the profits, AUM, revenue, investment returns and profitabilities of the mutual fund industry. However, First State Cinda Fund has remained profitable since its establishment.

Cinda P&C was established at the end of August 2009. During the initial period following its establishment, it incurred relatively high costs investing in branch outlets, labor force and institutional network, and the growth of premium income was not able to effectively cover capital expenditures. Cinda P&C became profitable in the second quarter of 2013, which was in line with the normal development pattern of P&C insurance companies.

As to Happy Life, (i) its performance was in line with that of the overall insurance industry, and its profitability was affected by low investment yields; (ii) its expansion in recent years resulted in an increase in fixed costs while the growth of premiums was limited due to competition in the industry; and (iii) it is still in the loss-making phase due to the relatively long development phase of life insurance company before becoming profitable. In the future, the company plans to enhance the productivity of premium generation, investment yields and cost controls in order to make Happy Life profitable as soon as possible.

Distressed asset management is our core business and one of our principal income contributors. In 2010, 2011, 2012 and for the six-month periods ended June 30, 2012 and 2013, the income generated from distressed asset management accounted for 40.4%, 40.8%, 44.5%, 43.9% and 53.8% of our total income, respectively, and the profit before tax generated from distressed asset management accounted for 75.0%, 79.5%, 65.0%, 77.2% and 72.3% of our total profit before tax, respectively. As at December 31, 2010, 2011, 2012 and June 30, 2013, the total assets of our distressed asset management accounted for 56.1%, 52.9%, 55.1% and 56.8% of our total assets and the net assets of our distressed asset management accounted for 40.8%, 35.0%, 40.7% and 38.4%, of our total net assets, respectively. Our distressed asset management business remained largely stable during the Track Record Period. Since we commenced acquisitions of distressed debt assets from non-financial enterprises in 2011, the total income and profitability from our distressed asset management segment have achieved substantial growth. However, we made significant impairment provision for our equity investment in Chalco, a DES Company which had an impact on the growth in the net profit, profit margin before tax and ratios of return on average net assets before tax of this segment.

In recent years, profit contribution from our financial investment and asset management services continued to increase and accounted for 23.4%, 27.5%, 34.2%, 20.6% and 22.3% of our total profit before tax in 2010, 2011, 2012 and for the six months ended June 30, 2012 and 2013, respectively. Profit margin of the segment significantly improved from 33.1% in 2010 to 41.8% in 2011 and remained largely stable at 41.5% in 2012 and 34.7% for the six months ended June 30, 2013. In 2012 and for the six months ended June 30, 2013, our ratio of return on average net assets before tax was 16.8% and 10.3% (annualized), respectively, as compared to 15.2% in each of 2011 and 2010.

As a key structuring component of our diversified business platform and an important cross-selling driver, the financial services segment benefited from our synergistic and diversified operations and management strategies. The segment accounted for 24.2%, 28.8%, 27.2% and 26.3% of our total assets as at December 31, 2010, 2011, 2012 and June 30, 2013, respectively. In 2011, our capital injections into Happy Life and Cinda Securities were RMB826.8 million and RMB1,987.2 million, respectively. In 2012, our capital injections into Happy Life, Cinda P&C and Cinda Leasing were RMB338.0 million, RMB1,326.0 million and RMB1,000.0 million, respectively. We made such capital injections to support the business growth of these operating subsidiaries. During the Track Record Period, our insurance business was still at loss, which we believe is in line with the development pattern of an insurance business at the early development stage. During the Track Record Period, the financial leasing, trust and securities businesses achieved growth and profitability. Our financial services businesses are at different stages.

Distressed Asset Management

The following table sets out selected income statements data for our distressed asset management segment for the years and periods indicated before inter-segment eliminations:

	For the year ended December 31,					For the six months ended June 30,		
	2010		2011		2012	2012		2013
	(in millions of RMB)	% change	(in millions of RMB)	% change	(in millions of RMB)	(in millions of RMB) (unaudited)	% change	(in millions of RMB)
Income from distressed debt assets classified as receivables	—	—	180.9	1,844.9	3,518.4	1,087.0	290.5	4,244.5
Fair value changes on distressed debt assets	5,395.9	(10.1)	4,850.8	(17.9)	3,982.9	1,917.1	4.5	2,003.0
Fair value changes on other financial assets	28.0	—	—	—	16.4	(39.8)	(82.4)	(7.0)
Investment income	4,038.6	2.0	4,118.3	24.0	5,108.1	2,055.0	60.3	3,295.0
Interest income	365.3	16.4	425.3	5.2	447.3	205.3	115.9	443.2
Commission and fee income	173.0	18.6	205.2	(57.2)	87.8	33.5	(53.7)	15.5
Net gain on disposal of subsidiaries and associates	—	—	—	—	983.2	—	—	—
Other income and other net gains or losses	(188.2)	(193.6)	176.1	40.8	247.9	98.7	(44.4)	54.9
Total income	**9,812.6**	**1.5**	**9,956.6**	**44.5**	**14,392.0**	**5,356.8**	**87.6**	**10,049.1**
Interest expense	(913.7)	36.3	(1,245.2)	117.1	(2,703.5)	(1,130.0)	113.3	(2,410.5)
Employee benefits	(593.0)	25.5	(744.5)	9.5	(815.5)	(343.6)	16.4	(400.1)
Business tax and surcharges	(17.3)	101.7	(34.9)	156.2	(89.4)	(18.3)	557.4	(120.3)
Depreciation and amortization expenses	(42.5)	34.4	(57.1)	23.1	(70.3)	(21.5)	39.5	(30.0)
Other expenses	(563.0)	11.2	(625.8)	10.6	(692.1)	(262.7)	17.0	(307.3)
Impairment losses on assets	(462.1)	(31.0)	(318.7)	1,159.4	(4,013.8)	(722.6)	330.9	(3,113.4)
Total costs and expenses	**(2,591.6)**	**16.8**	**(3,026.2)**	**177.1**	**(8,384.6)**	**(2,498.7)**	**155.4**	**(6,381.6)**
Profit before share of profit or loss of associates and tax	7,221.0	(4.0)	6,930.4	(13.3)	6,007.4	2,858.1	28.3	3,667.5
Share of results of associates	243.9	11.3	271.4	(16.5)	226.6	140.9	(69.3)	43.2
Profit before tax	**7,464.9**	**(3.5)**	**7,201.8**	**(13.4)**	**6,234.0**	**2,999.0**	**23.7**	**3,710.7**

Total income from our distressed asset management segment has been the largest component of our total income. For the years ended December 31, 2010, 2011, 2012 and the six months ended

June 30, 2012 and 2013, the total income from this segment before inter-segment eliminations increased from RMB9,812.6 million in 2010 to RMB9,956.6 million in 2011, which further increased to RMB14,392.0 million in 2012, and increased from RMB5,356.8 million for the six months ended June 30, 2012 to RMB10,049.1 million for the same period in 2013, representing 40.4%, 40.8%, 44.5%, 43.9% and 53.8% of our total income in 2010, 2011, 2012 and the six-month periods ended June 30, 2012 and 2013, respectively. For the years ended December 31, 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013, the profit before tax from this segment before inter-segment eliminations decreased from RMB7,464.9 million in 2010 to RMB7,201.8 million in 2011, which further decreased to RMB6,234.0 million in 2012, and increased from RMB2,999.0 million for the six months ended June 30, 2012 to RMB3,710.7 million for the same period in 2013, representing 75.0%, 79.5%, 65.0%, 77.2% and 72.3% of our total profit before tax in 2010, 2011, 2012 and the six-month periods ended June 30, 2012 and 2013, respectively.

Our total income primarily consists of (i) investment income, including net gains generated from disposal of, and dividend income from, our equity interests in DES Companies; (ii) fair value changes on distressed debt assets; and (iii) income from distressed debt assets classified as receivables. Total costs and expenses of this segment primarily consist of impairment losses on assets, interest expense, employee benefits and other expenses.

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Profit before tax for our distressed asset management segment increased by 23.7% to RMB3,710.7 million for the six months ended June 30, 2013 compared to RMB2,999.0 million for the same period in 2012, primarily due to the increases in our income from distressed debt assets classified as receivables and investment income by 290.5% and 60.3% from RMB1,087.0 million and RMB2,055.0 million for the six months ended June 30, 2012 to RMB4,244.5 million and RMB3,295.0 million for the same period in 2013, respectively, which were partially offset by the increase in impairment losses on assets.

Total income from our distressed asset management segment increased by 87.6% to RMB10,049.1 million for the six months ended June 30, 2013 compared to RMB5,356.8 million for the same period in 2012, primarily due to the increases in income from distressed debt assets classified as receivables and investment income. The increase in income from distressed debt assets classified as receivables was primarily due to the significant growth of income on such assets as a result of a substantial increase in the balance of accounts receivable we acquired from non-financial enterprises and distressed loans we acquired from financial institutions. The increase in investment income was primarily due to an increase in the substantial net gains on the disposal of available-for-sale financial assets as a result of the disposal of the equity interests held by our Company in certain DES Companies.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Profit before tax for our distressed asset management segment decreased by 13.4% to RMB6,234.0 million in 2012 compared to RMB7,201.8 million in 2011, primarily due to a 177.1% increase in total expenses from RMB3,026.2 million in 2011 to RMB8,384.6 million in 2012 as a result of increases in impairment losses on assets. The increase in impairment losses on assets was primarily due to the increases in the provision for impairment losses on available-for-sale financial assets and provisions for impairment losses on distressed debt assets classified as receivables. Our provision for impairment losses on available-for-sale financial assets increased from 2011 to 2012, primarily due to (i) a significant decrease in the market value of the shares of Chalco, a DES Company and (ii) impairment provisions for our equity in listed companies we made pursuant to our accounting policies, which require a provision for impairment loss on our investment in financial assets when the value of which is significantly lower than their carrying value or has been below their carrying value for more than one year. The increase in provision of impairment losses on distressed debt assets classified as receivables was primarily attributable to the growth of the accounts receivable we acquired from non-financial enterprises and outstanding balance of loans we acquired from financial institutions in 2012, and the adoption of prudent policies with respect to making provisions for impairment losses with coverage ratio reached 248.4% in 2012.

Total income from our distressed asset management segment increased by 44.5% to RMB14,392.0 million in 2012 compared to RMB9,956.6 million in 2011, primarily due to an increase in income from distressed debt assets classified as receivables and investment income, which were partially offset by a decrease in fair value changes on distressed debt assets. The increase in income from distressed debt assets classified as receivables was primarily due to the significant growth of interest income on such assets as a result of a substantial increase in the balance of accounts receivable we acquired from non-financial enterprises and distressed loans we acquired from financial institutions in 2012. The increase in investment income was primarily due to an increase in the substantial net gains on the disposal of available-for-sale financial assets as a result of the disposal of the equity interests held by our Company in certain DES Companies. The decrease in fair value changes on distressed debt assets was primarily due to a slight decrease in the amount of distressed assets we disposed of in 2012 as compared with 2011.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Profit before tax for our distressed asset management segment decreased by 3.5% to RMB7,201.8 million in 2011 from RMB7,464.9 million in 2010, primarily due to a 16.8% increase in total expenses from RMB2,591.6 million in 2010 to RMB3,026.2 million in 2011 as a result of increases in interest expense and employee benefits. The increase in interest expense was primarily due to the increase in our borrowings from banks and other financial institutions to support our growing acquisitions of accounts receivable. The increase in employee benefits was primarily attributable to (i) an increase in wages or salaries, bonuses, allowances and subsidies as a result of an increase in the number of employees of our Company and (ii) the increase in social insurance, reflecting increases in local benchmark salaries and the number of employees.

Total income from our distressed asset management segment increased by 1.5% to RMB9,956.6 million in 2011 compared to RMB9,812.6 million in 2010, primarily due to increases in income from distressed debt assets classified as receivables and in investment income, which were partially offset by a decrease in fair value changes on distressed debt assets. The increase in income from distressed debt assets classified as receivables was primarily because we recorded revenue of RMB180.9 million in 2011 as we began our Restructuring Model to acquire accounts receivable from non-financial enterprises and distressed loans from financial institutions in 2011, while we did not have such revenue in 2010. The increase in investment income was primarily due to an increase in dividend income from our available-for-sale financial assets, which was partially offset by the decrease in net gains on the disposal of such assets. The increase in dividend income from available-for-sale financial assets was primarily due to the increased dividend distribution from our debt-to-equity portfolio companies. The decrease in our net gains on the disposal of available-for-sale financial assets was primarily because we sold less our DES Assets in 2011 than we did in 2010 and the amount of such sales in 2011 was smaller than that in 2010. The decrease in fair value of distressed debt assets in 2011 was primarily due to the reduction in the amount of distressed debt assets that we disposed of under our Traditional Model in 2011, partially offset by increase of the rate of return from the disposal of our Traditional Distressed Assets. The decrease in such distressed assets was primarily because we have managed the schedule of disposing of the Traditional Distressed Assets based on our business strategies and considerations of market conditions. We have also considered the fact that the volumes of distressed asset packages sold by banks in the public market decreased, and consequently, we adapted to the changes in the market and actively developed other sources of distressed debt assets.

Financial Investment and Asset Management

The following table sets forth selected income statement data for our financial investment and asset management segment for the years and periods indicated before inter-segment eliminations:

	For the year ended December 31,					For the six months ended June 30,		
	2010		2011		2012	2012		2013
	(in millions of RMB)	% change	(in millions of RMB)	% change	(in millions of RMB)	(in millions of RMB) (unaudited)	% change	(in millions of RMB)
Fair value changes on other financial assets	290.1	(13.0)	252.4	(104.3)	(10.9)	(7.6)	(389.5)	(37.2)
Investment income	535.3	20.1	643.0	(36.6)	407.4	118.1	124.1	264.7
Interest income	113.7	(8.0)	104.6	184.3	297.4	74.5	531.9	470.8
Revenue from sales of properties held for sale	4,148.4	(22.0)	3,236.7	21.2	3,924.1	1,394.8	(1.3)	1,376.6
Commission and fee income	88.8	26.2	112.1	184.5	318.9	132.9	(89.1)	14.5
Net gain on disposal of subsidiaries and associates	12.1	1,341.3	174.4	818.6	1,602.1	78.0	42.9	111.5
Other income and other net gains or losses	1,854.4	(23.3)	1,422.9	(3.6)	1,372.3	616.4	79.0	1,103.5
Total income	**7,042.8**	**(15.6)**	**5,946.1**	**33.1**	**7,911.3**	**2,407.1**	**37.3**	**3,304.4**
Interest expense	(393.6)	(13.3)	(341.3)	5.1	(358.7)	(154.2)	61.3	(248.7)
Employee benefits	(574.8)	(19.0)	(465.5)	23.2	(573.4)	(264.8)	27.0	(336.3)
Purchases and changes in inventories	(2,654.9)	(30.5)	(1,844.2)	29.7	(2,391.8)	(724.5)	13.7	(823.9)
Commission and fee expense	(22.7)	(12.8)	(19.8)	16.7	(23.1)	(2.8)	207.1	(8.6)
Business tax and surcharges	(344.8)	(4.6)	(329.0)	16.0	(381.8)	(144.3)	36.9	(197.6)
Depreciation and amortization expenses	(360.1)	(32.3)	(243.9)	(6.9)	(227.0)	(169.0)	(25.6)	(125.8)
Other expenses	(611.7)	3.8	(635.2)	20.6	(766.0)	(268.9)	(3.3)	(259.9)
Impairment losses on assets	(2.0)	420.0	(10.4)	1,237.5	(139.1)	(34.8)	(286.5)	(134.5)
Total costs and expenses	**(4,964.6)**	**(21.7)**	**(3,889.3)**	**25.0**	**(4,860.9)**	**(1,763.3)**	**21.1**	**(2,135.3)**
Change in net assets attributable to other holders of consolidated structured entities[1]	(6.1)	(919.7)	50.0	403.0	(151.5)	(62.3)	247.4	(216.4)
Profit before share of profit or loss of associates and tax	2,072.1	1.7	2,106.8	37.6	2,898.9	581.5	63.8	952.7
Share of results of associates	260.6	46.4	381.5	1.1	385.7	219.3	(11.3)	194.6
Profit before tax	**2,332.7**	**6.7**	**2,488.3**	**32.0**	**3,284.6**	**800.8**	**43.3**	**1,147.3**

(1) Pursuant to IFRS 10, we had consolidated certain structured entities we control, including private equity funds, trusts and wealth management products. Since we do not hold 100% beneficial interests in those structured entities, profit or loss attributable to other holders of these consolidated structured entities is presented as "change in net assets attributable to other holders of consolidated structured entities." The increasing negative amounts of "Change in net assets attributable to other holders of consolidated structured entities" throughout the relevant periods was mainly due to the increase in the number of structured entities being consolidated by us, and the positive amount in 2011 is due to the loss of a wealth management plan being consolidated in 2011.

For the years ended December 31, 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013, the total income from our financial investment and asset management segment before inter-segment eliminations decreased from RMB7,042.8 million in 2010 to RMB5,946.1 million in 2011, which increased to RMB7,911.3 million in 2012, and increased from RMB2,407.1 million for the six months ended June 30, 2012 to RMB3,304.4 million for the same period in 2013, representing 29.0%, 24.4%, 24.5%, 19.7% and 17.7% of our total income in 2010, 2011, 2012 and the six-month periods ended June 30, 2012 and 2013, respectively. For the years ended December 31, 2010, 2011, 2012 and the six-month periods ended June 30, 2012 and 2013, the profit before tax for our financial investment and asset management segment before inter-segment eliminations increased from RMB2,332.7 million in 2010 to RMB2,488.3 million in 2011, which further increased to RMB3,284.6 million in 2012, and increased from RMB800.8 million for the six months ended June 30, 2012 to RMB1,147.3 million for the same period in 2013, representing 23.4%, 27.5%, 34.2%, 20.6% and 22.3% of our total profit before tax in 2010, 2011, 2012 and the six months ended June 30, 2012 and 2013, respectively, while the profit margin before tax was 33.1%, 41.8%, 41.5%, 33.3% and 34.7%, respectively. As at December 31, 2010, 2011, 2012 and June 30, 2013, the total assets of our financial investment and asset management segment before inter-segment eliminations increased from RMB32,147.1 million in 2010 to RMB35,387.2 million in 2011, which significantly increased to RMB49,026.6 million in 2012, and increased to RMB52,150.1 million for the six months ended June 30, 2013, representing 21.3%, 20.4%, 19.3% and 18.4% of our total assets in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively.

Total income from this segment consists primarily of revenue from sales of inventories and investment income. Total costs and expenses of this segment primarily consist of purchases and changes in inventories, employee benefits, interest expense and other business expenses.

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Profit before tax for our financial investment and asset management segment increased by 43.3% to RMB1,147.3 million for the six months ended June 30, 2013 compared to RMB800.8 million for the same period in 2012, primarily due to an increase in total income from RMB2,407.1 million for the six months ended June 30, 2012 to RMB3,304.4 million for the same period in 2013 as a result of the increase in interest income attributable to the growth of the entrusted loan business of Well Kent International and Cinda Investment, as well as the increase in other income and other net gains attributable to the sale of certain investment properties.

Total costs and expenses of our financial investment and asset management segment increased by 21.1% to RMB2,135.3 million for the six months ended June 30, 2013 compared to RMB1,763.3 million for the same period in 2012, primarily due to the increases in purchases and changes in inventories, interest expense on the bonds issued by Well Kent International and impairment losses on loans and advances to clients.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Profit before tax for our financial investment and asset management segment increased by 32.0% to RMB3,284.6 million in 2012 compared to RMB2,488.3 million in 2011, primarily due to a 33.1% increase in total income from RMB5,946.1 million in 2011 to RMB7,911.3 million in 2012 as a result of the increases in net gains on disposal of subsidiaries and associates and revenue from sales of inventories. The increase in net gains on disposal of subsidiaries and associates was primarily due to the revenue generated from the disposal by Cinda Investment of its equity interests in certain subsidiaries and associates. The increase in revenue from sales of inventories was primarily attributable to an increase in sales revenue and delivery of properties developed by Cinda Real Estate, the revenue from which was recognized in 2012, which was partially offset by purchases and changes in inventories.

Total costs and expenses of our financial investment and asset management segment increased by 25.0% to RMB4,860.9 million in 2012 compared to RMB3,889.3 million in 2011, primarily due to the increases in purchases and changes in inventories, other expenses and impairment losses on assets. The increase in purchases and changes in inventories was largely in line with the increase in revenue from sales of inventories during the same period. The increase in other expenses was primarily attributable to the corresponding increases in administrative expenses as a result of the development of our financial investment and asset management segment. The increase in impairment losses on assets was primarily due to the increases in provision for impairment losses of available-for-sale financial assets and other receivables.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Profit before tax for our financial investment and asset management segment increased by 6.7% to RMB2,488.3 million in 2011 compared to RMB2,332.7 million in 2010, primarily due to an increase in net gains on disposal of subsidiaries and associates as well as a 21.7% decrease in total costs and expenses of this segment from RMB4,964.6 million in 2010 to RMB3,889.3 million in 2011. The decrease in total costs and expenses of this segment was mainly due to the decreases in purchases and changes in inventories and employee benefits. The decrease in purchases and changes in inventories was largely in line with the decrease in properties sold during the same period.

Total income of our financial investment and asset management segment decreased by 15.6% to RMB5,946.1 million in 2011 compared to RMB7,042.8 million in 2010, primarily due to decreases in revenue from sales of inventories as well as other income and other net gains or losses, which were partially offset by increases in net gains on disposal of subsidiaries and associates and investment income. The decrease in revenue from sales of inventories was mainly due to a decrease in sales revenue and delivery of properties developed by Cinda Real Estate in 2011 as a result of the slowdown of its project development to maintain steady operations in light of the macroeconomic measures for the property market adopted by the PRC government. The decrease in other income and other net gains or losses was primarily due to a decrease in net gains on disposal of investment properties by Cinda Investment and its subsidiary. The increase in net gains on disposal of subsidiaries and associates was primarily attributable to the gain on disposal by Cinda Investment of its equity interest in certain subsidiaries in 2011 for restructuring and streamlining its shareholding structure of subsidiaries and associates by eliminating intermediate holding entities. The increase in investment income was primarily due to (i) an increase in investment gains from our associates and (ii) an increase in interest income from held-to-maturity financial assets and debt securities classified as receivables, primarily reflecting the increase in interest income earned on trust products and certificate treasury products that our Company purchased in late 2011.

Financial Services

The following table sets forth selected income statement data for our financial services segment for the years and periods indicated before inter-segment eliminations:

	For the year ended December 31,					For the six months ended June 30,		
	2010		2011		2012	2012		2013
	(in millions of RMB)	% change	(in millions of RMB)	% change	(in millions of RMB)	(in millions of RMB) (unaudited)	% change	(in millions of RMB)
Fair value changes on other financial assets	114.0	(152.8)	(60.2)	(763.1)	399.2	281.6	27.0	357.7
Investment income	756.4	25.0	945.5	7.6	1,017.0	537.0	(35.0)	348.9
Net insurance premiums earned	4,584.3	24.4	5,701.3	(6.3)	5,340.2	2,358.1	10.5	2,605.7
Interest income	370.7	171.5	1,006.6	83.0	1,841.6	649.3	65.3	1,073.1
Commission and fee income	1,873.5	(13.0)	1,629.5	16.6	1,900.8	789.7	41.7	1,119.1
Other income and other net gains or losses	19.4	(57.7)	8.2	556.1	53.8	26.9	(72.5)	7.4
Total income	**7,718.3**	**19.6**	**9,230.9**	**14.3**	**10,552.6**	**4,642.6**	**18.7**	**5,511.9**
Interest expense	(63.6)	407.5	(322.8)	143.4	(785.7)	(355.5)	60.5	(570.7)
Insurance costs	(4,433.8)	20.4	(5,337.4)	(12.1)	(4,690.1)	(2,103.9)	3.5	(2,176.7)
Employee benefits	(1,198.9)	22.0	(1,462.4)	38.7	(2,028.7)	(798.2)	20.6	(963.0)
Commission and fee expense	(711.7)	10.4	(785.4)	11.8	(877.7)	(442.2)	6.5	(470.8)
Business tax and surcharges	(141.9)	39.5	(197.9)	58.9	(314.5)	(128.0)	60.3	(205.2)
Depreciation and amortization expenses	(98.5)	31.3	(129.3)	18.6	(153.3)	(54.1)	1.8	(55.1)
Other expenses	(858.0)	16.0	(995.3)	9.5	(1,090.3)	(476.2)	17.3	(558.6)
Impairment losses on assets	(31.6)	556.3	(207.4)	116.0	(448.0)	(195.3)	16.8	(228.1)
Total costs and expenses	**(7,538.0)**	**25.2**	**(9,437.9)**	**10.1**	**(10,388.3)**	**(4,553.4)**	**14.8**	**(5,228.2)**
Profit before share of results of associates and tax	180.3	(214.8)	(207.0)	(179.4)	164.3	89.2	218.0	283.7
Share of results of associates	—	—	—	—	—	—	—	—
Profit before tax	**180.3**	**(214.8)**	**(207.0)**	**(179.4)**	**164.3**	**89.2**	**218.0**	**283.7**

For the years ended December 31, 2010, 2011, 2012 and the six-month periods ended June 30, 2012 and 2013, the total income from our financial services segment before inter-segment eliminations increased from RMB7,718.3 million in 2010 to RMB9,230.9 million in 2011, which increased to RMB10,552.6 million in 2012, and increased from RMB4,642.6 million for the six months ended

June 30, 2012 to RMB5,511.9 million for the same period in 2013, representing 31.8%, 37.9%, 32.6%, 38.0% and 29.5% of our total income in 2010, 2011, 2012 and the six-month periods ended June 30, 2012 and 2013, respectively. In 2010, 2011, 2012 and the six-month periods ended June 30, 2012 and 2013, the profit(/loss) before tax for our financial services segment before inter-segment eliminations was RMB180.3 million, RMB(207.0) million, RMB164.3 million, RMB89.2 million and RMB283.7 million, respectively, representing 1.8%, -2.3%, 1.7%, 2.3% and 5.5% of our total profit before tax, respectively.

Total income from this segment consists primarily of net insurance premiums earned, commission and fee income, interest income and investment income. Total costs and expenses of this segment primarily consist of insurance costs, employee benefits, commission and fee expense and other expenses.

The following table sets forth key data of each financial service business entity during the Track Record Period:

	For the year ended December 31,									For the six months ended June 30,					
	2010			2011			2012			2012			2013		
	Total income	Total costs and expenses	Profit before tax	Total income	Total costs and expenses	Profit before tax	Total income	Total costs and expenses	Profit before tax	Total income	Total costs and expenses	Profit before tax	Total income	Total costs and expenses	Profit before tax
	(in millions of RMB)														
Securities and futures[(1)]	1,884.0	(1,319.1)	564.9	1,538.5	(1,285.7)	252.8	1,691.2	(1,418.3)	272.9	779.6	(683.4)	96.2	984.7	(765.5)	219.2
Jingu Trust	187.4	(61.8)	125.6	440.5	(122.1)	318.4	946.2	(260.6)	685.6	382.0	(62.6)	319.4	524.0	(120.9)	403.1
Cinda Leasing	129.7	(92.1)	37.6	623.0	(433.6)	189.4	1,317.2	(950.0)	367.2	405.6	(322.9)	82.7	749.8	(678.6)	71.2
First State Cinda Fund	128.8	(98.0)	30.8	118.3	(103.5)	14.8	93.0	(91.9)	1.1	47.5	(49.3)	(1.8)	55.5	(51.4)	4.1
Cinda P&C	169.2	(290.0)	(120.8)	837.8	(1,082.8)	(245.0)	1,754.5	(2,125.9)	(371.4)	697.9	(818.5)	(120.6)	1,477.9	(1,511.9)	(34.0)
Happy Life	5,219.2	(5,677.0)	(457.8)	5,672.8	(6,410.2)	(737.4)	4,762.4	(5,553.5)	(791.1)	2,331.2	(2,654.4)	(323.2)	1,732.8	(2,112.7)	(379.9)

(1) Includes Cinda Securities, Cinda Futures and Cinda International. Cinda International is a listed subsidiary in which Well Kent International holds a 63.87% interest as of June 30, 2013.

The following table sets forth key asset and liabilities data of each financial service business entity as of the dates indicated:

	As at December 31,									As at June 30, 2013		
	2010			2011			2012					
	Total assets	Total liabilities	Net assets	Total assets	Total liabilities	Net assets	Total assets	Total liabilities	Net assets	Total assets	Total liabilities	Net assets
	(in millions of RMB)											
Securities and futures[(1)]	18,318.0	14,729.8	3,588.2	16,252.5	10,451.9	5,800.6	14,838.4	8,943.2	5,895.2	16,557.8	10,449.7	6,108.1
Jingu Trust	1,410.0	141.9	1,268.1	1,760.1	261.6	1,498.5	2,386.2	362.6	2,023.6	2,593.6	308.2	2,285.4
Cinda Leasing	2,416.1	1,473.5	942.6	9,831.5	8,744.0	1,087.5	20,236.2	17,841.7	2,394.5	23,199.2	20,694.8	2,504.4
First State Cinda Fund	261.2	34.5	226.7	219.7	37.7	182.0	193.6	9.5	184.1	206.7	19.2	187.5
Cinda P&C	1,362.2	523.7	838.5	1,940.4	1,386.1	554.3	5,358.6	2,532.3	2,826.3	5,403.6	2,641.9	2,761.7
Happy Life	12,650.5	10,827.6	1,822.9	19,781.4	19,269.5	511.9	26,339.1	25,860.9	478.2	26,543.5	25,343.0	1,200.5

(1) Includes Cinda Securities, Cinda Futures and Cinda International. Cinda International is a listed subsidiary in which Well Kent International holds a 63.87% interest as of June 30, 2013.

Six Months Ended June 30, 2013 vs. Six Months Ended June 30, 2012

Profit before tax of our financial services segment increased by 218.0% to RMB283.7 million for the six months ended June 30, 2013 compared to RMB89.2 million for the same period in 2012, primarily attributable to an increase in our total income by 18.7% from RMB4,642.6 million for the six months ended June 30, 2012 to RMB5,511.9 million for the same period in 2013 as a result of increases in net insurance premiums earned, commission and fee income and interest income.

The increase in total income of our financial services segment was primarily due to the increases in interest income, net insurance premiums earned as well as commission and fee income. The increase in interest income was primarily due to (i) an increase in interest income on financial lease receivables of Cinda Leasing as a result of its business growth and (ii) an increase in interest income on bank deposits due to an increase in investable assets of Happy Life resulting from its accumulated insurance premiums. The increase in commission and fee income primarily reflected increases in (i) fee income on trust services provided by Jingu Trust, (ii) fee income from consultancy and financial advisory services provided by Jingu Trust and (iii) debt securities underwriting and sponsoring fees generated by Cinda Securities. The increase in our net insurance premiums earned was primarily attributable to the business growth of Cinda P&C and Happy Life.

The increase in total income of our financial services segment contributed by each financial subsidiary primarily reflected (i) a 26.3% increase in total income of the securities and futures business from RMB779.6 million for the six months ended June 30, 2012 to RMB984.7 million for the same period in 2013, (ii) a 37.2% increase in total income of Jingu Trust from RMB382.0 million for the six months ended June 30, 2012 to RMB524.0 million for the same period in 2013, (iii) a 84.9% increase in total income of Cinda Leasing from RMB405.6 million for the six months ended June 30, 2012 to RMB749.8 million for the same period in 2013, and (iv) a 111.8% increase in total income of Cinda P&C from RMB697.9 million for the six months ended June 30, 2012 to RMB1,477.9 million for the same period in 2013, which was partially offset by a 25.7% decrease in total income of Happy Life from RMB2,331.2 million for the six months ended June 30, 2012 to RMB1,732.8 million for the same period in 2013.

The increase in total costs and expenses of our financial services segment was primarily due to the increases in employee benefits, business tax and surcharges, interest expense, other expenses and impairment losses on assets. The increase in employee benefits and business tax and surcharges was primarily due to the business growth of Happy Life, Cinda P&C, Cinda Securities, Jingu Trust and Cinda Leasing. The increase in interest expenses was primarily due to (i) the increased interest expenses incurred by Cinda Leasing as a result of its increased borrowings to support its business growth and (ii) the increased interest expenses incurred by Well Kent International and Happy Life. The increase in other expenses was mainly due to the increase in administrative expenses as a result of our business growth. The increase in impairment losses on assets was primarily due to the increased provision for impairment losses on finance lease receivables of Cinda Leasing.

Year Ended December 31, 2012 vs. Year Ended December 31, 2011

Profit before tax of our financial services segment in 2012 was RMB164.3 million as compared to loss before tax of our financial services segment of RMB207.0 million in 2011, primarily attributable to a significant increase in the profit before tax of Jingu Trust and Cinda Leasing in 2012, which was partially offset by an increase in losses of Happy Life and Cinda P&C and decreases in profit before tax of the securities and futures business and First State Cinda Fund in 2012.

The increase in total income of our financial services segment was primarily due to the increases in interest income, changes in fair value on other financial assets as well as the increase in commission and fee income. The increase in interest income was primarily due to (i) an increase in interest income on financial lease receivables of Cinda Leasing as a result of its business growth and (ii) an increase in interest income on bank deposits due to an increase in investable assets of Happy Life resulting from its accumulated insurance premiums. The increase in changes in fair value on other financial assets was primarily attributable to the changes in fair value on securities held by Happy Life and Cinda Securities, reflecting changes in the securities market in China during 2011 and 2012. The increase in commission and fee income primarily reflected increases in (i) fee income from financial leasing business of Cinda Leasing, (ii) fee income on trust services provided by Jingu Trust, (iii) fee income from consultancy and financial advisory services provided by Jingu Trust and (iv) debt securities underwriting and sponsoring fees generated by Cinda Securities.

The increase in total income of our financial services segment contributed by each financial subsidiary primarily reflected (i) a 9.9% increase in total income of the securities and futures business from RMB1,538.5 million in 2011 to RMB1,691.2 million in 2012, (ii) a 114.8% increase in total income of Jingu Trust from RMB440.5 million in 2011 to RMB946.2 million in 2012, (iii) a 111.4% increase in total income of Cinda Leasing from RMB623.0 million in 2011 to RMB1,317.2 million in 2012, and (iv) a 109.4% increase in total income of Cinda P&C from RMB837.8 million in 2011 to RMB1,754.5 million in 2012, which was partially offset by (i) a 16.0% decrease in total income of Happy Life from RMB5,672.8 million in 2011 to RMB4,762.4 million in 2012, and (ii) a 21.4% decrease in total income of First State Cinda Fund from RMB118.3 million in 2011 to RMB93.0 million in 2012.

The increase in total costs and expenses of our financial services segment was primarily due to the increases in employee benefits, interest expense and impairment losses on assets, which was partially offset by the decrease in expenses of insurance business. The increase in employee benefits was primarily due to the increases in employee benefits of Happy Life, Cinda P&C, Cinda Securities, Jingu Trust and Cinda Leasing as a result of business growth of these entities. The increase in interest expenses was primarily due to (i) the increased interest expenses incurred by Cinda Leasing as a result of its increased borrowings to support its business growth and (ii) the increased interest expenses incurred by Well Kent International and Happy Life. The increase in impairment losses on assets was primarily due to (i) the increased provision for impairment losses on finance lease receivables of Cinda Leasing and (ii) the increased provision for impairment losses on investment securities held by Happy Life and Cinda P&C. The decrease in expenses of insurance business was primarily due to a decrease in interest credited to policyholders and policyholder dividends and an increase in refund of reinsurance premium, which was partially offset by an increase in other insurance expenses and reserves for insurance contracts.

Year Ended December 31, 2011 vs. Year Ended December 31, 2010

Our financial services segment had a loss of RMB207.0 million in 2011 as compared to a profit before tax of RMB180.3 million in 2010, mainly reflecting (i) an increase in losses of Happy Life and Cinda P&C in 2011 and (ii) a decrease in profit before tax of the securities and futures business and First State Cinda Fund in 2011, which was partially offset by an increase in profit before tax of Jingu Trust and Cinda Leasing in 2011.

The increase in total costs and expenses of our financial services segment was primarily due to the increases in insurance costs, employee benefits, interest expense and impairment losses on assets. The increase in insurance costs was primarily due to the increases in our other insurance expenses, reserves for insurance contracts and interest credited to policyholders and policyholder dividends, which was partially offset by the increase in refund of reinsurance premiums. The increase in employee benefits was primarily due to the increases in employee benefits of Happy Life, Cinda P&C, Cinda Securities, Jingu Trust and Cinda Leasing as a result of business growth of these entities. The increase in interest expense was primarily due to (i) the increased interest expenses incurred by Cinda Leasing as a result of its increased borrowings to support its business growth and (ii) the increased interest expenses incurred by Happy Life and Cinda Securities. The increase in impairment losses on assets was primarily due to (i) an increase in the provision for impairment losses on finance lease receivables of Cinda Leasing and (ii) an increase in the provision for impairment losses on investment securities held by Happy Life.

The increase in total income of our financial services segment was primarily due to the increases in net insurance premiums earned and interest income. The increase in net insurance premiums earned was primarily due to an increase in insurance premiums as a result of business growth of Happy Life and Cinda P&C. The increase in interest income was primarily due to (i) an increase in interest income on finance lease receivables of Cinda Leasing as a result of its business growth and (ii) an increase in interest income on bank deposits of Cinda Securities.

The increase in total income of our financial services segment contributed by each financial subsidiary primarily reflected (i) a 395.2% increase in total income of Cinda P&C from RMB169.2 million in 2010 to RMB837.8 million in 2011, (ii) a 380.3% increase in total income of Cinda Leasing from RMB129.7 million in 2010 to RMB623.0 million in 2011, (iii) an 8.7% increase in total income of Happy Life from RMB5,219.2 million in 2010 to RMB5,672.8 million in 2011 and (iv) a 135.1% increase in total income of Jingu Trust from RMB187.4 million in 2010 to RMB440.5 million in 2011, which was partially offset by (i) an 18.3% decrease in total income of the securities and futures business from RMB1,884.0 million in 2010 to RMB1,538.5 million in 2011 and (ii) an 8.2% decrease in total income of First State Cinda Fund from RMB128.8 million in 2010 to RMB118.3 million in 2011.

SELECTED FINANCIAL POSITIONS OF THE CONSOLIDATED GROUP

Assets

At December 31, 2010, 2011, 2012 and June 30, 2013, our assets amounted to RMB150,701.4 million, RMB173,124.0 million, RMB254,614.4 million and RMB283,553.0 million, respectively. The principal components of our assets consist of (i) financial assets classified as receivables, (ii) available-for-sale financial assets, (iii) loans and advances to customers, (iv) cash and bank balances and (v) financial assets at fair value through profit or loss, representing 28.4%, 22.1%, 11.3%, 10.5% and 5.9%, respectively, of our total assets as at June 30, 2013.

Cash and Bank Balances

Cash and bank balances primarily consist of cash, our own bank deposits and deposits that Cinda Securities holds on behalf of its clients in its securities brokerage business with banks and other financial institutions. As at December 31, 2010, 2011, 2012 and June 30, 2013, cash and bank balances amounted to RMB33,772.6 million, RMB27,187.2 million, RMB42,726.3 million and RMB29,730.9 million, respectively. The amount of our cash was maintained at an ordinary level for business operations. We had a relatively high cash balance at the end of 2012 primarily due to our reservation of a portion of cash at the end of 2012 for the purposes of acquiring distressed debt assets and repaying of certain accounts payable due at the beginning of 2013.

Financial Assets at Fair Value through Profit or Loss

Our 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.

We determine the classification of the investment through a process as follows: based on the nature of the investment, when we expect to reflect the fair value of the investment in our financial position and the changes of fair value in our financial performance, the investment is classified as either financial assets at fair value through profit or loss or available-for-sale with reference to the criteria to be met under IAS 39. In addition, the classification is also based on the consideration of a number of factors including the investment objective, nature of the investment product and our investment strategy.

- For investments purchased with the objective of making short-term profit, the investments are classified as held-for-trading financial assets with fair value changes in profit or loss.
- For investments not purchased with the objective of short-term profit making, the investments are classified as one of the following three categories:
  - An investment is classified as held-to-maturity investment if it has fixed or determinable payments (such as bonds with quoted price in an active market) and we intend to hold it till maturity and do not expect to dispose of such investment prior to its maturity to meet cash flow needs;
  - An investment is classified as loans and receivable if it has fixed or determinable payments and has no quoted price in an active market; and
  - An investment is classified as available-for-sale financial assets if it has fixed or determinable payments but do not meet the above criteria to be classified as held-to-maturity investment or loans and receivables, or if it does not have fixed or determinable payment.

The following table sets forth, at the dates indicated, the principal components of financial assets at fair value through profit or loss:

	As at December 31,			As at June 30,
	2010	**2011**	**2012**	**2013**
	(in millions of RMB)			
Held-for-trading financial assets				
Debt securities	1,011.5	3,205.3	4,154.8	3,512.4
Equity instruments listed or traded on exchange	685.8	333.1	813.1	813.5
Mutual funds	886.3	752.8	1,380.0	1,875.1
Derivatives	—	—	19.5	24.5
Subtotal	2,583.6	4,291.2	6,367.4	6,225.5
Financial assets designated as at fair value through profit or loss				
Distressed debt assets	7,293.7	7,415.4	7,960.2	8,371.6
Financial institution convertible bonds	69.6	1,168.2	946.0	665.2
Corporate convertible bonds	150.3	60.0	72.8	38.1
Wealth management products	4.7	197.0	1,246.9	1,037.0
Unlisted equity instruments	—	270.3	329.7	352.4
Subtotal	7,518.3	9,110.9	10,555.6	10,464.3
Total	**10,101.9**	**13,402.1**	**16,923.0**	**16,689.8**

Held-for-trading financial assets primarily consist of (i) debt securities mainly held by Cinda Securities for its proprietary trading and by Happy Life, Cinda P&C and Well Kent International for their own investments, (ii) equity instruments mainly held by Cinda Securities for its proprietary trading and by Well Kent International for its own investments and (iii) fund products mainly held by Happy Life, Cinda Securities and First State Cinda Fund. As at December 31, 2010, 2011, 2012 and June 30, 2013, our held-for-trading financial assets amounted to RMB2,583.6 million, RMB4,291.2 million, RMB6,367.4 million and RMB6,225.5 million, respectively. The increase in held-for-trading financial assets from December 31, 2010 to December 31, 2012 was primarily due to (i) the increase in debt securities held by Cinda Securities for its proprietary trading and (ii) the increase in fund products invested by Happy Life. The decrease in our held-for-trading financial assets from December 31, 2012 to June 30, 2013 was primarily due to the decrease in the balance of bonds held by Cinda Securities, Cinda P&C and Happy Life, which was partially offset by the increase in the amount of fund products held by them.

Financial assets designated as at fair value through profit or loss primarily consist of (i) distressed debt assets acquired mainly by our Company at discounted prices from financial institutions, (ii) bonds held by Happy Life and Cinda Securities and (iii) short-term wealth management products mainly held by Cinda Investment, Cinda Leasing, Jingu Trust and Zhongrun Development, which were purchased by these entities at the end of the year using the cash they held for the purposes of cash management. As at December 31, 2010, 2011, 2012 and June 30, 2013, our financial assets at fair value through profit or loss amounted to RMB7,518.3 million, RMB9,110.9 million, RMB10,555.6 million and RMB10,464.3 million, respectively. The distressed debt assets designated as at fair value through profit or loss increased to RMB8,371.6 million at June 30, 2013 and RMB7,960.2 million at December 31, 2012 from RMB7,415.4 million at December 31, 2011, which increased from RMB7,293.7 million at December 31, 2010, primarily due to (i) our continuous acquisitions of such assets in each year, (ii) a decrease in the disposal of such assets in 2011, 2012 and the first half of 2013 and (iii) the fair value changes on such assets.

Available-for-sale Financial Assets

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

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Debt securities	6,217.1	9,525.2	7,998.2	10,046.6
Equity instruments	53,259.5	51,550.1	50,441.5	46,085.7
Funds	1,357.1	2,162.1	3,705.1	3,505.5
Trust products	415.1	258.2	158.0	290.9
Wealth management products	437.0	8.0	980.0	1,648.1
Rights to trust assets	470.0	700.0	1,073.3	1,073.3
Others	—	178.7	20.5	23.0
Total	**62,155.8**	**64,382.3**	**64,376.6**	**62,673.1**

Available-for-sale financial assets primarily consist of (i) equity instruments, including our equity interests in DES Companies, as well as stocks of listed companies and equity interests in unlisted companies, (ii) debt securities mainly held by Cinda Securities, Happy Life, Cinda P&C and Well Kent International for their investments and (iii) fund products held by our Company and our subsidiaries. As at December 31, 2010, 2011, 2012 and June 30, 2013, our available-for-sale financial assets amounted to RMB62,155.8 million, RMB64,382.3 million, RMB64,376.6 million and RMB62,673.1 million, respectively.

Equity instruments are the largest component of our available-for-sale financial assets. As at December 31, 2010, 2011, 2012 and June 30, 2013, our equity instruments amounted to RMB53,259.5 million, RMB51,550.1 million, RMB50,441.5 million and RMB46,085.7 million, representing 85.7%, 80.1%, 78.4% and 73.5% of our total available-for-sale financial assets, respectively.

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

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Our Group				
Listed	13,633.2	11,511.3	11,312.9	8,278.5
Unlisted	39,626.3	40,038.8	39,128.6	37,807.2
Total	53,259.5	51,550.1	50,441.5	46,085.7
Our Company				
Listed	10,764.8	9,303.6	9,152.1	6,493.5
Unlisted	38,781.6	38,983.5	37,833.0	36,126.7
Subtotal	49,546.4	48,287.1	46,985.1	42,620.2
DES Assets(1)	49,054.2	47,231.6	45,141.5	40,544.2
Financial equity investments by our Company(2)	492.2	1,055.5	1,843.6	2,076.0
Subtotal	49,546.4	48,287.1	46,985.1	42,620.2

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

The decrease in our equity instruments in available-for-sale financial assets from December 31, 2010 to June 30, 2013 was primarily due to a decrease in DES Assets held by our Company, which was partially offset by the increases in the financial equity investments held by our Company and our subsidiaries' investments in unlisted equities. The decrease in our DES Assets from December 31, 2010 to June 30, 2013 was primarily because we progressively disposed of certain of our DES Assets. The increase in financial equity investments of our Company and our subsidiaries' investment in unlisted equities from December 31, 2010 to June 30, 2013 was primarily attributable to the growth of our financial investment and asset management business, which increased our equity interests of listed and unlisted companies.

We assess our available-for-sale financial assets for impairment, determine the provisions for impairment losses, and recognize provisions for the year. See "—Critical Accounting Policies and Estimates—Significant Accounting Policies—Financial Instruments—Impairment of Financial Assets" and Note IV.7.4 to our consolidated financial statements included in the Accountants' Report in Appendix I to this prospectus.

Pursuant to our accounting policies, we are required to make provision for impairment losses for investments with evidence showing that the value of financial assets was impaired and for our investments on financial assets when their value is significantly lower than their carrying value or has been continuously below their carrying value for more than one year. According to such policy, in 2012 and for the six months ended June 30, 2013, we made provisions for impairment losses in the amount of RMB3,340.2 million and RMB2,473.7 million, respectively, on our available-for-sale financial asset portfolios. The provisions for impairment losses mainly reflected the market price changes of certain listed companies' equity interests we held, including the effects of the significant decrease in the stock value of Chalco, a listed DES Company.

Financial Assets Classified as Receivables

The following table sets forth the principal components of our financial assets classified as receivables at the dates indicated:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Distressed debt assets				
Loans acquired from financial institutions	—	3,099.3	19,294.5	29,683.8
Accounts receivable acquired from non-financial enterprises	—	6,601.8	30,256.0	50,402.6
Subtotal	—	9,701.1	49,550.5	80,086.4
Allowance for impairment losses	—	(20.0)	(1,482.3)	(2,198.2)
Other debt investments				
Trust products	—	2,176.0	2,637.0	2,262.0
Certificate treasury bonds	—	292.7	292.7	142.7
Others	—	—	215.1	150.0
Subtotal	—	2,468.7	3,144.8	2,554.7
Allowance for impairment losses	—	—	(17.9)	(13.2)
Total	**—**	**12,149.8**	**51,195.1**	**80,429.7**

Financial assets classified as receivables consist of (i) distressed debt assets, including accounts receivable we acquired from non-financial enterprises and NPLs we acquired from financial institutions, for which the repayment schedules are fixed or determinable through restructuring agreements and (ii) other debt investments[1], including trust products, certificate treasury bonds and debt investment plans mainly held by our Company, Cinda Securities, Jingu Trust and Happy Life for investment purposes.

As at December 31, 2011, 2012 and June 30, 2013, the gross balance of distressed debt assets classified as receivables was RMB9,701.1 million, RMB49,550.5 million and RMB80,086.4 million, respectively. This increase was mainly because we captured the market opportunities and provided product offerings which were tailored to clients' needs and complemented the asset portfolio of our distressed asset management business. Since 2011, we have allocated more resources to our business of managing distressed debt assets classified as receivables.

[1] Other debt investments, including trust products, certificate treasury bonds and debt investment plans, are classified as financial assets classified as receivables since it fulfils the definition of "loans and receivables" in accordance with IAS 39. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than: (1) those for which the holder intends to sell immediately or in the near term, (2) those designated as available-for-sale upon initial recognition, or (3) those for which the holder may not recover all of its initial investment due to causes other than credit deterioration.

As at December 31, 2011, 2012 and June 30, 2013, the impaired distressed debt assets classified as receivables were RMB73.1 million, RMB596.8 million and RMB473.0 million, respectively, representing 0.8%, 1.2% and 0.6% of the total distressed debt assets classified as receivables, respectively. The impairment ratio as at June 30, 2013 significantly decreased from December 31, 2012 primarily due to our recovery of a large portion of the impaired distressed debt assets classified as receivables in the first half of 2013. As at December 31, 2011, 2012 and June 30, 2013, the allowance for impairment losses on distressed debt assets classified as receivables was RMB20.0 million, RMB1,482.3 million and RMB2,198.2 million, respectively, the coverage ratio of distressed debt assets classified as receivables was 27.4%, 248.4% and 464.7%, respectively, and the ratio of allowance to total distressed debt assets classified as receivables was 0.2%, 3.0% and 2.7%, respectively.

As at December 31, 2010, 2011, 2012 and June 30, 2013, the allowance for impairment losses on other debt investment assets classified as receivables was nil, nil, RMB17.9 million and RMB13.2 million, respectively.

Loans and Advances to Customers

The following table sets forth, at the dates indicated, the principal components of our loans and advances to customers:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Unsecured loans	186.9	191.1	288.1	192.1
Loans secured by properties	332.0	577.5	3,109.3	3,815.3
Other secured loans	110.0	—	461.7	497.5
Loans to margin clients	—	—	447.7	1,826.4
Finance lease receivables	1,565.1	8,440.9	18,003.4	21,921.6
Entrusted loans	330.1	410.0	3,169.8	4,386.7
Subtotal	2,524.1	9,619.5	25,480.0	32,639.6
Allowance for impairment losses	(15.7)	(171.6)	(438.5)	(662.5)
Total	**2,508.4**	**9,447.9**	**25,041.5**	**31,977.1**

Loans and advances to customers primarily consist of (i) finance lease receivables of Cinda Leasing, which is the largest component of our loans and advances to customers, (ii) loans secured by properties which were extended by Well Kent International and Jingu Trust and (iii) entrusted loans extended by Cinda Investment and Well Kent International. As at December 31, 2010, 2011, 2012 and June 30, 2013, loans and advances to customers amounted to RMB2,524.1 million, RMB9,619.5 million, RMB25,480.0 million and RMB32,639.6 million, respectively.

Finance lease receivables of Cinda Leasing (before allowance for impairment losses) increased to RMB21,921.6 million as at June 30, 2013 and RMB18,003.4 million as at December 31, 2012 from RMB8,440.9 million as at December 31, 2011, which in turn increased from RMB1,565.1 million as at December 31, 2010, representing 62.0%, 87.7%, 70.7% and 67.2% of gross balance of our loans and advances to clients as the end of 2010, 2011, 2012 and the first half of 2013, respectively. Such increase was primarily attributable to our strategy to expand this business and the increased customer demands in the market. The table below sets forth, as at the dates indicated, the net amount of finance lease receivables we will receive within the number of years indicated:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Gross investment in finance leases	1,795.9	9,794.6	20,776.4	25,105.0
Less: Unearned finance income	(230.8)	(1,353.7)	(2,773.0)	(3,183.4)
Net finance lease receivables	**1,565.1**	**8,440.9**	**18,003.4**	**21,921.6**
Within 1 year (inclusive)	389.3	1,817.3	5,502.5	7,196.0
1 year to 5 years (inclusive)	1,175.8	6,501.3	12,017.8	14,199.2
Over 5 years	—	122.3	483.1	526.4
Allowance for impairment losses	(15.7)	(171.6)	(438.5)	(596.5)
Net carrying value	**1,549.4**	**8,269.3**	**17,564.9**	**21,325.1**

Loans secured by mortgages which were extended by Well Kent International and Jingu Trust significantly increased to RMB3,815.3 million as at June 30, 2013 and RMB3,109.3 million as at December 31, 2012 from RMB577.5 million as at December 31, 2011, which increased from RMB332.0 million as at December 31, 2010. The significant increase from December 31, 2011 to June 30, 2013 was primarily because Well Kent International granted loans to its clients for financing projects.

The entrusted loans extended by Cinda Investment and Well Kent International significantly increased to RMB4,386.7 million as at June 30, 2013 and RMB3,169.8 million as at December 31, 2012 from RMB410.0 million as at December 31, 2011, which increased from RMB330.1 million as at December 31, 2010. The significant increase from December 31, 2011 to June 30, 2013 was primarily attributable to an entrusted loan extended under a structured transaction arrangement by Cinda Investment.

Credit Risk

Credit risk is the risk of potential loss arising from a debtor or counterparty's failure or unwillingness to perform its repayment obligations in a timely manner, or from unfavorable changes of its credit. The major credit risks to which our Group is exposed primarily arise from investment classified as receivables and loans and advances to clients on our balance sheet, as well as guarantees and commitments made by any member of our Group off our balance sheet. We select counterparties who we believe meet our requirements for asset quality and repayment capability and we also request collateral from counterparties. We have implemented credit risk management policies and measures. For more information see the section entitled "Risk Management—Management of Principal Risks—Management of Credit Risk" in this prospectus.

We review the quality of our assets and recognize impairment losses when there is objective evidence that the assets are impaired. We perform portfolio tests to determine the provisions for impairment losses for the financial asset if (i) such assets are individually assessed for impairment and there is no impairment loss recognized and (ii) impairment losses for such assets cannot be determined individually either due to the lack of loss event incurred on such assets or we are not able to reasonably estimate the impact of potential loss event on the future cash flows of such assets. We include a group of financial assets with similar credit risk characteristics to perform portfolio tests of impairment losses. Unlike the method adopted by commercial banks in China to categorize loans into five levels, we have established and use our internal method of categorizing debt assets into five categories to differentiate distressed debt assets classified as receivables into five categories for the purposes of management and making relevant provisions as risk reserves.

The following credit risk discussion is based on the total amount of (i) distressed debt assets classified as receivables and (ii) loans and advances. For ease of reference, in this section, we refer to such assets as "assets with credit risk exposure." For the credit risks relating to distressed debt assets classified as receivables, please refer to Note VI. 68.1 to the Accountants' Report set out in Appendix I to this prospectus:

Distribution by Geographic Region

We classify assets with credit risk exposure geographically based on the location of the branch or subsidiary that holds the asset. The following table sets forth, at the dates indicated, the distribution of our assets with credit risk exposure by geographic region. For definitions of our geographic regions, please refer to Note VI. 68.1 to the Accountants' Report set out in Appendix I to this prospectus:

	As at December 31,						As at June 30, 2013	
	2010		2011		2012			
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Western Region	285.0	11.3	3,917.4	20.3	18,315.9	24.4	30,754.7	27.3
Bohai Rim	588.9	23.3	8,688.2	45.0	18,703.4	24.9	23,322.7	20.7
Central Region	416.0	16.5	2,926.6	15.1	14,691.2	19.6	20,704.4	18.3
Yangtze River Delta	580.7	23.0	2,212.3	11.5	10,827.6	14.4	14,632.3	13.0
Pearl River Delta	306.0	12.1	1,262.9	6.5	7,434.8	9.9	13,708.1	12.2
Northeastern Region	347.5	13.8	133.0	0.7	4,751.8	6.3	9,532.5	8.4
Overseas	—	—	180.2	0.9	305.8	0.5	71.3	0.1
Total	**2,524.1**	**100.0**	**19,320.6**	**100.0**	**75,030.5**	**100.0**	**112,726.0**	**100.0**

Distribution by Industry

The following table sets forth, at the dates indicated, the distribution of our assets with credit risk exposure by industry classification:

	As at December 31,						As at June 30, 2013	
	2010		2011		2012			
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Real estate	645.0	25.6	8,285.6	42.9	39,666.2	52.9	55,587.8	49.3
Manufacturing	1,294.2	51.3	7,412.3	38.4	10,139.4	13.5	12,915.9	11.5
Water, environment and public utilities management	—	—	328.8	1.7	7,056.9	9.4	10,508.4	9.3
Leasing and commercial services	—	—	—	—	—	—	7,735.0	6.9
Construction	—	—	446.5	2.3	3,982.5	5.3	5,065.8	4.5
Transportation, logistics and postal services	306.4	12.1	1,266.9	6.6	2,692.6	3.6	5,384.9	4.8
Mining	—	—	458.4	2.4	2,539.3	3.4	3,734.9	3.3
Others(1)	278.5	11.0	1,122.1	5.7	8,953.6	11.9	11,793.3	10.4
Total	**2,524.1**	**100.0**	**19,320.6**	**100.0**	**75,030.5**	**100.0**	**112,726.0**	**100.0**

(1) Primarily consists of (i) production and supply of electricity, gas and water; (ii) telecommunication, computer services and software industry; (iii) financial industry; (iv) wholesale and retail industries; (v) lodging and catering industry; and (vi) science, education, culture and health.

Our assets with credit risk exposure are primarily in the real estate and manufacturing industries. As at December 31, 2010, 2011, 2012 and June 30, 2013, assets with credit risk exposure in the real estate industry amounted to RMB645.0 million, RMB8,285.6 million, RMB39,666.2 million and RMB55,587.8 million, representing 25.6%, 42.9%, 52.9% and 49.3% of our total assets with credit risk exposure, respectively. The increase both in amounts and in percentages was primarily due to an increase in the receivables we acquired from real estate companies as real estate companies face increasing working capital pressures caused by macroeconomic control measures over the property market adopted by the PRC government since we launched the Restructuring Model in 2011. As at June 30, 2013, assets subject to credit risks under the real estate industry increased to RMB55,587.8 million, but decreased to 49.3% as a percentage of the total assets, primarily due to the rapid growth of our distressed debt assets classified as receivables and our adjustment of the portfolio of these assets with an aim to reduce the proportion of assets under the real estate industry. As at December 31, 2010, 2011, 2012 and June 30, 2013, assets under credit risk in the manufacturing industry amounted to RMB1,294.2 million, RMB7,412.3 million, RMB10,139.4 million and RMB12,915.9 million, respectively. The increase in amount from December 31, 2010 to December 31, 2012 and further to June 30, 2013 was primarily attributable to an increase in finance lease receivables of Cinda Leasing from clients in the manufacturing industry.

Types of Collateral

We adopt various risk mitigation measures to control credit risk. In particular, we require the counterparties of transactions to provide appropriate guarantees, mortgages, pledges or other collaterals. We also strive to ensure that we could effectively and efficiently realize the value of collateral when the counterparties default by using various risk mitigation methods, such as selecting collateral that can be sold easily and enforcing of our claims on collateral. Assets under credit risk secured by guarantee, mortgage and pledge represented, in aggregate, 79.8%, 96.5%, 95.4% and 94.2% of our total assets under credit risk at December 31, 2010, 2011, 2012 and June 30, 2013, respectively. The following table sets forth, at the dates indicated, the distribution by types of collateral:

	As at December 31,						As at June 30, 2013	
	2010		2011		2012			
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Unsecured	510.9	20.2	668.9	3.5	3,386.5	4.6	6,532.5	5.8
Guaranteed	882.0	34.9	8,938.3	46.2	22,305.1	29.7	38,785.1	34.4
Mortgage	677.2	26.9	8,618.4	44.6	40,378.3	53.8	52,261.0	46.4
Pledged	454.0	18.0	1,095.0	5.7	8,960.6	11.9	15,147.4	13.4
Total	**2,524.1**	**100.0**	**19,320.6**	**100.0**	**75,030.5**	**100.0**	**112,726.0**	**100.0**

Maturity Profiles under Contracts

The following table sets forth assets under credit risk by maturity profiles under contracts at the dates indicated:

	As at December 31,						As at June 30, 2013	
	2010		2011		2012			
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Less than 1 year	175.0	6.9	6,258.7	32.4	11,499.0	15.3	12,254.6	10.9
1 to 5 years	2,349.1	93.1	12,848.4	66.5	61,989.1	82.6	97,984.4	86.9
Over 5 years	—	—	213.5	1.1	1,542.4	2.1	2,487.0	2.2
Total	**2,524.1**	**100.0**	**19,320.6**	**100.0**	**75,030.5**	**100.0**	**112,726.0**	**100.0**

Asset Quality

The following table sets forth, at the dates indicated, the asset quality of our assets under credit risk:

Group

	As at December 31,			As at June 30, 2013
	2010	2011	2012	
	(in millions of RMB)			
Neither past due nor impaired	2,524.1	18,570.7	73,192.5	109,837.5
Past due but not impaired	—	676.8	961.3	1,825.6
Impaired	—	73.1	876.7	1,062.9
Subtotal	2,524.1	19,320.6	75,030.5	112,726.0
Allowance for impairment losses	(15.7)	(191.6)	(1,920.8)	(2,860.7)
Net carrying value	**2,508.4**	**19,129.0**	**73,109.7**	**109,865.3**

The following table sets forth, as at the dates indicated, the asset quality of distressed debt assets classified as receivables:

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Neither past due nor impaired	—	9,021.2	48,020.3	78,307.2
Past due but not impaired	—	606.8	933.4	1,306.2
Impaired	—	73.1	596.8	473.0
Subtotal	—	9,701.1	49,550.5	80,086.4
Allowance for impairment losses	—	(20.0)	(1,482.3)	(2,198.2)
Net carrying value	**—**	**9,681.1**	**48,068.2**	**77,888.2**

As at December 31, 2010, 2011, 2012 and June 30, 2013, the balance of assets past due but not impaired was nil, RMB676.8 million, RMB961.3 million and RMB1,825.6 million, respectively, and the balance of assets impaired was nil, RMB73.1 million, RMB876.7 million and RMB1,062.9 million, respectively. Such increases were primarily due to an increase in distressed debt assets classified as receivables with same credit quality, as well as the increased impaired finance lease receivables of Cinda Leasing in 2012 and the six months ended June 30, 2013. As at December 31, 2010, 2011, 2012 and June 30, 2013, the impaired assets (before deducting allowance for impairment losses) accounted for nil, 0.4%, 1.2% and 0.9% of our assets under credit risk, respectively. The impaired assets of distressed debt assets classified as receivables (before deducting allowance for impairment losses) accounted for nil, 0.8%, 1.2% and 0.6% of the balance of distressed debt assets classified as receivables, respectively.

As at December 31, 2010, 2011, 2012 and June 30, 2013, the balance of allowance for impairment losses amounted to RMB15.7 million, RMB191.6 million, RMB1,920.8 million and RMB2,860.7 million, respectively. The increase in the balance of allowance for impairment losses from December 31, 2010 to December 31, 2011 was primarily due to an increase in finance lease receivables of Cinda Leasing. The increase in allowance for impairment losses from December 31, 2011 to December 31, 2012, and further to June 30, 2013 was primarily because (i) we significantly increased provisions made for impairment losses in order to enhance our risk mitigation capabilities; as at December 31, 2011 and 2012 and June 30, 2013, the coverage ratio of debt assets classified as receivables was 27.4%, 248.4% and 464.7%, respectively and (ii) an increased allowance for finance lease receivables of Cinda Leasing. As at December 31, 2011, 2012 and June 30, 2013, the coverage ratio of distressed debt assets classified as receivables and loans and advances was 262.1%, 219.1% and 269.1%, respectively. On December 31, 2010, our allowance for impairment losses was RMB15.7 million, without any impaired assets subject to credit risk exposures.

Liabilities

As at December 31, 2010, 2011, 2012 and June 30, 2013, our total liabilities amounted to RMB108,199.9 million, RMB130,281.3 million, RMB193,729.6 million and RMB220,807.7 million, respectively. The principal components of our liabilities consist of (i) borrowings from banks, non-bank financial institutions as well as non-financial enterprises, (ii) accounts payable, (iii) bonds issued and (iv) borrowings from central bank, representing 47.1%, 15.6%, 5.8% and 3.1%, respectively, of our total liabilities at June 30, 2013. The following table sets forth, as at the dates indicated, our interest-bearing liabilities:

	As at December 31,						As at June 30, 2013	
	2010		2011		2012			
	Amount	% of total	Amount	% of total	Amount	% of total	Amount	% of total
	(in millions of RMB, except percentages)							
Borrowings from central bank	16,464.6	19.4	11,310.7	11.4	7,053.4	4.6	6,872.7	4.0
Accounts payable to brokerage clients	13,677.5	16.1	8,150.5	8.2	6,629.5	4.4	6,773.8	3.9
Financial assets sold under repurchase agreements(1)	879.5	1.0	6,920.5	7.0	11,993.6	7.9	6,235.0	3.6
Placements from a bank and a financial institution	—	—	—	—	—	—	950.0	0.6
Borrowings	7,826.2	9.2	25,178.9	25.4	76,099.2	49.9	104,100.8	60.8
Accounts payable	46,204.8	54.3	46,983.8	47.5	38,112.3	25.0	33,564.3	19.6
Bonds issued	—	—	495.0	0.5	12,534.6	8.2	12,792.1	7.5
Total	**85,052.6**	**100.0**	**99,039.4**	**100.0**	**152,422.6**	**100.0**	**171,288.7**	**100.0**

(1) Financial assets sold under repurchase agreements refer to transactions that financial assets such as bills, securities and loans were sold but subject to agreements with a commitment to repurchase at a specific future date. The proceeds from selling such assets are presented under "financial assets sold under repurchase agreements" in the consolidated statements of financial position. This type of transaction was mainly entered into by Happy Life, Cinda Securities and Cinda Leasing, our subsidiaries in the financial service segment. As a short-term way commonly used to obtain funding, the fluctuation of balance of financial assets sold under repurchase agreements reflects the funding position of these subsidiaries of our Group.

The following table sets forth our key indebtedness by remaining maturity at the date indicated:

	As at June 30, 2013					
	Due 1 year or less	Due over 1 year up to 2 years	Due over 2 years up to 3 years	Due over 3 years up to 4 years	Due over 4 years up to 5 years	Due more than 5 years
	(in millions of RMB)					
Borrowings from central bank	1,643.1	5,229.6	—	—	—	—
Amount due to the MOF	14,737.1	18,827.2	—	—	—	—
Borrowings	47,816.5	31,107.6	23,598.7	525.1	289.7	763.2
Bonds issued	322.9	—	6,988.7	495.0	4,985.5	—
Total	**64,519.6**	**55,164.4**	**30,587.4**	**1,020.1**	**5,275.2**	**763.2**

Borrowings

At December 31, 2010, 2011, 2012 and June 30, 2013, the balance of our borrowings amounted to RMB7,826.2 million, RMB25,178.9 million, RMB76,099.2 million and RMB104,100.8 million, respectively. The increase in our borrowings from December 31, 2010 to December 31, 2012 and further to June 30, 2013 was primarily due to (i) our Company's borrowings increasing by 311.5% from RMB13,568.1 million as at December 31, 2011 to RMB55,831.3 million as at December 31, 2012 and further increasing to RMB80,269.3 million as at June 30, 2013, to finance our acquisitions of distressed debt assets classified as receivables and (ii) Cinda Leasing's increased borrowings to support the growth of its finance lease receivables portfolio.

The following table sets forth the effective interest rate ranges of the borrowings of our Company as at the dates indicated:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Fixed-rate borrowings	—	5.90% - 8.00%	4.80% - 6.90%	4.75% - 6.90%
Variable-rate borrowings	4.86% - 6.80%	5.99% -7.04%	5.35% - 6.15%	5.10% - 6.15%

The annualized effective interest rate ranges for both fixed-rate borrowings and variable-rate borrowings of our Company as at June 30, 2013 and December 31, 2012 decreased as compared to those as at December 31, 2011. The decrease was mainly because (i) market liquidity increased slightly in 2012 and the first half of 2013 due to the market interest rate decrease in line with the PBOC's two benchmark rate cuts in 2012, (ii) our Company established a centralized fund management model in 2012 and made quotation inquiries for borrowings in a centralized manner so as to enhance its bargaining power and (iii) our Company increased the number of partnering banks to increase our credit facilities from banks. The effective interest rate ranges for variable-rate borrowings of our Company as at December 31, 2011 increased as compared to those as at December 31, 2010, primarily due to the benchmark rate being raised three times consecutively by the PBOC in 2011.

Accounts Payable

Our accounts payable primarily consist of the amount due to the MOF and accounts payable associated with our real estate business. As at December 31, 2010, 2011, 2012 and June 30, 2013, the balance of our accounts payable amounted to RMB47,219.5 million, RMB47,994.9 million, RMB39,539.4 million and RMB34,425.3 million, respectively.

The amount due to the MOF relates to our acquisitions of Policy-Distressed Assets from the MOF, which include the DES Assets and distressed debt assets. The consideration was to be paid in five years starting from 2011 with annual installments of RMB9,713.5 million. In February 2012, the MOF approved the deferral of our first payment of RMB9,713.5 million to the end of 2014. The interest of the deferred payment shall be calculated at an annual interest rate of 2.25%. At December 31, 2010, 2011, 2012 and June 30, 2013, the balance of the amount due to the MOF amounted to RMB46,204.8 million, RMB46,983.8 million, RMB38,112.3 million and RMB33,564.3 million, respectively.

Bonds Issued

The following table sets forth our bonds issued as at the dates indicated:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
10-year 7.2% fixed rate subordinated bonds	—	495.0	495.0	522.0
3-year 4.35% fixed rate financial bonds	—	—	5,019.0	5,131.7
5-year 4.65% fixed rate financial bonds	—	—	5,020.6	5,138.4
3-year 4% fixed rate RMB bonds	—	—	2,000.0	2,000.0
Total	**—**	**495.0**	**12,534.6**	**12,792.1**

Bonds issued consist of (i) the subordinated bonds issued by Happy Life in September 2011, (ii) financial bonds issued by our Company in October 2012, and (iii) bonds issued by Well Kent International's wholly-owned subsidiary Bitronic in December 2012. As at December 31, 2011, 2012 and June 30, 2013, the outstanding balance of our bonds issued was RMB495.0 million, RMB12,534.6 million and RMB12,792.1 million, respectively. For more information, see "Indebtedness."

Borrowings from Central Bank

During the Policy Phase and the Transition Phase of China's distressed asset management industry, Cinda Corporation raised funds through the issuance of financial bonds and loans from the PBOC to acquire the distressed assets disposed of by the state-owned banks in accordance with relevant governmental policies. The current amount of "borrowings from central bank" in the consolidated statements of financial position was incurred when Cinda Corporation raised funds from the PBOC to acquire distressed assets disposed of by the state-owned restructured banks, including the BOC, CCB, BoCOM and ICBC, from 2004 to 2005. We assumed such liabilities when we were established as a joint stock company in 2010. Pursuant to the relevant arrangements, such debts shall be fully repaid by the end of 2014. Since 2005, Cinda Corporation and our Company have funded the expansion of their distressed assets business by means of commercial financing instead of borrowing from the PBOC.

We had borrowings from the PBOC in connection with our acquisitions of distressed assets from PRC commercial banks. Such borrowings bear a fixed interest rate at 2.25% per annum and are to be repaid in full by December 31, 2014. At December 31, 2010, 2011, 2012 and June 30, 2013, the outstanding balance of our borrowings from the PBOC was RMB16,464.6 million, RMB11,310.7 million, RMB7,053.4 million and RMB6,872.7 million, respectively.

CASH FLOWS

The following table sets forth a selected summary of our consolidated statements of cash flows for the years and periods indicated:

	For the year ended December 31,			For the six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
	(in millions of RMB)				
Net cash from/(used in) operating activities	11,095.8	2,234.2	(5,015.9)	(5,150.5)	(4,427.8)
Net cash used in investing activities	(5,775.1)	(9,076.6)	(4,908.7)	1,278.0	(2,901.1)
Net cash (used in)/from financing activities	(1,085.3)	2,124.9	25,808.5	6,810.3	(4,439.2)
Net increase/(decrease) in cash and cash equivalents	4,235.4	(4,717.5)	15,883.9	2,937.8	(11,768.1)
Cash and cash equivalents at the beginning of the year/period	15,789.2	19,950.2	15,210.1	15,210.1	31,093.4
Effect of foreign exchange changes	(74.4)	(22.6)	(0.6)	(0.7)	2.1
Cash and cash equivalents at the end of the year/period	19,950.2	15,210.1	31,093.4	18,147.2	19,327.4

Net Cash from/(used in) Operating Activities

Our cash outflows used in operating activities primarily consist of cash outflows arising from the acquisition of distressed debt assets classified as receivables, loans and advances to clients, financial assets at fair value through profit or loss, properties held for sale and repayment of borrowing from central bank. Net cash flows used in operating activities reflected (i) profit before tax adjusted for non-cash and non-operating items, such as provision for impairment losses on assets, investment income, provision for insurance contracts and depreciation, (ii) the effects of movements in working capital, such as increase or decrease in borrowings from our Company and financial subsidiaries, distressed debt assets classified as receivables, loans and advances to clients and (iii) other cash items such as income tax paid.

Our net cash outflows from operating activities for the six-month periods ended June 30, 2012 and 2013 were RMB5,150.5 million and RMB4,427.8 million, respectively. Net cash outflows from operating activities for the six months ended June 30, 2013 decreased from the same period in 2012, primarily attributable to (i) cash outflows as a result of our substantial acquisition of distressed debt assets and (ii) an increase in loans and advances to clients, which was partially offset by cash inflows from sales of financial assets at fair value through profit or loss and an increase in the sales of the financial assets held under repurchase agreements.

Our operating activities had net cash outflows of RMB5,015.9 million in 2012 as compared to net cash inflow of RMB2,234.2 million in 2011. Net cash outflows used in operating activities increased from 2011 to 2012, primarily due to (i) an increase in distressed debt assets classified as receivables, and (ii) an increase in loans and advances to customers, which was partially offset by an increase in borrowings from banks, other financial institutions and non-financial enterprises by our Company and financial subsidiaries.

Our net cash inflows from operating activities in 2011 and 2010 were RMB2,234.2 million and RMB11,095.8 million, respectively. Net cash inflows from operating activities decreased from 2010 to 2011, primarily due to (i) an increase in cash payments for the acquisition of assets at fair value through profit or loss, (ii) an increase in loans and advances to customers and (iii) a decrease in accounts payable to brokerage clients, which was partially offset by an increase in borrowings from banks, other financial institutions and non-financial enterprises by our Company and financial subsidiaries, as well as a decrease in bank deposits.

Net Cash used in Investing Activities

Our cash outflows used in investing activities primarily consist of cash paid to acquire investment securities, including available-for-sale financial assets, financial assets (excluding distressed debt assets) classified as receivables and held-to-maturity financial assets. Our cash inflows from investing activities mainly refer to cash received from disposal of investment securities, primarily available-for-sale financial assets.

Our investing activities had net cash outflows of RMB2,901.1 million for the six months ended June 30, 2013 as compared to net cash inflows of RMB1,278.0 million for the same period in 2012, which primarily reflects an increase of cash outflows as a result of the sales and purchases of investment securities by our securities and insurance subsidiaries.

The net cash outflows used in investing activities were RMB4,908.7 million and RMB9,076.6 million in 2012 and 2011, respectively. The decrease in net cash outflows used in investing activities from 2011 to 2012 was primarily due to an increase in cash received from disposal of subsidiaries and associates, which was partially offset by an increase in net cash outflows arising from the disposal and acquisition of investment securities.

The net cash outflows used in investing activities were RMB9,076.6 million and RMB5,775.1 million in 2011 and 2010, respectively. The increase in net cash outflows in investing activities from 2010 to 2011 was primarily due to an increase in net cash outflows arising from the disposal and acquisition of investment securities, which was partially offset by an increased cash inflows arising from the dividend income received from investment securities.

Net Cash (used in)/from Financing Activities

Our cash outflows used in financing activities primarily consist of repayments of borrowings made by our non-financial subsidiaries and interests thereon as well as cash dividends paid to our Shareholders. Our cash inflows from financing activities primarily consist of proceeds from issuing bonds and equity, and cash received from borrowings of our non-financial subsidiaries.

Our financing activities had net cash outflows of RMB4,439.2 million for the six months ended June 30, 2013 as compared to net cash inflows of RMB6,810.3 million for the same period in 2012, which primarily reflects a large amount of cash inflows as a result of the share issuance to the four Strategic Investors in 2012 as compared to an increase in net cash outflows due to an increase in borrowing and interest expenses incurred by our non-financial subsidiaries as well as the sales of financial assets held under repurchase agreements by our insurance subsidiaries in the first half of 2013.

The cash inflows from financing activities were RMB2,124.9 million and RMB25,808.5 million in 2011 and 2012, respectively. The increase in net cash inflows from financing activities from 2011 to 2012 was primarily attributable to (i) the proceeds from fixed rate financial bonds issued by our Company in an aggregate principal amount of RMB10,000.0 million and the proceeds from fixed rate bonds issued by Well Kent International's wholly-owned subsidiary Bitronic in an aggregate principal amount of RMB2,000.0 million, (ii) an increase in cash received from borrowings of our non-financial subsidiaries and (iii) the proceeds from issuing equity to four strategic investors in March 2012. These increases were partially offset by (i) an increase in cash repayments of borrowings made by our non-financial subsidiaries and (ii) an increase in net cash outflows arising from financial assets sold under repurchase agreements by our insurance subsidiaries.

Our financing activities had cash outflow of RMB1,085.3 million in 2010 and cash inflow of RMB2,124.9 million in 2011, primarily due to an increase in net cash inflows arising from financial assets sold under repurchase agreements by our insurance subsidiaries.

LIQUIDITY AND CAPITAL RESOURCES

We fund our working capital and other capital requirements primarily from borrowings from banks and other financial institutions, proceeds from issuing bonds and equity and cash flows from operations. As at June 30, 2013, we had aggregate cash and cash equivalents of RMB19,327.4 million, consisting primarily of bank balances.

The Directors are of the opinion that, after due and careful enquiry and considering the financial resources available to us, including the internally generated funds and the estimated net proceeds of the Global Offering, we have sufficient working capital to meet our present requirements for at least the next 12 months from the date of this prospectus.

Capital Management

Our primary objectives of capital management are to ensure our compliance with regulatory requirements, to optimize our internal capital allocation and improve efficiency of use of capital and to ensure that we can maintain sound capital status in order to support the sustainable operation and steady growth of our business.

We establish our capital management principles from the perspectives of capital planning, capital allocation, capital raising and return on capital, centralized management and allocation of capital at the Group level, and created a classification system and evaluation standards for assets, including: (i) establishing explicit policies with respect to the capital management function and its responsibilities, specifying the roles and responsibilities of the board, management and relevant departments, (ii) taking into account the investment return, capital return including contribution from cross-selling and investment return after risk-related adjustments that can be achieved from the investment projects or the subsidiaries during our evaluation by project managers and in the Group's assessment system and (iii) striving to establish and improve the information-based and process-oriented capital monitoring and management system, and establish evaluation indicators based on capital measurement, capital scale, capital risks and capital allocation to formulate a modern capital management system with clear responsibilities, effective compliance and strong risk control capabilities.

We manage our capital in accordance with relevant regulations such as the Provisional Regulatory Guidelines for Supervision of Financial Asset Management on a Financial Statements Consolidation Basis (金融資產管理公司併表監管指引（試行）) promulgated on March 8, 2011 and the Off-site Supervision Report System for Financial Asset Management Companies (Provisional) (金融資產管理公司非現場監管報表指標體系（試行）) ("Off-site Supervision Report System") promulgated on May 18, 2012 by the CBRC. The minimum capital of our Company shall not fall below 12.5% of the risk-weighted assets (including off-balance sheet assets). Risk weighting is mainly determined based on factors such as the risk exposure of specific assets and the correlation with our Company's primary businesses. In addition, the leverage ratio of our Company shall not fall below 6% and the liquidity ratio shall not fall below 15%. Since the Off-site Supervision Report System became effective in May 2012, we have complied with the regulatory requirements for leverage ratios and liquidity ratios. As at December 31, 2011, 2012 and June 30, 2013, we complied with all the requirements on capital adequacy ratio and risk control indicators set out in the Provisional Regulatory Guidelines for Supervision of Financial Asset Management on a Financial Statements Consolidation Basis and the Off-site Supervision Report System issued by the CBRC. As at December 31, 2011, 2012 and June 30, 2013, pursuant to the requirements of the Off-site Supervision Report System, our Company's capital adequacy ratio was 19.18%, 20.96% and 17.80%, respectively, which were equivalent to net qualified capital divided by risk weighted assets. The risk weighted assets were calculated according to different risk weighting and by taking into account the effects of qualified collaterals and guarantees. As at December 31, 2011, 2012 and June 30, 2013, the net qualified capital was RMB27,099.7 million, RMB39,146.4 million and RMB39,307.7 million, respectively. The subsidiaries within the Group which are engaged in financial services such as securities and futures, trust, financial leasing, and insurance, shall meet the regulatory requirements set forth by their respective regulatory authorities with respect to the minimum capital.

As of December 31, 2010, 2011 and 2012 and June 30, 2013, the gearing ratio of our Company was 2.0:1, 2.3:1, 2.5:1 and 2.7:1, respectively. The increase in the gearing ratio was mainly due to the increase in interest-bearing debts, which consisted primarily of borrowings and bonds, to meet our needs to increase our assets significantly, particularly the demand for acquisition of distressed assets. Since 2011, we have seized opportunities to develop our business of distressed debt assets classified as receivables. The rapid expansion of our business led to increased financing needs. Meanwhile, we strived to raise our leverage ratio and capital utilization ratio. As of December 31, 2011 and 2012 and June 30, 2013, our capital adequacy ratio was 19.18%, 20.96% and 17.80%, respectively, each being higher than the requirement set forth by the CBRC on the capital adequacy ratio which shall not be less than 12.5% of risk weighted assets (inclusive of off-balance assets), enabling us to further increase our gearing ratio.

Liquidity

We manage liquidity primarily by monitoring the maturities of our assets and liabilities to ensure that we have sufficient funds to meet obligations as they become due, implementing liquidity stress test, forecasting liquidity gap and other measures. While conducting centralized liquidity management, as well as controlling the liquidity risks by enhancing budget management, expanding financing channels, improving cash management capabilities and other measures, we are devoted to ensure growth in our acquisition of assets and meet our strategic and financial investment funding needs. In addition, we have been exploring diversified financing channels and focusing on maintaining stable sources of funding and increasing our borrowings from banks and other financial institutions. For more information about the measures of our liquidity risk management, see the section entitled "Risk Management—Management of Liquidity Risk".

The following table sets forth the remaining maturities of our assets and liabilities as at June 30, 2013:

	As at June 30, 2013							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	(in millions of RMB)							
Cash and bank balances	—	22,171.5	2,973.4	559.0	1,217.0	2,810.0	—	29,730.9
Clearing settlement funds	—	2,059.6	—	—	—	—	—	2,059.6
Deposits with exchanges	696.1	—	—	—	—	—	—	696.1
Financial assets at fair value through profit or loss	11,437.1	814.4	185.0	10.4	175.2	2,828.6	1,239.1	16,689.8
Financial assets held under resale agreements[(1)]	—	—	880.0	32.1	96.0	—	—	1,008.1
Available-for-sale financial assets	50,771.4	169.3	479.0	140.3	44.9	3,471.4	7,596.8	62,673.1
Financial assets classified as receivables	1,862.3	—	1,384.1	4,429.7	27,694.6	44,939.0	120.0	80,429.7
Loans and advances to clients	868.0	245.3	564.9	1,623.0	7,293.2	20,866.7	516.0	31,977.1
Accounts receivable	1,019.5	2,139.8	300.7	1.3	1,963.3	3,471.7	—	8,896.3
Held-to-maturity investments	—	—	20.0	50.0	250.3	1,196.4	6,120.2	7,636.9
Other financial assets	128.0	197.2	150.2	325.0	1,237.8	833.6	—	2,871.8
Total financial assets	**66,782.4**	**27,797.1**	**6,937.3**	**7,170.8**	**39,972.3**	**80,417.4**	**15,592.1**	**244,669.4**

(1) For the bonds and notes obtained by us through buy-out and resale transactions which are one type of our purchase and resale transactions, we are able to resell or repledge such bonds and notes as their titles of ownership have been transferred to us. However, such bonds and notes shall be returned to the relevant counterparties within the terms set forth in the resale agreements.

	As at June 30, 2013							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
	(in millions of RMB)							
Borrowings from central bank	—	—	—	—	(1,643.1)	(5,229.6)	—	(6,872.7)
Accounts payable to brokerage clients	—	(6,773.8)	—	—	—	—	—	(6,773.8)
Financial liabilities at fair value through profit or loss	—	(3.7)	—	—	—	—	—	(3.7)
Financial assets sold under repurchase agreements	—	—	(2,626.2)	(844.7)	(2,239.9)	(524.2)	—	(6,235.0)
Borrowings	—	(520.6)	(1,149.5)	(4,381.3)	(41,765.1)	(55,521.1)	(763.2)	(104,100.8)
Placements from a bank and a financial institution	—	—	(950.0)	—	—	—	—	(950.0)
Accounts payable	(0.4)	(102.9)	(133.3)	(4,356.0)	(11,005.6)	(18,827.1)	—	(34,425.3)
Investment contract liabilities for policyholders	(1.9)	(95.3)	—	—	—	—	(2,905.7)	(3,002.9)
Bonds issued	—	—	—	(27.0)	(295.9)	(12,469.2)	—	(12,792.1)
Other financial liabilities	(215.3)	(7,970.4)	(37.5)	(137.3)	(1,130.5)	(27.0)	—	(9,518.0)
Total financial liabilities	**(217.6)**	**(15,466.7)**	**(4,896.5)**	**(9,746.3)**	**(58,080.1)**	**(92,598.2)**	**(3,668.9)**	**(184,674.3)**
Net position	**66,564.8**	**12,330.4**	**2,040.8**	**(2,575.5)**	**(18,107.8)**	**(12,180.8)**	**11,923.2**	**59,995.1**

The amount of our total financial assets was significantly larger than that of our total financial liabilities during the Track Record Period. As at December 31, 2012 and June 30, 2013, the total net position amounted to RMB55,850.3 million and RMB59,995.1 million, respectively, including a negative aggregate net position of RMB54,773.6 million and RMB32,864.1 million, respectively, in maturities of one to three months, three to 12 months and one to five years, and a positive aggregate net position of RMB110,623.9 million and RMB92,859.2 million, respectively, in maturities of on demand, less than one month, more than five years and past due/undated, which is significantly larger than the negative portion of net position and enables us to cover the liquidity gap.

Our plans to cover the negative liquidity gap primarily include (i) formulating disposal plans for assets with undated maturities (mainly including DES Assets and distressed debt assets designated as at fair value through profit and loss) and generating cash inflow from the disposal of such assets on a regular basis to eliminate the negative liquidity gap and ensure our sufficient liquidity; (ii) converting assets with low liquidity into assets with high liquidity through securitization, managing the liquidity level and adjusting the maturity structure of assets and liabilities in order to eliminate the liquidity gap; and (iii) exploring various financing channels to maintain stable sources of capital, including increasing borrowings from banks and other financial institutions as well as issuing bonds.

Our liquidity management policies primarily include (i) monitoring the maturities of our assets and liabilities, implementing liquidity stress tests, forecasting liquidity gaps and utilizing other measures to ensure that we have sufficient funds to meet our obligations when they become due; and

(ii) enhancing relationships with banks and other institutions, increasing credit facilities, strengthening financing capabilities and exploring various financing channels.

Our liquidity management policies are effective in addressing the mismatch of the maturities of its assets and liabilities. In particular, (i) the maturities of newly acquired distressed debt assets classified as receivables have generally matched the maturities of the corresponding liabilities; (ii) we have reduced the duration of distressed debt assets designated as at fair value through profit or loss and DES Assets in a cost-effective manner; and (iii) we have formulated plans to convert assets with undated or long maturities into cash based on liquidity needs and market conditions on an annual basis. Historically, the implementation of such plans was satisfactory and has provided effective support for liquidity sufficiency.

Shareholders' Equity

Our total Shareholders' equity increased to RMB62,745.3 million as at June 30, 2013 and RMB60,884.8 million as at December 31, 2012 from RMB42,842.7 million as at December 31, 2011, which in turn increased from RMB42,501.6 million at December 31, 2010. The following table sets forth, for the years and periods indicated, the components of the changes in our total equity attributable to Shareholders:

	Total equity attributable to our Shareholders	Non-controlling interests	Total equity
	(in millions of RMB)		
As at December 31, 2009	**21,064.0**	**4,070.8**	**25,134.8**
Profit for the year	7,399.0	103.6	7,502.6
Other comprehensive income/(expense)	1,225.1	40.5	1,265.6
Total comprehensive income/(expense) for the year	8,624.1	144.1	8,768.2
Capital contribution			
Revaluation of assets	3,565.1	202.8	3,767.9
Other contribution from the MOF	3,863.4	—	3,863.4
Capital contribution from non-controlling shareholders	—	679.9	679.9
Acquisition of additional interests in subsidiaries	(72.8)	(38.6)	(111.4)
Acquisition of subsidiaries	—	497.4	497.4
Disposal of partial interests in state-owned companies	(18.4)	—	(18.4)
Dividends paid to non-controlling interests	—	(80.2)	(80.2)
As at December 31, 2010	**37,025.4**	**5,476.2**	**42,501.6**
Profit for the year	6,762.8	23.5	6,786.3
Other comprehensive expense	(4,226.6)	(389.6)	(4,616.2)
Total comprehensive income/(expense) for the year	2,536.2	(366.1)	2,170.1
Capital contribution from non-controlling shareholders	—	697.9	697.9
Acquisition of additional interests in subsidiaries	(37.8)	(680.2)	(718.0)
Disposal of interests in subsidiaries	1.3	31.7	33.0
Dividends paid to non-controlling interests	—	(129.9)	(129.9)
Dividends recognized as distribution	(1,712.0)	—	(1,712.0)
As at December 31, 2011	**37,813.1**	**5,029.6**	**42,842.7**
Profit for the year	7,306.3	(89.1)	7,217.2
Other comprehensive expense/(income)	1,147.6	73.4	1,221.0
Total comprehensive expense/(income) for the year	8,453.9	(15.7)	8,438.2
Shares issued	10,368.6	—	10,368.6
Capital contribution from non-controlling shareholders	—	1,569.9	1,569.9
Acquisition of additional interests in subsidiaries	(55.6)	(72.6)	(128.2)
Acquisition of subsidiaries	—	4.5	4.5
Disposal of interests in subsidiaries	—	(217.0)	(217.0)
Dividends paid to non-controlling interests	—	(187.5)	(187.5)
Dividends recognized as distribution	(1,806.4)	—	(1,806.4)
As at December 31, 2012	**54,773.6**	**6,111.2**	**60,884.8**
Profit for the period	4,064.8	(47.8)	4,017.0
Other comprehensive expense/(income) for the period	(549.1)	101.3	(447.8)
Total comprehensive expense/(income) for the period	3,515.7	53.5	3,569.2
Capital contribution from non-controlling shareholders	—	4.9	4.9
Acquisition of additional interests in subsidiaries	(313.1)	266.6	(46.5)
Disposal of interests in subsidiaries	—	22.6	22.6
Deconsolidation of a consolidated structured entity	(0.5)	—	(0.5)
Dividends paid to non-controlling interests	—	(76.1)	(76.1)
Dividends recognized as distribution	(1,613.1)	—	(1,613.1)
As at June 30, 2013	**56,362.6**	**6,382.7**	**62,745.3**

In 2011, 2012 and the six months ended June 30, 2013, we paid dividends of RMB1,712.0 million, RMB1,806.4 million and RMB1,613.1 million to our Shareholders for the years 2010, 2011 and 2012, respectively.

Our total equity increased from RMB42,842.7 million as at December 31, 2011 to RMB60,884.8 million as at December 31, 2012 and RMB62,745.3 million as at June 30, 2013, mainly because we issued 4,984,927,103 shares of our Company to four strategic investors in March 2012 for a total consideration of RMB10,368.6 million.

INDEBTEDNESS

Debt

As at October 31, 2013, being the latest practicable date for determining our indebtedness, we had the following bonds issued, all of which were unsecured:

- fixed rate financial bonds in an aggregate principal amount of RMB5,000.0 million issued by our Company in October 2012 with a term of three years, carrying 4.35% interest per annum;
- fixed rate financial bonds in an aggregate principal amount of RMB5,000.0 million issued by our Company in October 2012 with a term of five years, carrying 4.65% interest per annum;
- fixed rate bonds denominated in Renminbi in an aggregate principal amount of RMB2,000.0 million issued by Bitronic, a subsidiary wholly-owned by Well Kent International, in December 2012 with a term of three years, carrying 4% interest per annum;
- subordinated bonds in an aggregate principal amount of RMB495.0 million issued by Happy Life in September 2011 with a term of ten years and initial interest rate of 7.2% per annum. Happy Life is entitled to redeem all the subordinated bonds on the last day of the fifth year from the issue date of the bonds. If the redemption option is not exercised, the coupon rate of the bonds will be increased to 9.2% per annum for the remaining five interest-bearing years commencing from the sixth interest-bearing year and ending on the maturity date of the bonds; and
- fixed rate corporate bonds of HK$24.0 million issued by Cinda International in September and October 2013 with a term of five years, carrying 4.35% interest per annum.

We have borrowings from banks, other financial institutions and non-financial enterprises and unsecured borrowings from the PBOC to fund our acquisitions of distressed debt assets and other investments. As at December 31, 2010, 2011 and 2012, June 30, 2013 and October 31, 2013, our borrowings from banks, other financial institutions and non-financial enterprises amounted to RMB7,826.2 million, RMB25,178.9 million, RMB76,099.2 million, RMB104,100.8 million and RMB161,014.1 million, respectively, and our unsecured borrowings from the PBOC amounted to RMB16,464.6 million, RMB11,310.7 million, RMB7,053.4 million, RMB6,872.7 million and RMB6,697.2 million, respectively. For further information on whether our borrowings from banks, other financial institutions and non-financial enterprises were secured during the Track Record Period, please refer to Appendix I to this prospectus. Meanwhile, we diversified our financing channels through bond market and will gradually increase such financing channels as a percentage of our total external financing.

In May 2013, our Shareholders granted approval for us to issue financial bond in an aggregate principal amount of up to RMB20.0 billion in the interbank bond market in China. On July 26, 2013, we entered into an underwriting agreement in connection with the proposed bond issue. As of the date of this prospectus, the regulatory approval for the proposed bond issue is pending.

On August 9, 2013, Cinda Real Estate announced a proposed issuance of corporate bond up to RMB2.8 billion in inter-bank bond market in Mainland China.

On August 21, 2013, Cinda International announced a proposed issuance of non-secured, non-guaranteed, fixed interest corporate bonds up to a maximum aggregate principal amount of HK$200 million to independent third parties. As at October 31, 2013, HK$24.0 million was issued.

Our Directors have confirmed that there are no material covenants relating to our outstanding debts that impact our ability to undertake additional debt or equity financing.

Other than disclosed above and apart from intra-group liabilities, we did not have, as at October 31, 2013, any material outstanding mortgages, charges, debentures or other loan capital (issued or agreed to be issued), bank overdrafts, loans, liabilities under acceptance or other similar indebtedness, hire purchase and finance lease commitments or any material guarantees or other material contingent liabilities.

Our Directors have confirmed that there has not been any material change in the indebtedness or contingent liabilities of our Group since October 31, 2013.

Commitments Other than Operating Lease Commitments

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Contracted but not provided for				
Commitments for the acquisition of property and equipment	3.4	196.5	417.1	314.8
Commitments for the acquisition of investment	—	47.9	1,103.0	1,095.7
Total	**3.4**	**244.4**	**1,520.1**	**1,410.5**

We funded a substantial portion of our capital commitments with cash flows from our operating activities and financing activities. Our capital commitments were made primarily to purchase property and equipment as well as subscription of private equity funds. We expect to continue to incur additional capital commitments to support our business expansion in line with our growth.

Operating Lease Commitments

We lease certain of our office premises from third parties under non-cancellable operating leases. The following table sets forth our future minimum lease payments payable under irrecoverable operating leases as at the dates indicated.

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Within 1 year	134.7	176.6	200.7	180.9
1-2 years	106.1	155.9	136.3	128.4
2-3 years	65.3	97.0	78.0	71.9
Above 3 years	105.8	102.4	79.4	63.6
Total	**411.9**	**531.9**	**494.4**	**444.8**

Off-balance Sheet Arrangements

As at October 31, 2013, we did not have any material off-balance sheet arrangements as defined under IFRS.

Contingent Liabilities

Due to the nature of our business, our Company and 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 business operations.

As at December 31, 2010, 2011, 2012 and June 30, 2013, we made provisions of RMB112.4 million, RMB94.6 million, RMB143.4 million and RMB128.0 million, respectively, based on court judgments or legal counsels' advice. Our management believe that the final results of these lawsuits will not have a material impact on our financial condition or business operations.

During 2012, Zhejiang Cinda Asset Management Co, Ltd. ("Zhejiang Cinda"), a Group entity, set up Ningbo Cinda Xixi Equity Investment Partnership together with a number of individuals. Zhejiang Cinda, as the general partner of that private equity fund, provided unconditional repurchase commitment to other partners with predetermined return rates in order to enhance the confidence of the other investors in the investment project.

As at December 31, 2010, 2011, 2012 and June 30, 2013, we did not have any material contingent liabilities other than those disclosed in Note VI. 64 to the Accountants' Report set forth in Appendix I to this prospectus, and our provision for probable losses as a result of legal proceedings or other disputes and claims are based on the best estimates of our management. Our directors confirmed, after performing all due diligence deemed appropriate, as of the date of this prospectus, there had been no material adverse changes in our contingent liabilities since June 30, 2013.

CAPITAL EXPENDITURES

Our capital expenditures primarily consist of expenditures for the purchase of property and equipment, intangible assets (including software and land use rights), investment properties and projects under construction. Our capital expenditures amounted to RMB505.0 million, RMB694.0 million, RMB609.7 million and RMB171.9 million in 2010, 2011, 2012 and the six months ended June 30, 2013, respectively, in line with our business growth.

As of June 30, 2013, we expect our capital expenditures in 2013 to be RMB692.2 million, which will be used primarily for construction of the disaster recovery center, expenditure on fixed assets and intangible assets and property refurbishment. We intend to finance our capital expenditures with our own funds.

QUANTITATIVE AND QUALITATIVE ANALYSIS OF FINANCIAL RISKS

We have designed a series of risk management policies in response to financial risks in the ordinary course of our businesses with measures to identify, monitor, report and supervise risks. See the section entitled "Risk Management" in this prospectus and Note VI. 68 to the Accountants' Report in Appendix I of this prospectus for an overview of our risk management process.

The main financial risks we face in the ordinary course of business are credit risk, liquidity risk and market risk. We are exposed to credit risk primarily through the guarantees and commitments for financial assets classified as receivables and loans and advances to clients on our balance sheet and off-balance sheet. For more information about our liquidity risk, see "—Liquidity" above and for more information about our credit risk, see "—Assets—Credit Risk" above.

Market risk is the risk of losses with respect to the financial instruments' fair value or cash flows arising from adverse changes or movements in market prices (such as stock prices and commodity prices), interest rates and currency exchange rates.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument fluctuates because of changes in market interest rates. Our interest rate risk exposure is primarily related to our fixed and floating interest rate financial instruments. Currently, we primarily use gap analysis and sensitivity analysis to assess our exposure to interest rate risk.

Repricing Gap Analysis

The following table sets forth, as at June 30, 2013, the carrying amount based on the earlier of (i) the contractual repricing dates and (ii) the maturity dates for our financial assets and liabilities:

	As at June 30, 2013						
	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Non-interest bearing	Total
	(in millions of RMB)						
Cash and bank balances	23,889.3	1,809.0	1,218.6	2,810.0	—	4.0	29,730.9
Clearing settlement funds	2,059.6	—	—	—	—	—	2,059.6
Deposits with exchanges	—	—	—	—	—	696.1	696.1
Financial assets at fair value through profit or loss	1,029.8	70.4	175.3	2,768.5	1,208.7	11,437.1	16,689.8
Financial assets held under resale agreements	880.0	32.1	96.0	—	—	—	1,008.1
Available-for-sale financial assets	768.0	709.6	1,234.0	3,001.4	7,027.4	49,932.7	62,673.1
Financial assets classified as receivables	3,306.3	4,519.7	27,826.3	44,777.4	—	—	80,429.7
Loans and advances to customers	22,041.8	374.3	2,398.3	7,162.7	—	—	31,977.1
Accounts receivable	368.4	—	1,925.8	3,471.9	—	3,130.2	8,896.3
Held-to-maturity investments	20.0	50.0	250.3	1,196.4	6,120.2	—	7,636.9
Other financial assets	17.8	42.7	737.4	632.5	—	1,441.4	2,871.8
Total financial assets	**54,381.0**	**7,607.8**	**35,862.0**	**65,820.8**	**14,356.3**	**66,641.5**	**244,669.4**
Borrowings from central bank	—	—	(1,643.1)	(5,229.6)	—	—	(6,872.7)
Account payable to brokerage clients	(5,292.2)	—	—	—	—	(1,481.6)	(6,773.8)
Financial liabilities at fair value through profit or loss	—	—	—	—	—	(3.7)	(3.7)
Financial assets sold under repurchase agreements	(2,962.9)	(1,585.4)	(1,500.0)	(186.7)	—	—	(6,235.0)
Borrowings	(15,808.6)	(7,504.6)	(52,171.3)	(28,616.3)	—	—	(104,100.8)
Placements from a bank and a financial institution	(950.0)	—	—	—	—	—	(950.0)
Accounts payable	—	(3,737.4)	(10,999.6)	(18,827.3)	—	(861.0)	(34,425.3)
Investment contract liabilities for policyholders	(3,002.9)	—	—	—	—	—	(3,002.9)
Bonds issued	—	—	—	(12,469.2)	—	(322.9)	(12,792.1)
Other financial liabilities	—	—	—	—	—	(9,518.0)	(9,518.0)
Total financial liabilities	**(28,016.6)**	**(12,827.4)**	**(66,314.0)**	**(65,329.1)**	**—**	**(12,187.2)**	**(184,674.3)**
Interest rate gap	**26,364.4**	**(5,219.6)**	**(30,452.0)**	**491.7**	**14,356.3**	**54,454.3**	**59,995.1**

Accounts receivable are mainly related to distressed asset operation of our Company. The major components include:

- Consideration receivable due from Orient in connection with disposal of a distressed asset portfolio prior to 2010 which will be settled by installments. During the Track Record Period, Orient has paid in installments in the amount of RMB2.0 billion, RMB2.1 billion, RMB1.3 billion and RMB0.2 billion in 2010, 2011, 2012 and for the six months ended June 30, 2013, respectively. The balance as at June 30, 2013 was RMB1.5 billion. In accordance with the repayment agreement, the outstanding balance of the accounts receivable bears interest at 2.25% per annum from December 2009 and onwards. The balance will be settled no later than December 31, 2014.

- Outstanding amount of RMB840.0 million due from China Galaxy Investment Management Co., Ltd. ("Galaxy") that we made full provision prior to January 1, 2012 but was reversed to the amount based on our discounted cash flows with reference to the repayment schedule during the year ended December 31, 2012. In 2012, we entered into a restructuring agreement with Galaxy where the original debt was extinguished and a new repayment plan was agreed. Galaxy repaid RMB200.0 million in 2012 and another RMB160.0 million by the end of June 2013 with the remaining RMB480.0 million to be settled over the next one and half year payable semi-annually with equal amount and non-interest bearing. The carrying amount of the outstanding balance as at June 30, 2013 , which represents the present value of the receivable from Galaxy, was approximately RMB418.3 million.
- Receivables arising from the disposal of DES assets amounted to RMB4.4 billion.

The three major items mentioned above accounted for 91% and 70% of the gross amount of our accounts receivable of our Company and our Group, respectively, as at June 30, 2013.

The remaining items mainly include receivables for sales of properties held for sale, receivables related to insurance business, and brokerage and securities settlement business and fee income receivable from intermediary business, which are principal businesses of our Group and are therefore included in accounts receivable.

Accounts receivable are assessed for indicators of impairment at the end of each reporting period and are considered 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 evidences that an account receivable is impaired include, but not limited to, the following:

- significant financial difficulty of the obligor;
- a breach of contract by the obligor, such as a default or delinquency in interest or principal payments;
- the lender, for economic or legal reasons relating to the obligor's financial difficulty, granting to the obligor a concession that the lender would not otherwise consider; or
- it becoming probable that the obligor will enter into bankruptcy or other financial reorganizations.

For items of accounts receivable which are individually significant, we make the assessment on an individual basis to determine allowance for impairment losses.

Accounts receivables aged over three years mainly consisted of the receivables related to our business of distressed debt assets, which mainly included the following two items:

- Due from Orient with outstanding balance of RMB1.5 billion as at June 30, 2013. Considering that the receivable is interest-bearing and Orient, as a large state-owned AMC (one of the four AMCs invested by the MOF) has made continuous repayments in installments during the Track Record Period, we determined that no provision for impairment is required.
- Due from Galaxy with outstanding balance of RMB418.3 million as at June 30, 2013. As mentioned in above, after the new repayment plan was agreed, Galaxy has repaid RMB360.0 million in total by June 30, 2013. As at December 31, 2012 and June 30, 2013, we determined that no provision for impairment is required as Galaxy has made repayment pursuant to the restructuring agreement.

As at June 30, 2013, the two items above mentioned accounted for 91% of our gross amount of accounts receivable aged over three years.

Given the nature of the major accounts receivable as mentioned above, such large portion of accounts receivable aged over three years does not indicate that the accounts receivable were of poor credit quality. In addition, subsequent settlement information of other companies may be taken as reference to assess the quality of accounts receivable. However, in contrast to general manufacturing or trading companies with prescribed credit sale policies, the subsequent settlement of our accounts receivable were not made on a regular basis. Therefore, we believe that the subsequent settlement information may not be meaningful to investors.

Our Directors are of the view that the provisions for accounts receivable are adequate. The Reporting Accountants had compiled and formed an independent opinion on the financial information included in the Accountants' Report set forth in the prospectus in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board and examined the financial information with the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" as recommended by the HKICPA for the purpose of giving a true and fair view of the our financial information included in the Accountants' Report as a whole. Based on the audit procedures performed by our Reporting Accountants on the level of provision for the accounts receivables, the Reporting Accountants give a true and fair view opinion on the financial information of our Group as a whole as set out in Appendix I to the prospectus.

Sensitivity Analysis

We use sensitivity analysis to assess the potential changes in interest rates on our profit before tax and other comprehensive income. The following table sets forth, at the dates indicated, the results of our interest rate sensitivity analysis based on our interest-earning assets and interest-bearing liabilities at the same date:

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Change in profit before tax	Change in other comprehensive income	Change in profit before tax	Change in other comprehensive income	Change in profit before tax	Change in other comprehensive income	Change in profit before tax	Change in other comprehensive income
	(in millions of RMB)							
100 basis-point increase	134.6	(527.4)	56.6	(497.2)	187.1	(442.4)	95.0	(566.8)
100 basis-point decrease	(134.6)	577.8	(56.6)	540.5	(187.1)	482.3	(95.0)	617.5

Based on our assets and liabilities at June 30, 2013, if interest rates increase (or decrease) by 100 basis points instantaneously, our profit before tax for the twelve months following June 30, 2013 would increase (or decrease) by RMB95.0 million. If interest rates increase by 100 basis points instantaneously, our other comprehensive income for the twelve months immediately following June 30, 2013 would decrease by RMB566.8 million. If interest rates decrease by 100 basis points instantaneously, our comprehensive income for the twelve months immediately following June 30, 2013 would increase by RMB617.5 million.

This sensitivity analysis, based on a static interest rate risk profile of assets and liabilities, is used for analyzing the impact of changes in the interest rates within a year, which are reflected by the re-pricing of our assets and liabilities within a year, on our profit before tax and other comprehensive income.

Foreign Exchange Risk

Foreign exchange risk is the risk of losses arising from changes in currency exchange rates. We are exposed to the fluctuations in the prevailing foreign exchange rates on our financial condition and results of operations. We operate our businesses primarily in Renminbi and have some transactions dominated in U.S. dollars, Hong Kong dollars and other foreign currencies. The following table sets forth our financial assets and liabilities by currency as at June 30, 2013:

	As at June 30, 2013				
	RMB	US$	HK$	Others	Total
	(in millions of RMB equivalent)				
Cash and bank balances	27,588.1	1,742.0	400.2	0.6	29,730.9
Clearing settlement funds	2,014.5	21.6	23.5	—	2,059.6
Deposits with exchanges	688.7	6.2	1.2	—	696.1
Financial assets at fair value through profit or loss	16,412.4	32.4	245.0	—	16,689.8
Financial assets held under resale agreements	1,008.1	—	—	—	1,008.1
Available-for-sale financial assets	62,507.4	18.7	147.0	—	62,673.1
Financial assets classified as receivables	80,429.7	—	—	—	80,429.7
Loans and advances to customers	29,568.2	154.5	2,254.4	—	31,977.1
Accounts receivable	8,746.3	13.9	136.1	—	8,896.3
Held-to-maturity investments	7,636.9	—	—	—	7,636.9
Other financial assets	2,817.0	12.5	42.3	—	2,871.8
Total financial assets	**239,417.3**	**2,001.8**	**3,249.7**	**0.6**	**244,669.4**
Borrowings from central bank	(6,872.7)	—	—	—	(6,872.7)
Accounts payable to brokerage clients	(6,674.4)	(61.2)	(38.2)	—	(6,773.8)
Financial liabilities at fair value through profit or loss	—	(3.7)	—	—	(3.7)
Financial assets sold under repurchase agreements	(6,235.0)	—	—	—	(6,235.0)
Borrowings	(104,100.8)	—	—	—	(104,100.8)
Placement from banks	(950.0)	—	—	—	(950.0)
Accounts payable	(34,292.0)	—	(133.3)	—	(34,425.3)
Investment contract liabilities for policyholders	(3,002.9)	—	—	—	(3,002.9)
Bonds issued	(12,792.1)	—	—	—	(12,792.1)
Other financial liabilities	(9,494.6)	(13.6)	(9.8)	—	(9,518.0)
Total financial liabilities	**(184,414.5)**	**(78.5)**	**(181.3)**	**—**	**(184,674.3)**
Net exposure	**55,002.8**	**1,923.3**	**3,068.4**	**0.6**	**59,995.1**

The appreciation of Renminbi to U.S. dollar or any other foreign currency will result in a decrease in the value of assets denominated in foreign currencies. See the section entitled "Risk Factors—Risks Relating to the PRC—Future fluctuations in the value of Renminbi could have a material adverse effect on our financial condition and results of operations" in this prospectus.

The following table sets forth, at the dates indicated, the changes in our profit before tax caused by appreciation or depreciation by 5% of the Renminbi exchange rate to U.S. dollars in which our assets and liabilities are denominated at the same date.

	As at December 31,			As at June 30,
	2010	2011	2012	2013
	(in millions of RMB)			
Renminbi against U.S. dollar				
5% appreciation	(52.0)	(32.0)	(95.1)	(249.6)
5% depreciation	52.0	32.0	95.1	249.6

Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than interest rates or exchange rates, regardless of whether these changes are caused by factors specific to the individual financial instrument or its issuer or factors affecting all similar financial instruments traded in the market. Certain investments on financial assets held for trading and available-for-sale financial assets are both measured at fair value. Therefore, we are exposed to the price risk of equity securities market.

The table below sets forth the potential impact on our profit before tax and equity before tax by a parallel increase or decrease by 1% in the yield curve of our financial assets held for trading and available-for-sale financial assets:

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Change in profit before tax	Change in equity	Change in profit before tax	Change in equity	Change in profit before tax	Change in equity	Change in profit before tax	Change in equity
	(in millions of RMB)							
1% increase	92.5	315.9	131.1	367.7	163.8	408.2	166.9	399.2
1% decrease	(92.5)	(315.9)	(131.1)	(367.7)	(163.8)	(408.2)	(166.9)	(399.2)

DIVIDEND POLICY

Our Board of Directors is responsible for submitting proposals in respect of dividend payments, if any, to the Shareholders' General Meeting for approval. Whether to pay a dividend and in what amount is based on our results of operations, cash flows, financial condition, capital adequacy ratio, cash dividends we receive from our subsidiaries, future business prospects, statutory and regulatory restrictions on the payment of dividends by us and other factors that our Board of Directors deems relevant.

According to our Articles of Association, we will pay dividends out of our distributable profit after tax of the year only after we have made the following allocations from our profit after tax of the year, which shall not be less than 10% of the net profit attributable to equity holders of the Company of that year at the Group level on a consolidated basis:

- recovery of accumulated losses, if any, for previous years;
- allocations to the statutory reserve equivalent to 10% of our profit after tax, and, when the statutory reserve reaches and is maintained at or above 50% of our registered capital, no further allocations to this statutory reserve will be required;
- appropriation to required general reserve; and
- appropriation for discretionary reserve upon approval by shareholders' general meeting.

According to the latest requirements of the MOF, we shall maintain a general reserve, which is an integral part of our reserves, through appropriation of net profit after tax, of not less than 1.5% of the balance of our risk assets.

In accordance with our Articles of Association, we may pay dividends only out of distributable profits as determined under PRC GAAP, IFRS or the accounting rules of the listing venue, whichever is lower.

We paid dividends of RMB1,712.0 million, RMB1,806.4 million and RMB1,613.1 million to our Shareholders for the years ended December 31, 2010, 2011 and 2012, respectively.

At an extraordinary general meeting of Shareholders on August 5, 2013, our Shareholders adopted a proposal on dividend distribution before our proposed initial public offering of H Shares. A cash dividend (the "Special Dividend") in respect of the period (the "Special Dividend Period") from July 1, 2013 to the last day of the calendar month immediately prior to the completion of our initial public offering of H Shares (the "Special Dividend Date"), was declared to Shareholders whose names appear on our register of members as at the Special Dividend Date. Based on the latest available management accounts of our Company and the reasonable estimates of our management, we currently estimate the Special Dividends to be approximately RMB1.2 billion. The amount of the Special Dividend will be determined according to the audited unconsolidated net profit of our Company in accordance with PRC GAAP or IFRS, whichever is lower, after the required appropriations for a statutory surplus reserve (equivalent to 10% of the unconsolidated net profit of our Company for the same period) and general reserve (the balance of our general reserve shall be maintained at not less than 1.5% of the balance of our risk assets).

Although the Special Dividend will only be paid after the Listing of H Shares, our Directors consider the cash resources prior to the Special Dividend Date to be sufficient to cover the full payment of the Special Dividend. We have sufficient cash resources to finance our operations from internally generated cashflow and to maintain a robust financial position derived from the steady growth of our business. As at June 30, 2013, our total cash and cash equivalent amounted to RMB19,327.4 million, which consisted primarily of bank balances of RMB18,288.7 million. Our Directors are of the view that we have, and will have, sufficient funds to make payment of the Special Dividends. Cash dividends distributed to Shareholders by our Group in 2010, 2011 and 2012 amounted to RMB1,712.0 million, RMB1,806.4 million and RMB1,613.1 million, respectively. The estimated amount of the Special Dividend is comparable to the amount of dividends distributed by our Group in each of 2010, 2011 and 2012, representing approximately 2.1% of equity of our Group attributable to Shareholders and 0.4% of our total assets as at June 30, 2013, which is insignificant to the financial position of our Group and is not expected to affect our daily operation. Our Directors further confirm that the payment of the Special Dividend is not expected to adversely affect our overall financial position.

The actual amount of the Special Dividend will be determined upon the completion of an audit in the first half of 2014. We will make an announcement regarding the actual amount of the Special Dividend before we pay such Special Dividend. Any distributable profit for distribution to our Shareholders after the initial public offering of H Shares shall exclude the Special Dividend. Our existing and new Shareholders will be entitled to our accumulated undistributed profits prior to the Global Offering (except for the Special Dividend).

You should not rely on the Special Dividend as an indication of our net profit or our dividend distribution for the full year of 2013, or rely on previous dividend distributions as an indication of our future dividend distribution policy or practice.

RULES 13.13 TO 13.19 OF THE HONG KONG LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, they were not aware of any circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders is prepared based on audited consolidated net tangible assets of the Group attributable to equity holders of the Company at June 30, 2013, adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders have been prepared for illustrative purposes only and, because of their nature, they may not give a true picture of our consolidated financial position as at June 30, 2013 or any future date following the Global Offering.

The statement of unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders has been prepared to show the effect on our audited consolidated net tangible assets attributable to equity holders of the Company as at June 30, 2013 as if the Global Offering had occurred on June 30, 2013. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to Shareholders per share is calculated in accordance with Listing Rules 4.29.

	Audited consolidated net tangible assets attributable to equity holders of the Company at June 30, 2013(1)	Estimated net proceeds from the Global Offering(2)	Our unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company	Our unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per share	
		(in millions of RMB)		(RMB)(3)	(HK$)(4)
Based on the Offer Price of HK$3.00 per Offer Share	55,872.0	12,234.4	68,106.4	1.92	2.43
Based on the Offer Price of HK$3.58 per Offer Share	55,872.0	14,613.0	70,485.0	1.99	2.51

(1) Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at June 30, 2013 is derived from the Accountants' Report set out in Appendix I to the prospectus, which is based on audited consolidated net assets attributable to equity holders of the Company as at June 30, 2013 of approximately RMB56,362.6 million with an adjustment for goodwill and other intangible assets in an aggregate amount of approximately RMB490.6 million as at June 30, 2013.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$3.00 per share and HK$3.58 per share, after deduction of the underwriting fees and other related expenses payable by us and takes no account of any shares which may be issued upon the exercise of the Over-allotment Option for the Global Offering.

(3) Our unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per share is calculated after the adjustments referred to in note (2) above and on the basis that 35,458,864,035 shares are issued and outstanding following the completion of the Global Offering and assuming that the Over-allotment Option for the Global Offering is not exercised.

(4) The translation between Renminbi and Hong Kong dollars has been made at the rate of RMB0.7913 to HK$1.00, the exchange rate set by the PBOC prevailing at November 15, 2013. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted into Renminbi, or vice versa, at that rate, or at any other rate or at all.

(5) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company to reflect any trading results or other transactions entered into by us subsequent to June 30, 2013.

NO MATERIAL ADVERSE CHANGE

Our Directors have confirmed that there has been no material adverse change in our financial or trading position since June 30, 2013, the date of our latest audited financial results.

FUTURE PLANS

Please see the section entitled "Business—Our Strategies" in this prospectus for a detailed discussion of our future plans.

USE OF PROCEEDS

Assuming an Offer Price of HK$3.29 per H Share (being the mid-point of the stated range of the Offer Price of between HK$3.00 and HK$3.58 per H Share), we estimate that we will receive net proceeds of approximately HK$16,965.0 million from the Global Offering after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering if the Over-allotment Option is not exercised.

We intend to use the net proceeds from the Global Offering to replenish our capital to further strengthen our distressed asset management capability, based on which we strive to further develop our asset management business, and to further strengthen the capital base for our synergistic and diversified financial services business platforms. We intend to allocate the proceeds from the Global Offering as follows, subject to changes in light of our evolving business needs and changing market conditions:

- approximately 60%, or HK$10,179.0 million, will be used to develop distressed asset management, our core business. We are devoted to continuous innovation and to seize the opportunities brought by the structural transformation of the Chinese economy, to increase the scale of distressed assets acquired, and to further develop the business of managing distressed assets acquired from financial and non-financial enterprises;
- approximately 20%, or HK$3,393.0 million, will be used to develop financial investment and asset management business. We will explore business opportunities of special situation investment by focusing on Distressed Entities. Along with distressed asset management, our core business, we also strive to develop third-party asset management business, including establishing distressed asset project funds, restructuring and merger and acquisition funds, as well as funds focusing on specific industries; and
- approximately 20%, or HK$3,393.0 million, will be used to increase capital contribution to our financial subsidiaries. We plan to provide our core business customers with more diversified products and services which are tailored to meet their needs for differentiated financial services at various stages, to diversify our distressed asset management practice and improve the efficiency of asset disposal, subject to increasingly strict regulatory requirements.

If the Over-allotment Option is exercised in full, we estimate that the additional net proceeds will be approximately HK$2,557.7 million, after deducting the underwriting commissions and other estimated expenses in connection with the Global Offering, assuming an Offer Price of HK$3.29 per H Share (being the mid-point of the stated range of the Offer Price of between HK$3.00 and HK$3.58 per H Share). We intend to use all the additional net proceeds proportionately as earmarked above.

The allocation of the proceeds used for the above will be adjusted in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range. If the Offer Price is fixed at HK$3.58 per H Share, being the high end of the stated Offer Price range, our net proceeds will be (i) increased by approximately HK$1,503.0 million, assuming the Over-allotment Option is not exercised; and (ii) increased by approximately HK$4,286.2 million, assuming the Over-allotment Option is exercised in full. In such circumstances, we currently intend to use such additional proceeds to increase the net proceeds applied for the same purposes as set out above on a pro rata basis. If the Offer Price is fixed at HK$3.00 per H Share, being the low end of the stated Offer Share range, our net proceeds will be (i) decreased by approximately HK$1,503.0 million, assuming the Over-allotment Option is not exercised; and (ii) increased by approximately HK$829.3 million, assuming the Over-allotment Option is exercised in full. In such circumstances, we currently intend to reduce or increase the net proceeds applied for the same purposes as set out above on a pro rata basis.

HONG KONG UNDERWRITERS

Merrill Lynch Far East Limited
Goldman Sachs (Asia) L.L.C.
UBS AG, Hong Kong Branch
BOCI Asia Limited
Morgan Stanley Asia Limited
Credit Suisse (Hong Kong) Limited
CCB International Capital Limited
Standard Chartered Securities (Hong Kong) Limited
China International Capital Corporation Hong Kong Securities Limited
Jefferies Hong Kong Limited
Cinda International Securities Limited
ICBC International Securities Limited
ABCI Securities Company Limited
CMB International Capital Limited
CITIC Securities Corporate Finance (HK) Limited
BOCOM International Securities Limited
China Merchants Securities (HK) Co., Limited
Essence International Securities (Hong Kong) Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 265,942,000 Hong Kong Offer Shares for subscription by the public in Hong Kong on and subject to the terms and conditions of this prospectus and the Application Forms. Subject to the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, the H Shares in issue and to be offered as mentioned herein and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed severally to subscribe or procure subscribers for their respective applicable proportions of the Hong Kong Offer Shares now being offered which are not taken up under the Hong Kong Public Offering on the terms and conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

One of the conditions is that the Offer Price must be agreed between us and the Joint Global Coordinators, on behalf of the Hong Kong Underwriters. For applicants applying under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The International Offering will be fully underwritten by the International Underwriters. If, for any reason, the Offer Price is not agreed between us and the Joint Global Coordinators, on behalf of the Hong Kong Underwriters, the Global Offering will not proceed.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination. If at any time prior to 8:00 a.m. on the day that trading in the H Shares commences on the Hong Kong Stock Exchange:

(A) there develops, occurs, exists or comes into force:

(i) any new law or regulation or any change or development involving a prospective change in existing law or regulation or in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, China or the United States (each a "**Relevant Jurisdiction**"); or

(ii) any change or development involving a prospective change or any event or series of events likely to result in or representing a change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, a change in the system under which the value of the currency of Hong Kong is linked to that of the currency of the United States or a devaluation of the Hong Kong dollars or an appreciation of the Renminbi against any foreign currencies) in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God) directly or indirectly in or affecting any Relevant Jurisdiction; or

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or

(v) (1) any moratorium, suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Stock Market or (2) a general moratorium on commercial banking activities in any Relevant Jurisdiction declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or

(vi) any change or prospective change in taxation in any Relevant Jurisdiction adversely affecting an investment in the H Shares; or

(vii) any demand by creditors for repayment of indebtedness or a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of the Company or any of its principal subsidiaries or anything analogous thereto occurs in respect of the Company or any of its principal subsidiaries,

and which, in any such case and in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters), (A) is or is likely to or will be materially adverse to, or materially and prejudicially affects, the business, results of operations, financial or trading position, or prospects of the Company and its principal subsidiaries as a whole; or (B) has or is likely to have or will have a material adverse effect on the success of the Global Offering and/or has made or will make it impracticable or inadvisable or incapable, for any material part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or (C) makes or will make it impracticable or inadvisable to proceed with the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus, the Application Forms, the formal notice or the preliminary offering memorandum or the offering memorandum; or

(B) there has come to the notice of the Joint Global Coordinators or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

   (i) that any statement contained in this prospectus, the Application Forms, the formal notice and any announcements issued by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was or has become untrue, incorrect or misleading in any material respect; or

   (ii) any matter has arisen or has been discovered which would, had it arisen immediately before the date of the this prospectus, not having been disclosed in the this prospectus, constitute an material omission therefrom; or

   (iii) any of the representations, warranties and undertakings given by the Company in the Hong Kong Underwriting Agreement is (or would when repeated be) untrue, incorrect, incomplete or misleading in any material respect; or

   (iv) any event, act or omission which gives or is likely to give rise to any liability of the Company pursuant to the indemnities given by the Company under the Hong Kong Underwriting Agreement which liability has a material adverse effect on the business or financial or trading position of the Company and its principal subsidiaries, as a whole; or

   (v) any material breach of any of the obligations of the Company under the Hong Kong Underwriting Agreement;

then the Joint Global Coordinators may (for themselves and on behalf of the other Hong Kong Underwriters), in their sole discretion and upon giving notice in writing to the Company, terminate the Hong Kong Underwriting Agreement with immediate effect.

Undertakings by Us

We have undertaken to the Hong Kong Stock Exchange that, except in certain circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules or pursuant to the Global Offering and the Over-allotment Option, no further shares or securities convertible into shares of our Company (whether or not of a class already listed) may be issued or form the subject of any agreement to such an issue within six months from the date on which our H Shares first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of shares or securities will be completed within six months from the commencement of dealing).

We have undertaken to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters (and are expected to undertake to the International Underwriters) that except pursuant to the Global Offering (including pursuant to the Over-allotment Option) at any time after the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date, we will not, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Listing Rules:

(a) offer, accept subscription for, pledge, lend, assign, mortgage, charge, allot, issue, sell, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, or repurchase, any of its share capital or any securities convertible into or exercisable or exchangeable for or that represent the right to receive, or interests in, such share capital or any derivatives with the shares of the Company as underlying securities; or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or

(c) enter into any transaction with the same economic effect as any transaction described above; or

(d) offer to or agree to do any of the foregoing or announce any intention to do so,

whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise or publicly disclose that the Company will or may enter into any transaction described above. In the event of an issue or disposal of any H Shares or any interest therein after the date falling six months from the date on which dealings in the H Shares commence on the Hong Kong Stock Exchange, we will take all reasonable steps to ensure that such an issue or disposal will not, and no other act of the Company will, create a disorderly or false market for any Shares or other securities of the Company.

Undertakings by the MOF

The MOF has undertaken to the Hong Kong Stock Exchange and us that, it shall not:

(a) in the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the "First Six-month Period"), except pursuant to the Global Offering and the Over-allotment Option, dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of those shares or securities of the Company in respect of which it is shown by this prospectus to be the beneficial owner; or

(b) in the period of six months commencing on the date on which the First Six-month Period expires, except pursuant to the Global Offering and the Over-allotment Option, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the shares or securities referred to in (a) above if, immediately following such disposal or upon the exercise or enforcement of such options, it would cease to be our controlling shareholder.

The MOF has also undertaken to the Hong Kong Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of its shareholding is made in this prospectus and ending on the date which is 12 months from the Listing Date, it will:

(a) when it pledges or charges any of shares or of other share capital beneficially owned by it in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan, immediately inform us of such pledge or charge together with the number of such shares or other securities so pledged or charged; and

(b) when it receives any indications, either verbal or written, from any pledgee or chargee of any of shares or of other securities pledged or charged that such shares or securities will be disposed of, immediately inform us of any such indications.

We will inform the Hong Kong Stock Exchange as soon as we have been informed of the above matters (if any) by the MOF and announce such as soon as possible after being so informed by the MOF.

The International Offering

In connection with the International Offering, it is expected that our Company will enter into the International Underwriting Agreement with the International Underwriters. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions set out therein, severally and not jointly, agree to procure subscribers or purchasers for the International Offer Shares, failing which they agree to subscribe for or purchase their respective proportions of the International Offer Shares which are not taken up under the International Offering.

Our Company is expected to grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators on behalf of the International Underwriters at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 797,826,000 additional Offer Shares representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to, among other things, cover over allocations (if any) in the International Offering. It is expected the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, the Global Offering will not proceed.

Total Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 2.5% on the Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering, out of which they will pay any sub-underwriting commission. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Joint Global Coordinators and the relevant International Underwriters (but not the Hong Kong Underwriters).

Assuming an Offer Price of 3.29 per H Share (being the mid-point of the indicative Offer Price range), the aggregate commissions and fees, together with listing fees, SFC transaction levy, Hong

Kong Stock Exchange trading fee, legal and other professional fees and printing and other expenses, payable by our Company relating to the Global Offering (collectively the "Commissions and Fees") are estimated to be approximately HK$534.0 million (assuming the Over-allotment Option is not exercised) in total.

Our Company has agreed to indemnify the Hong Kong Underwriters for certain losses which they may suffer, including certain losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by our Company of the Hong Kong Underwriting Agreement.

Hong Kong Underwriters' Interests in the Company

Save as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in our Company or the right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

UBS AG, Hong Kong Branch, a Hong Kong Underwriter, is a branch of UBS. UBS is a shareholder of our Company. See "Our Strategic Investors".

Standard Chartered Securities (Hong Kong) Limited, a Hong Kong Underwriter, is a wholly-owned subsidiary of Standard Charter Bank which holds a 100% equity interest in Standard Chartered Financial Holdings, a shareholder of our Company. See "Our Strategic Investors".

CITIC Securities Corporate Finance (HK) Limited, a Hong Kong Underwriter, is an indirectly wholly-owned subsidiary of CITIC Securities Company Limited. CITIC Group Corporation has an indirect minority interest in CITIC Securities Company Limited. CITIC Capital Financial Holding, a shareholder of the Company, is an indirect non-wholly owned subsidiary of CITIC Group Corporation. See "Our Strategic Investors".

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Underwriting Agreements.

STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard and, if possible, prevent a decline in the market price of the securities below the offer price. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the offer price.

In connection with the Global Offering, UBS AG, Hong Kong Branch, as Stabilizing Manager, or its affiliates or any person acting for it, on behalf of the Underwriters, may over-allocate or effect transactions with a view to stabilizing or supporting the market price of the Offer Shares at a level higher than that which might otherwise prevail for a limited period after the Listing Date. Such transactions may be effected in compliance with all applicable laws, rules and regulatory requirements in place. However, there is no obligation on UBS AG, Hong Kong Branch, its affiliates or any person acting for it to do this. Such stabilization, if commenced, will be conducted at the absolute discretion of

UBS AG, Hong Kong Branch, or its affiliates or any person acting for it and may be discontinued at any time, and must be brought to an end after a limited period.

UBS AG, Hong Kong Branch, its affiliates or any person acting for it may take all or any of the following stabilizing actions in Hong Kong during the stabilization period:

(i) purchase, or agree to purchase, any of the Offer Shares or offer or attempt to do so for the sole purpose of preventing or minimizing any reduction in the market price of the Offer Shares;

(ii) in connection with any action described in paragraph (i) above:

 (A) (1) over-allocate the Offer Shares; or (2) sell or agree to sell the Offer Shares so as to establish a short position in them;

 (B) purchase or subscribe for or agree to purchase or subscribe for the Offer Shares pursuant to the Over-allotment Option in order to close out any position established under paragraph (A) above;

 (C) sell or agree to sell any of the Offer Shares to liquidate a long position held as a result of those purchases; or

 (D) offer or attempt to do anything as described in paragraph (ii)(A)(2), (ii)(B) or (ii)(C) above.

UBS AG, Hong Kong Branch, its affiliates or any person acting for it may, in connection with the stabilizing action, maintain a long position in the Offer Shares, and there is no certainty regarding the extent to which and the time period for which it will maintain any such position. Investors should be warned of the possible impact of any liquidation of the long position by UBS AG, Hong Kong Branch, its affiliates or any person acting for it and selling in the open market, which may include a decline in the market price of the Offer Shares.

Stabilization cannot be used to support the price of the Offer Shares for longer than the stabilization period, which begins on the Listing Date and ends on the thirtieth day after the last day for lodging of applications under the Hong Kong Public Offering. The stabilization period is expected to expire on Thursday, January 2, 2014. After this date, when no further stabilization action may be taken, demand for the H Shares, and therefore their market price, could fall.

Any stabilizing action taken by UBS AG, Hong Kong Branch, its affiliates or any person acting for it may not necessarily result in the market price of the H Shares staying at or above the Offer Price either during or after the stabilization period. Stabilizing bids or market purchases effected in the course of the stabilization action may be made at any price at or below the Offer Price and can therefore be done at a price below the price the investor has paid in acquiring the Offer Shares.

In connection with the Global Offering, the Joint Global Coordinators may over-allocate up to and not more than an aggregate of 797,826,000 additional H Shares and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

(i) the Hong Kong Public Offering of 265,942,000 Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the section entitled "The Hong Kong Public Offering" below; and

(ii) the International Offering of an aggregate of 5,052,898,000 Offer Shares (subject to adjustment as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the United States to Qualified Institutional Buyers, or QIBs, in reliance on Rule 144A.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 15% of the enlarged registered share capital of the Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 16.87% of the enlarged registered share capital immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the paragraph entitled "The International Offering—Over-allotment Option" below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in the section entitled "The Hong Kong Public Offering—Reallocation" below.

THE HONG KONG PUBLIC OFFERING

Number of Offer Shares initially offered

Our Company is initially offering 265,942,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 5.0% of the total number of Offer Shares initially available under the Global Offering.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. The Hong Kong Offer Shares will represent approximately 0.75% of the Company's registered share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section entitled "Conditions of the Hong Kong Public Offering" below.

Allocation

The total number of Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes: 132,971,000 Offer Shares for pool A and 132,971,000 Offer Shares for pool B. The Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Offer Shares with an aggregate price of HK$5 million (excluding 1% brokerage, 0.003% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable) or less. The Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Offer Shares with an aggregate price of more than HK$5 million (excluding 1% brokerage, 0.003% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B. Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Offer Shares in one pool (but not both pools) are undersubscribed, the surplus Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the "price" for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Offer Shares from either pool A or pool B but not from both pools. In addition, multiple or suspected multiple applications and any application for more than 132,971,000 Offer Shares, being the maximum number of Offer Shares initially comprised in pool B in the Hong Kong Public Offering, are liable to be rejected.

Allocation of Offer Shares to investors under the Hong Kong Public Offering, both in relation to pool A and B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached. An application has been made for, and the Hong Kong Stock Exchange has granted, a waiver from strict compliance with paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules such that, provided the initial allocation of H Shares under the Hong Kong Public Offering shall not be less than 5% of the Global Offering, in the event of over-applications, the Joint Global Coordinators, after consultation with us, shall apply a clawback mechanism following the closing of the application lists on the following basis:

- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 15 times or more but less than 50 times of the number of H Shares initially available under the Hong Kong Public Offering, then H Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 398,914,000 H Shares, representing approximately 7.5% of the H Shares initially available under the Global Offering.
- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 50 times or more but less than 100 times of the number of the H Shares initially available under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be

increased so that the total number of the H Shares available under the Hong Kong Public Offering will be 531,884,000 H Shares, representing approximately 10% of the H Shares initially available under the Global Offering.

- If the number of the H Shares validly applied for in the Hong Kong Public Offering represents 100 times or more of the number of the H Shares initially available for subscription under the Hong Kong Public Offering, then the number of H Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased, so that the total number of the H Shares available under the Hong Kong Public Offering will be 1,063,768,000 H Shares, representing 20% of the H Shares initially available under the Global Offering. In each such case, the number of the H Shares allocated to the International Offering will be correspondingly reduced.

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner as the Joint Global Coordinators deem appropriate. In addition, the Joint Global Coordinators may allocate Offer Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering.

If the Hong Kong Public Offering is not fully subscribed for, the Joint Global Coordinators have the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Joint Global Coordinators deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the Application Form submitted by him that he and any person(s) for whose benefit he is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or the applicant (or any person for whose benefit he is making the application) has been or will be placed or allocated Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of 3.58 per H Share in addition to any brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee payable on each Offer Share. If the Offer Price, as finally determined in the manner described in the section entitled "Pricing of the Global Offering" below, is less than the maximum price of 3.58 per H Share, appropriate refund payments (including the brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section entitled "How to Apply for Hong Kong Offer Shares."

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE INTERNATIONAL OFFERING

Number of Offer Shares offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 5,052,898,000 Offer Shares to be offered by us.

Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the section entitled "Pricing of the Global Offering" below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Offer Shares, and/or hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and its shareholders as a whole.

The Joint Global Coordinators (on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant application under the Hong Kong Public Offering and to ensure that it is excluded from any application of Offer Shares under the Hong Kong Public Offering.

Over-allotment Option

In connection with the Global Offering, we are expected to grant an Over-allotment Option to the International Underwriters exercisable by the Joint Global Coordinators on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Global Coordinators have the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 797,826,000 additional Offer Shares, representing approximately 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to, among other things, cover over-allocation in the International Offering, if any. If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 2.20% of the Company's enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

PRICING OF THE GLOBAL OFFERING

The International Underwriters will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building" is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Thursday, December 5, 2013, and in any event on or before Wednesday, December 11, 2013, by agreement between the Joint Global Coordinators (on behalf of the Underwriters) and the Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK$3.58 per H Share and is expected to be not less than HK$3.00 per H Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the prior consent of our Company, reduce the number of Offer Shares offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, promptly following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) notices and to be posted on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and the website of the Company at **www.cinda.com.cn** of the reduction. Upon issue of such notices, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators, on behalf of the Underwriters, and our Company, will be fixed within such revised Offer Price range. Applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. **If the number of Offer Shares and/or the indicative Offer Price range is so reduced, applicant(s) who have already submitted an application may or may not (depending on the information contained in the announcement) be notified that they are required to confirm their applications. All applicant(s) who have already submitted an application need to confirm their applications in accordance with the procedures set out in the announcement and all unconfirmed applications will not be valid.** In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Joint Global Coordinators, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Joint Global Coordinators may at their discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of H Shares comprised in the Hong Kong Public Offering shall not be less than 5% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees and estimated expenses payable by our Company in relation to the Global Offering, assuming the Over-allotment Option is not exercised) are estimated to be approximately HK$15,461.9 million, assuming an Offer Price per H Share of HK$3.00, or approximately HK$18,468.0 million, assuming an Offer Price per H Share of HK$3.58 (or if the Over-allotment Option is exercised in full, approximately HK$17,794.2 million, assuming an Offer Price per H Share of HK$3.00, or approximately HK$21,251.2 million, assuming an Offer Price per H Share of HK$3.58).

The Offer Price for H Shares under the Global Offering is expected to be announced on Wednesday, December 11, 2013.

The indications of interest in the Global Offering, the results of applications and the basis of allocation of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Wednesday, December 11, 2013 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk** and on the website of the Company at **www.cinda.com.cn**.

HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects to enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section entitled "Underwriting."

H SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on Thursday, December 12, 2013, it is expected that dealings in the Offer Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Thursday, December 12, 2013. Our H Shares will be traded in board lots of 1,000 H Shares each.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares pursuant to the Hong Kong Public Offering will be conditional on:

(i) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, (i) our H shares to be issued pursuant to the Global Offering (including the additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option); (ii) the H Shares which will be converted from Domestic Shares and transferred to NSSF pursuant to the relevant PRC regulations relating to reduction of state-owned shares; and (iii) H Shares which will be converted by NSSF, UBS, CITIC Capital Financial Holding and Standard Chartered Financial Holdings pursuant to their respective strategic investment agreements;

(ii) the Offer Price having been fixed on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (on behalf of the Underwriters), the Global Offering will not proceed.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section entitled “How to Apply for Hong Kong Offer Shares.” In the meantime, all application monies will be held in (a) separate bank account(s) with the receiving banks or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

H Share certificates for the Offer Shares are expected to be issued on Wednesday, December 11, 2013 but will only become valid certificates of title at 8:00 a.m. on Thursday, December 12, 2013 provided that (i) the Global Offering has become unconditional in all respects and (ii) the right of termination as described in the section entitled "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Grounds for Termination" has not been exercised.

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a WHITE or YELLOW Application Form;
- apply online via the **White Form eIPO** at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the White Form eIPO Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a WHITE or YELLOW Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director, Supervisor or chief executive officer of the Company and/or any of its subsidiaries;

- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a WHITE Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a YELLOW Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a WHITE Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, November 28, 2013 till 12:00 noon on Tuesday, December 3, 2013 from:

(i) the following offices of the Hong Kong Underwriters:

Merrill Lynch Far East Limited	15/F, Citibank Tower 3 Garden Road Central Hong Kong
Goldman Sachs (Asia) L.L.C.	68/F, Cheung Kong Center 2 Queen's Road Central Central Hong Kong
UBS AG, Hong Kong Branch	52/F, Two International Finance Centre 8 Finance Street Central Hong Kong
BOCI Asia Limited	26th Floor, Bank of China Tower, 1 Garden Road Central Hong Kong
Morgan Stanley Asia Limited	Level 46, International Commerce Centre 1 Austin Road West Kowloon Hong Kong
Credit Suisse (Hong Kong) Limited	Level 88, International Commerce Centre One Austin Road West Kowloon Hong Kong

CCB International Capital Limited	12/F, CCB Tower 3 Connaught Road Central Central Hong Kong
Standard Chartered Securities (Hong Kong) Limited	15/F, Two International Finance Centre 8 Finance Street Central Hong Kong
China International Capital Corporation Hong Kong Securities Limited	29th Floor, One International Finance Centre 1 Harbour View Street Central Hong Kong
Jefferies Hong Kong Limited	22/F Cheung Kong Center 2 Queen's Road Central Hong Kong
Cinda International Securities Limited	45/F., COSCO Tower 183 Queen's Road Central Hong Kong
ICBC International Securities Limited	37/F, ICBC Tower 3 Garden Road Hong Kong
ABCI Securities Company Limited	Room 701, 7/F, One Pacific Place 88 Queensway Hong Kong
CMB International Capital Limited	Units 1803-4, 18/F, Bank of America Tower 12 Harcourt Road Central Hong Kong
CITIC Securities Corporate Finance (HK) Limited	26th Floor, CITIC Tower 1 Tim Mei Avenue Central Hong Kong
BOCOM International Securities Limited	9/F, Man Yee Building 68 Des Voeux Road Central Hong Kong
China Merchants Securities (HK) Co., Limited	48/F., One Exchange Square Central Hong Kong
Essence International Securities (Hong Kong) Limited	39/F., One Exchange Square Central Hong Kong

(ii) the following branches of the receiving banks:

Standard Chartered Bank (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island:	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
Kowloon:	Kwun Tong Hoi Yuen Road	G/F, Fook Cheong Building, No. 63 Hoi Yuen Road, Kwun Tong, Kowloon
	Telford Gardens Branch	Shop P9-12, Telford Centre, Telford Gardens, Tai Yip Street, Kwun Tong
New Territories:	Yuen Long Fung Nin Road Branch	Shop B at G/F and 1/F, Man Cheong Building, 247 Castle Peak Road, Yuen Long

Bank of China (Hong Kong) Limited

	Branch Name	Address
Hong Kong Island:	Bank of China Tower Branch	3/F, 1 Garden Road
	Johnston Road Branch	152-158 Johnston Road, Wan Chai
	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan
New Territories:	East Point City Branch	Shop 101, East Point City, Tseung Kwan O
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II

China Construction Bank (Asia) Corporation Limited

	Branch Name	Address
Hong Kong Island:	Central Branch	6 Des Voeux Road Central, Central
	Causeway Bay Plaza Branch	G/F, Causeway Bay Plaza 1, Causeway Bay
	North Point Branch	382 King’s Road, North Point
Kowloon:	Mongkok Nathan Road Branch	788 Nathan Road, Mongkok
New Territories:	Tsuen Wan Branch	282 Sha Tsui Road, Tsuen Wan

Bank of Communications Co., Ltd. Hong Kong Branch

	Branch Name	Address
Hong Kong Island:	Central District Sub-Branch	G/F., Far East Consortium Bldg, 125A Des Voeux Road C., Central
	Quarry Bay Sub-Branch	G/F., 981 C, King's Road, Quarry Bay
	Aberdeen Sub-Branch	Shop E, G/F., Albert House, 20 Chengtu Road, Aberdeen
Kowloon:	Shamshuipo Sub-Branch	G/F., Shop 1, Golden Centre, 94 Yen Chow Street, Shum Shui Po
New Territories:	Sheung Shui Sub-Branch	Shops 1010-1014, G/F., Sheung Shui Centre Shopping Arcade, Sheung Shui

Wing Lung Bank Limited

	Branch Name	Address
Hong Kong Island:	Head Office	45 Des Voeux Road Central
	North Point Branch	361 King's Road
Kowloon:	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
	Tsim Sha Tsui Branch	4 Carnarvon Road
New Territories:	Shatin Plaza Branch	21 Shatin Centre Street

You can collect a YELLOW Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, November 28, 2013 till 12:00 noon on Tuesday, December 3, 2013 from the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed WHITE or YELLOW Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Horsford Nominees Limited—China Cinda Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

Thursday, November 28, 2013 – 9:00 a.m. to 5:00 p.m.
Friday, November 29, 2013 – 9:00 a.m. to 5:00 p.m.
Saturday, November 30, 2013 – 9:00 a.m. to 1:00 p.m.
Monday, December 2, 2013 – 9:00 a.m. to 5:00 p.m.
Tuesday, December 3, 2013 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 am to 12:00 noon on Tuesday, December 3, 2013, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

(i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

(ii) agree to comply with the Companies Ordinance and the Articles of Association;

(iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;

(iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

(v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;

(vi) agree that none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);

(vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;

(viii) agree to disclose to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;

(ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;

(x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;

(xi) agree that your application will be governed by the laws of Hong Kong;

(xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;

(xiii) warrant that the information you have provided is true and accurate;

(xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

(xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Auto Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

(xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;

(xvii) understand that the Company and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;

(xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or through the White Form eIPO Service by you or by any one as your agent or by any other person; and

(xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in "Who can apply" section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

Detailed instructions for application through the **White Form eIPO** service are on the designated website at **www.eipo.com.hk**. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website at www.eipo.com.hk., you authorize the White Form eIPO Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO Service

You may submit your application to the **White Form eIPO** service at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Thursday, November 28, 2013 until 11:30 a.m. on Tuesday, December 3, 2013 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, December 3, 2013 or such later time under the "Effects of Bad Weather on the Opening of the Applications Lists" in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** service more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited being the White Form eIPO Service Provider, will contribute HK$2.00 for each "China Cinda Asset Management Co., Ltd." **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of "Source of DongJiang—Hong Kong Forest" project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979-7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
2/F., Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our H Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a WHITE Application Form is signed by HKSCC Nominees on your behalf:

(i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the WHITE Application Form or this prospectus;

(ii) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- declare that only one set of electronic application instructions has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether

or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;

- authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Global Coordinators, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our H Share Registrar, receiving banks, the Joint Global Coordinators, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;

- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the WHITE Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Thursday, November 28, 2013 – 9:00 a.m. to 8:30 p.m.[(1)]
- Friday, November 29, 2013 – 8:00 a.m. to 8:30 p.m.[(1)]
- Saturday, November 30, 2013 – 8:00 a.m. to 1:00 p.m.[(1)]
- Monday, December 2, 2013 – 8:00 a.m. to 8:30 p.m.[(1)]
- Tuesday, December 3, 2013 – 8:00 a.m.[(1)] to 12:00 noon

(1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/ Custodian Participants.

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Thursday, November 28, 2013 until 12:00 noon on Tuesday, December 3, 2013 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Tuesday, December 3, 2013, the last application day or such later time as described in "Effect of Bad Weather on the Opening of the Application Lists" in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance).

Personal Data

The section of the Application Form headed "Personal Data" applies to any personal data held by the Company, the H Share Registrar, the receiving banks, the Joint Global Coordinators, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the White Form eIPO Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Bookrunners, the Joint Sponsors, the Joint Global Coordinators and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **white Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CASS Internet System for submission of electronic application instructions, they should either (i) submit a WHITE or YELLOW Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Tuesday, December 3, 2013 or such later time under the "Effect of Bad Weather on the Opening of the Applications Lists" below.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a WHITE or YELLOW Application Form (whether individually or jointly) or by giving electronic application instructions to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Hong Kong Stock Exchange.

"Statutory control" means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The WHITE and YELLOW Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a WHITE or YELLOW Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Public Offer

Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed "Structure of the Global Offering—Pricing of the Global Offering".

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warming signal number 8 or above; or
- a "black" rainstorm warning,

in force in Hong Kong at any time between 9:00 am and 12:00 noon on Tuesday, December 3, 2013. Instead they will open between 11:45 am and 12:00 noon on the next business day which does not have either of those warnings in Hong Kong in force at any time between 9:00 am and 12:00 noon.

If the application lists do not open and close on Tuesday, December 3, 2013 or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed "Expected Timetable", an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, December 11, 2013 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at **www.cinda.com.cn** and the website of the Hong Kong Stock Exchange at **www.hkexnews.hk.**

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at **www.cinda.com.cn** and the Hong Kong Stock Exchange's website at **www.hkexnews.hk** by no later than Wednesday, December 11, 2013;
- from the designated results of allocations website at **www.iporesults.com.hk** with a "search by ID" function on a 24-hour basis from 8:00 a.m. on Wednesday, December 11, 2013 to 12:00 mid-night on Tuesday, December 17, 2013;
- by telephone enquiry line by calling 2862-8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, December 11, 2013 to Saturday, December 14, 2013;

- in the special allocation results booklets which will be available for inspection during opening hours from Wednesday, December 11, 2013 to Friday, December 13, 2013 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or through the **White Form eIPO** service, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies Ordinance (as applied by Section 342E of the Companies Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the White Form eIPO service provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Hong Kong Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK$3.58 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering—Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Wednesday, December 11, 2013.

14. DESPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on YELLOW Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application.

If you apply by WHITE or YELLOW Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for YELLOW Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Wednesday, December 11, 2013. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, December 12, 2013 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, December 11, 2013 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Wednesday, December 11, 2013, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Wednesday, December 11, 2013, by ordinary post and at your own risk.

If you apply by using a YELLOW Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, December 11, 2013, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, December 11, 2013 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, December 11, 2013, or such other date as notified by the Company in the newspapers as the date of despatch/collection of Share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Wednesday, December 11, 2013 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, December 11, 2013, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Wednesday, December 11, 2013. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, December 11, 2013 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, December 11, 2013. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, December 11, 2013.

15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

November 28, 2013

The Directors
China Cinda Asset Management Co., Ltd.
Merrill Lynch Far East Limited
Credit Suisse (Hong Kong) Limited
Goldman Sachs (Asia) L.L.C.
Morgan Stanley Asia Limited

Dear Sirs,

We set out below our report on the financial information regarding China Cinda Asset Management Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 (the "Relevant Periods") (the "Financial Information") for inclusion in the prospectus of the Company dated November 28, 2013 (the "prospectus") in connection with the initial listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

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. Pursuant to the MOF's Approval of China Cinda Asset Management Corporation State Shares Administration Plan (Caijin [2010] No. 66) issued by the MOF on June 18, 2010, the Former Cinda was transformed to a joint stock company on June 29, 2010 by issuing 25,155 million promoters' shares to the MOF at par value of RMB1 each and at a total subscription price of RMB25,155 million, representing 100% of share capital of the Company. Details of the Company's financial restructuring are set out in note II to section A of this report.

The Company and all its subsidiaries have adopted December 31 as their financial year end dates. During the Relevant Periods and as at the date of this report, the Company has direct or indirect interests in subsidiaries as set out in note VI.35 to section A of this report.

The statutory financial statements of the Group prepared in accordance with the relevant accounting rules and financial regulations applicable to enterprises in the PRC ("PRC GAAP") for each of the years ended December 31, 2010 and 2011 were audited by Deloitte Touche Tohmatsu Certified Public Accountants Ltd. and those for the year ended December 31, 2012 were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, both of which are firms of certified public accountants registered in the PRC. The statutory financial statements of the principal subsidiaries, directly or indirectly held by the Company, were audited by independent auditors as set out in note VI.35 to section A of this report.

For the purpose of this report, the directors of the Company have prepared consolidated financial statements of the Group for the Relevant Periods in accordance with the International

Financial Reporting Standards (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP, in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

The Financial Information set out in this report has been prepared from the Underlying Financial Statements. No adjustments are deemed necessary by us to the Underlying Financial Statements in preparing our report for inclusion in the prospectus.

We have examined the Underlying Financial Statements in accordance with the Auditing Guideline 3.340 "prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.

The directors of the Company are responsible for the preparation of the Underlying Financial Statements and the contents of the prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information, and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2010, 2011 and 2012 and June 30, 2013 and of the consolidated results and consolidated cash flows of the Group for each of the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013.

The comparative consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the six months ended June 30, 2012 together with the notes thereon have been extracted from the Group's unaudited consolidated financial statements for the same period (the "June 2012 Financial Information") which were prepared by the directors of the Company solely for the purpose of this report. We conducted our review of the June 2012 Financial Information in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". Our review of the June 2012 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we will become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the June 2012 Financial Information. Based on our review, nothing has come to our attention that enables us to believe that the June 2012 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with International Financial Reporting Standards.

A. FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENTS
(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	Year ended December 31, 2010	2011	2012	Six months ended June 30, 2012 (Unaudited)	2013
Income from distressed debt assets classified as receivables	1	—	180,901	3,518,395	1,086,959	4,244,535
Fair value changes on distressed debt assets	2	5,850,919	4,463,093	3,878,253	1,889,105	1,967,949
Fair value changes on other financial assets		426,059	40,518	399,294	234,231	321,647
Investment income	3	4,834,839	5,779,293	6,528,841	2,700,976	3,908,664
Net insurance premiums earned	4	4,584,328	5,698,021	5,324,922	2,356,501	2,603,579
Interest income	5	848,571	1,479,436	2,493,321	879,342	1,934,206
Revenue from sales of inventories	6	4,148,353	3,236,743	3,924,082	1,394,767	1,376,571
Commission and fee income	7	2,082,671	1,902,400	2,226,348	954,814	1,129,155
Net gains on disposal of subsidiaries and associates	8	12,132	174,409	2,585,340	78,009	111,480
Other income and other net gains or losses	9	1,472,577	1,427,257	1,456,412	634,874	1,071,564
Total		24,260,449	24,382,071	32,335,208	12,209,578	18,669,350
Interest expense	10	(1,366,268)	(1,807,014)	(3,697,619)	(1,558,435)	(3,155,108)
Insurance costs	11	(4,433,768)	(5,337,422)	(4,690,060)	(2,103,918)	(2,176,747)
Employee benefits	12	(2,366,684)	(2,672,441)	(3,417,564)	(1,406,642)	(1,699,445)
Purchases and changes in inventories	6	(2,654,920)	(1,844,213)	(2,391,784)	(724,482)	(823,865)
Commission and fee expense	13	(697,437)	(803,496)	(900,738)	(444,936)	(479,371)
Business tax and surcharges		(503,989)	(561,793)	(785,664)	(290,527)	(523,040)
Depreciation and amortization expenses		(499,535)	(428,604)	(449,111)	(244,626)	(210,895)
Other expenses		(1,784,251)	(2,035,299)	(2,266,579)	(897,997)	(1,008,998)
Impairment losses on assets	14	(495,711)	(536,452)	(4,600,951)	(952,766)	(3,475,938)
Total		(14,802,563)	(16,026,734)	(23,200,070)	(8,624,329)	(13,553,407)
Change in net assets attributable to other holders of consolidated structured entities	37	(6,057)	49,995	(151,539)	(62,236)	(216,396)
Profit before share of results of associates and tax		9,451,829	8,405,332	8,983,599	3,523,013	4,899,547
Share of results of associates		504,526	652,860	612,264	360,153	237,897
Profit before tax	15	9,956,355	9,058,192	9,595,863	3,883,166	5,137,444
Income tax expense	16	(2,453,770)	(2,271,873)	(2,378,727)	(901,690)	(1,120,428)
Profit for the year/period		7,502,585	6,786,319	7,217,136	2,981,476	4,017,016
Profit attributable to:						
Equity holders of the Company		7,398,958	6,762,756	7,306,250	2,985,250	4,064,824
Non-controlling interests		103,627	23,563	(89,114)	(3,774)	(47,808)
		7,502,585	6,786,319	7,217,136	2,981,476	4,017,016
Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)—Basic	17	0.32	0.27	0.25	0.11	0.13

A. FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Profit for the year/period	7,502,585	6,786,319	7,217,136	2,981,476	4,017,016
Other comprehensive income/(expense)					
Items that may be reclassified subsequently to profit or loss:					
Fair value changes on available-for-sale financial assets					
—fair value changes arising during the year/period	3,105,085	(4,692,923)	(1,656,743)	(251,750)	(2,844,860)
—amounts reclassified to profit or loss upon disposal	(1,155,994)	(785,247)	(109,882)	(181,078)	(115,553)
—amounts reclassified to profit or loss upon impairment	49,307	30,089	3,170,177	106,083	2,406,377
Income tax effect	(777,657)	1,154,490	(245,350)	112,520	170,876
	1,220,741	(4,293,591)	1,158,202	(214,225)	(383,160)
Share of other comprehensive income/(expense) of associates	96,788	(240,156)	60,222	(60,278)	(19,936)
Exchange differences arising on translation of foreign operations	(52,022)	(82,500)	2,572	70,891	(44,740)
Other comprehensive income/(expense) for the year/period, net of income tax	1,265,507	(4,616,247)	1,220,996	(203,612)	(447,836)
Total comprehensive income for the year/period	8,768,092	2,170,072	8,438,132	2,777,864	3,569,180
Total comprehensive income attributable to:					
Equity holders of the Company	8,624,001	2,536,162	8,453,808	2,689,380	3,515,721
Non-controlling interests	144,091	(366,090)	(15,676)	88,484	53,459
	8,768,092	2,170,072	8,438,132	2,777,864	3,569,180

A. FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	As at December 31, 2010	As at December 31, 2011	As at December 31, 2012	As at June 30, 2013
Assets					
Cash and bank balances	21	33,772,647	27,187,190	42,726,288	29,730,857
Clearing settlement funds	22	1,415,469	1,286,317	1,525,844	2,059,589
Deposits with exchanges and a financial institution	23	877,084	778,879	907,226	696,102
Placements with banks	24	—	—	2,000,000	—
Financial assets at fair value through profit or loss	25	10,101,928	13,402,065	16,922,973	16,689,819
Financial assets held under resale agreements	26	369,309	560,535	57,232	1,008,104
Available-for-sale financial assets	27	62,155,770	64,382,306	64,376,565	62,673,087
Financial assets classified as receivables	28	—	12,149,831	51,195,120	80,429,720
Loans and advances to customers	29	2,508,436	9,447,891	25,041,518	31,977,084
Accounts receivable	30	6,418,190	4,062,503	5,257,293	8,896,250
Held-to-maturity investments	32	3,775,634	6,261,914	7,343,274	7,636,930
Properties held for sale	33	11,537,241	13,091,778	13,815,367	14,638,706
Investment properties	34	2,364,317	2,339,420	2,099,694	1,934,466
Interests in associates	38	5,970,983	6,712,876	7,476,276	7,913,823
Property and equipment	40	3,733,750	3,732,369	3,466,794	3,394,644
Goodwill	41	367,974	361,569	361,591	359,488
Other intangible assets	43	90,918	102,708	137,154	131,085
Deferred tax assets	44	334,273	1,400,233	2,622,975	3,503,536
Other assets	45	4,907,488	5,863,590	7,281,174	9,879,709
Total assets		150,701,411	173,123,974	254,614,358	283,552,999
Liabilities					
Borrowings from central bank	46	16,464,601	11,310,682	7,053,442	6,872,683
Accounts payable to brokerage clients	47	13,677,484	8,150,485	6,629,525	6,773,784
Financial liabilities at fair value through profit or loss		—	713	53,400	3,701
Financial assets sold under repurchase agreements	48	879,510	6,920,520	11,993,646	6,235,039
Placements from a bank and a financial institution		—	—	—	950,000
Borrowings	49	7,826,191	25,178,940	76,099,160	104,100,767
Accounts payable	50	47,219,548	47,994,894	39,539,426	34,425,321
Investment contract liabilities for policyholders	51	2,697,322	3,617,781	3,213,126	3,002,914
Tax payable	52	2,860,280	3,325,319	2,132,074	1,306,762
Insurance contract liabilities	53	7,632,505	12,300,866	17,585,668	19,673,875
Bonds issued	54	—	495,000	12,534,554	12,792,056
Deferred tax liabilities	44	677,925	348,575	356,745	248,227
Other liabilities	55	8,264,492	10,637,527	16,538,849	24,422,565
Total liabilities		108,199,858	130,281,302	193,729,615	220,807,694
Equity					
Share capital	56	25,155,097	25,155,097	30,140,024	30,140,024
Capital reserve	57	1,228,953	1,192,499	6,520,646	6,209,013
Investment revaluation reserve	58	3,402,022	(738,932)	406,054	(98,309)
Surplus reserve	59	620,218	1,222,355	1,760,041	1,760,041
General reserve	60	—	501,622	912,279	2,142,039
Retained earnings		6,927,968	10,875,005	15,426,502	16,646,501
Foreign currency translation reserve		(308,910)	(394,550)	(391,978)	(436,718)
Equity attributable to equity holders of the Company		37,025,348	37,813,096	54,773,568	56,362,591
Non-controlling interests		5,476,205	5,029,576	6,111,175	6,382,714
Total equity		42,501,553	42,842,672	60,884,743	62,745,305
Total equity and liabilities		150,701,411	173,123,974	254,614,358	283,552,999

A. FINANCIAL INFORMATION (continued)

STATEMENTS OF FINANCIAL POSITION
(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	As at December 31, 2010	As at December 31, 2011	As at December 31, 2012	As at June 30, 2013
Assets					
Cash and bank balances	21	13,396,437	9,893,696	18,500,329	11,950,002
Placements with banks and a financial institution	24	—	—	2,000,000	300,000
Financial assets at fair value through profit or loss	25	8,029,922	7,918,457	8,780,229	9,100,636
Financial assets held under resale agreements	26	—	—	—	200,000
Available-for-sale financial assets	27	49,546,421	49,007,080	47,909,938	43,732,151
Financial assets classified as receivables	28	—	9,681,131	48,068,188	77,888,189
Accounts receivable	30	5,511,905	3,408,443	4,283,058	6,875,299
Amounts due from subsidiaries	31	1,329,043	2,808,768	2,735,193	1,293,023
Held-to-maturity investments	32	210,000	210,000	210,000	210,000
Investment properties	34	421,796	406,054	390,312	382,441
Interests in subsidiaries	35	15,647,442	17,673,588	20,823,220	21,557,914
Interests in consolidated structured entities	37	295,240	2,028,732	1,553,849	1,926,523
Interests in associates	38	4,649,153	4,918,908	4,973,530	5,376,470
Property and equipment	40	107,031	142,151	162,885	257,660
Other intangible assets	43	2,691	6,085	16,442	13,398
Deferred tax assets	44	—	924,117	2,040,457	2,957,978
Other assets	45	2,460,412	3,015,311	2,765,392	3,631,510
Total assets		101,607,493	112,042,521	165,213,022	187,653,194
Liabilities					
Borrowings from central bank	46	16,464,601	11,310,682	7,053,442	6,872,683
Borrowings	49	443,761	13,568,078	55,831,334	80,269,331
Accounts payable	50	46,220,004	46,983,808	38,146,087	33,667,120
Tax payable	52	2,035,042	2,539,927	1,202,031	876,855
Bonds issued	54	—	—	10,007,054	10,237,529
Deferred tax liabilities	44	196,568	—	—	—
Other liabilities	55	1,765,621	2,010,535	2,297,267	4,007,816
Total liabilities		67,125,597	76,413,030	114,537,215	135,931,334
Equity					
Share capital	56	25,155,097	25,155,097	30,140,024	30,140,024
Capital reserve	57	485,972	485,972	5,869,695	5,869,695
Investment revaluation reserve	58	1,929,986	(1,231,831)	(124,615)	(607,744)
Surplus reserve	59	620,218	1,222,355	1,760,041	1,760,041
General reserve	60	—	501,622	912,279	2,142,039
Retained earnings	61	6,290,623	9,496,276	12,118,383	12,417,805
Total equity		34,481,896	35,629,491	50,675,807	51,721,860
Total equity and liabilities		101,607,493	112,042,521	165,213,022	187,653,194

A. FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	Year ended December 31, 2010	2011	2012	Six months ended June 30, 2012 (Unaudited)	2013
OPERATING ACTIVITIES						
Profit before tax		9,956,355	9,058,192	9,595,863	3,883,166	5,137,444
Adjustments for:						
Impairment losses on assets	14	495,711	536,452	4,600,951	952,766	3,475,938
Depreciation of property and equipment, and investment properties		441,710	348,778	380,238	214,092	180,705
Amortization of intangible assets and other long-term assets	15	57,825	79,826	68,873	30,534	30,190
Share of results of associates		(504,526)	(652,860)	(612,264)	(360,153)	(237,897)
Net gains on disposal of property and equipment, and investment properties		(422,392)	(216,348)	(128,363)	(15,980)	(305,334)
Net gains on disposal of subsidiaries and associates	8	(12,132)	(174,409)	(2,585,340)	(78,009)	(111,480)
Fair value changes on financial assets		(526,801)	4,011	(582,549)	(311,045)	(325,696)
Investment income	3	(4,834,839)	(5,779,293)	(6,528,841)	(2,700,976)	(3,908,664)
Interest expense		795,877	1,080,405	1,304,271	638,580	808,571
Change in reserves for insurance contracts		4,139,555	4,668,361	5,284,802	2,905,956	2,088,207
Operating cash flows before movements in working capital		9,586,343	8,953,115	10,797,641	5,158,931	6,831,984
Decrease in bank balances		268,359	4,001,887	1,086,435	622,245	571,224
Decrease/(increase) in financial assets at fair value through profit or loss		3,189,856	(3,979,671)	(2,956,592)	(1,818,187)	558,851
Increase in financial assets held under resale agreements		—	—	(7,531)	—	(88,480)
Increase in distressed debt assets classified as receivables		—	(9,701,131)	(39,849,362)	(13,375,285)	(30,535,879)
Increase in loans and advances to customers		(1,252,677)	(7,095,396)	(15,860,480)	(2,063,286)	(7,159,678)
Decrease/(increase) in accounts receivable		1,647,919	2,563,315	(359,318)	(1,029,596)	(770,970)
Increase in properties held for sale		(4,906,249)	(1,554,537)	(723,589)	(115,646)	(823,339)
Decrease in borrowings from central bank		(6,938,789)	(5,153,919)	(4,257,240)	(479,562)	(180,759)
Increase/(decrease) in accounts payable to brokerage clients		856,335	(5,526,999)	(1,520,960)	(1,467,025)	144,259
Increase/(decrease) in financial assets sold under repurchase agreements		599,991	3,129,975	3,813,317	3,207,345	(2,431,852)
(Decrease)/increase in borrowings		(1,093,605)	16,244,317	46,825,205	8,383,802	28,456,561
Decrease in accounts payable		(180,054)	(3,622)	(394,453)	(504,367)	(861,902)
Decrease/(increase) in other operating assets		3,177,979	(1,027,386)	(2,328,396)	(1,204,335)	(2,225,510)
Increase in other operating liabilities		7,491,553	3,424,262	5,751,068	3,348,413	6,851,597
Cash generated from/(used in) operations		12,446,961	4,274,210	15,745	(1,336,553)	(1,663,893)
Income taxes paid		(1,351,092)	(2,039,954)	(5,031,683)	(3,813,953)	(2,763,943)
NET CASH FROM/(USED IN) OPERATING ACTIVITIES		11,095,869	2,234,256	(5,015,938)	(5,150,506)	(4,427,836)
INVESTING ACTIVITIES						
Cash receipts from disposals and recovery of investment securities		6,117,503	3,865,926	31,839,416	7,298,625	11,669,806
Dividends received from investment securities		579,982	1,313,598	1,628,907	765,339	619,689
Dividends received from associates		212,961	77,126	155,048	104,561	206,565
Interest received from investment securities		339,306	710,353	1,139,302	604,088	631,985
Cash receipts from disposals of property and equipment, investment properties and other intangible assets		951,889	426,440	505,500	56,269	446,442
Net cash flows arising on disposals of subsidiaries	71	(3,336)	58,509	1,863,168	203,246	(446)
Net cash flows arising on disposals of associates		219,727	(194)	1,241,756	761	—
Cash payments to acquire investment securities		(14,698,149)	(15,388,140)	(45,126,079)	(7,285,970)	(15,947,080)
Net cash flows for acquisition of subsidiaries	70	106,335	—	192,258	—	—
Net cash flows from consolidated structured entities		1,068,585	710,190	3,025,494	62,236	216,395
Cash payments for purchase of property and equipment, investment properties and other assets		(506,151)	(670,846)	(598,556)	(518,809)	(171,909)
Cash payment for acquisition of interests in associates		(163,784)	(179,608)	(774,919)	(12,354)	(572,500)
NET CASH (USED IN)/FROM INVESTING ACTIVITIES		(5,775,132)	(9,076,646)	(4,908,705)	1,277,992	(2,901,053)

A. FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CASH FLOWS—continued
(Amounts in thousands of RMB, unless otherwise stated)

		Year ended December 31,			Six months ended June 30,	
	Notes VI	2010	2011	2012	2012	2013
					(Unaudited)	
FINANCING ACTIVITIES						
Proceeds from issue of shares		—	—	10,368,648	10,368,648	—
Capital contribution from non-controlling interests of subsidiaries of the Company		679,900	697,940	1,569,879	12,459	4,924
Proceeds from disposal of partial interests in subsidiaries that does not involve loss of control		—	268	68,555	2,500	—
Cash payment to acquire additional interests in subsidiaries		—	(165,484)	(294,763)	(3,173)	(35,240)
Cash receipts from borrowings raised		6,659,513	4,646,902	8,731,673	914,454	2,921,926
Cash receipts from bonds issued		—	495,000	12,000,000	—	—
Cash receipts from financial assets sold under repurchase agreements		279,519	3,190,554	4,450,363	514,050	1,123,608
Cash repayments on financial assets sold under repurchase agreements		(355,829)	(279,519)	(3,190,554)	(3,190,554)	(4,450,363)
Cash repayments of borrowings		(6,400,613)	(3,538,470)	(4,636,659)	(1,020,093)	(3,376,880)
Interest expenses on borrowings paid		(795,877)	(1,080,405)	(1,230,271)	(638,580)	(551,070)
Dividends paid		—	(1,711,960)	(1,806,410)	—	—
Dividends paid to non-controlling interests of subsidiaries		(80,200)	(129,886)	(187,521)	(149,412)	(76,123)
Cash payments for transaction cost of bonds issued		—	—	(34,445)	—	—
Cash repayments of bonds issued		(1,071,762)	—	—	—	—
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(1,085,349)	2,124,940	25,808,495	6,810,299	(4,439,218)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		4,235,388	(4,717,450)	15,883,852	2,937,785	(11,768,107)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/PERIOD		15,789,245	19,950,225	15,210,071	15,210,071	31,093,404
Effect of foreign exchange changes		(74,408)	(22,704)	(519)	(665)	2,103
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	62	19,950,225	15,210,071	31,093,404	18,147,191	19,327,400
Net cash flows from operating activities include:						
Interest received		716,577	958,286	1,828,316	911,899	1,529,926
Interest paid		570,391	726,609	2,393,348	919,855	2,346,537

A. FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Amounts in thousands of RMB, unless otherwise stated)

		Equity attributable to equity holders of the Company								
	Notes	Paid-in /Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at January 1, 2010		10,137,000	1,013,730	2,130,733	—	8,045,190	(262,664)	21,063,989	4,070,835	25,134,824
Profit for the year		—	—	—	—	7,398,958	—	7,398,958	103,627	7,502,585
Other comprehensive income/ (expense) for the year		—	—	1,271,289	—	—	(46,246)	1,225,043	40,464	1,265,507
Total comprehensive income/ (expense) for the year		—	—	1,271,289	—	7,398,958	(46,246)	8,624,001	144,091	8,768,092
Capital contribution										
—Revaluation of assets	II. 2	—	3,565,104	—	—	—	—	3,565,104	202,818	3,767,922
—Other contribution from the MOF		—	3,863,442	—	—	—	—	3,863,442	—	3,863,442
Financial Restructuring	II. 3	15,018,097	(7,213,323)	—	—	(7,804,774)	—	—	—	—
Capital contribution from non-controlling shareholders		—	—	—	—	—	—	—	679,900	679,900
Acquisition of additional interests in subsidiaries		—	—	—	—	(72,782)	—	(72,782)	(38,658)	(111,440)
Acquisition of subsidiaries		—	—	—	—	—	—	—	497,419	497,419
Appropriation to surplus reserve	VI. 59	—	—	—	620,218	(620,218)	—	—	—	—
Disposal of partial interests in state-owned companies		—	—	—	—	(18,406)	—	(18,406)	—	(18,406)
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	(80,200)	(80,200)
As at December 31, 2010		25,155,097	1,228,953	3,402,022	620,218	6,927,968	(308,910)	37,025,348	5,476,205	42,501,553

A. FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued
(Amounts in thousands of RMB, unless otherwise stated)

		Equity attributable to equity holders of the Company									
	Notes VI	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at January 1, 2011		25,155,097	1,228,953	3,402,022	620,218	—	6,927,968	(308,910)	37,025,348	5,476,205	42,501,553
Profit for the year		—	—		—	—	6,762,756	—	6,762,756	23,563	6,786,319
Other comprehensive expense for the year		—	—	(4,140,954)	—	—	—	(85,640)	(4,226,594)	(389,653)	(4,616,247)
Total comprehensive (expense)/income for the year		—	—	(4,140,954)	—	—	6,762,756	(85,640)	2,536,162	(366,090)	2,170,072
Capital contribution from non-controlling shareholders		—	—	—	—	—	—	—	—	697,940	697,940
Acquisition of additional interests in subsidiaries		—	(37,784)	—	—	—	—	—	(37,784)	(680,229)	(718,013)
Disposal of partial interests in subsidiaries		—	—	—	—	—	—	—	—	268	268
Disposal of interests in subsidiaries		—	1,330	—	—	—	—	—	1,330	31,368	32,698
Appropriation to surplus reserve	59	—	—	—	602,137	—	(602,137)	—	—	—	—
Appropriation to general reserve	60	—	—	—	—	501,622	(501,622)	—	—	—	—
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	—	(129,886)	(129,886)
Dividends recognized as distribution	18	—	—	—	—	—	(1,711,960)	—	(1,711,960)	—	(1,711,960)
As at December 31, 2011		25,155,097	1,192,499	(738,932)	1,222,355	501,622	10,875,005	(394,550)	37,813,096	5,029,576	42,842,672

A. FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued
(Amounts in thousands of RMB, unless otherwise stated)

		Equity attributable to equity holders of the Company									
	Notes VI	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at January 1, 2012		25,155,097	1,192,499	(738,932)	1,222,355	501,622	10,875,005	(394,550)	37,813,096	5,029,576	42,842,672
Profit for the year		—	—	—	—	—	7,306,250	—	7,306,250	(89,114)	7,217,136
Other comprehensive income for the year		—	—	1,144,986	—	—	—	2,572	1,147,558	73,438	1,220,996
Total comprehensive income/(expense) for the year		—	—	1,144,986	—	—	7,306,250	2,572	8,453,808	(15,676)	8,438,132
Shares issued	56, 57	4,984,927	5,383,721	—	—	—	—	—	10,368,648	—	10,368,648
Capital contribution from non-controlling shareholders		—	—	—	—	—	—	—	—	1,569,879	1,569,879
Acquisition of additional interests in subsidiaries		—	(55,574)	—	—	—	—	—	(55,574)	(72,600)	(128,174)
Acquisition of subsidiaries		—	—	—	—	—	—	—	—	4,507	4,507
Disposal of partial interests in subsidiaries		—	—	—	—	—	—	—	—	68,555	68,555
Disposal of interests in subsidiaries		—	—	—	—	—	—	—	—	(285,545)	(285,545)
Appropriation to surplus reserve	59	—	—	—	537,686	—	(537,686)	—	—	—	—
Appropriation to general reserve	60	—	—	—	—	410,657	(410,657)	—	—	—	—
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	—	(187,521)	(187,521)
Dividends recognized as distribution	18	—	—	—	—	—	(1,806,410)	—	(1,806,410)	—	(1,806,410)
As at December 31, 2012		30,140,024	6,520,646	406,054	1,760,041	912,279	15,426,502	(391,978)	54,773,568	6,111,175	60,884,743

A. FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued
(Amounts in thousands of RMB, unless otherwise stated)

		Equity attributable to equity holders of the Company									
Unaudited	Notes VI	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at January 1, 2012		25,155,097	1,192,499	(738,932)	1,222,355	501,622	10,875,005	(394,550)	37,813,096	5,029,576	42,842,672
Profit for the period		—	—	—	—	—	2,985,250	—	2,985,250	(3,774)	2,981,476
Other comprehensive (expense)/income for the period		—	—	(366,761)	—	—	—	70,891	(295,870)	92,258	(203,612)
Total comprehensive (expense)/income for the period		—	—	(366,761)	—	—	2,985,250	70,891	2,689,380	88,484	2,777,864
Shares issued	56, 57	4,984,927	5,383,721	—	—	—	—	—	10,368,648	—	10,368,648
Capital contribution from non-controlling shareholders		—	—	—	—	—	—	—	—	12,459	12,459
Acquisition of additional interests in subsidiaries		—	1,774	—	—	—	1,696	—	3,470	(706)	2,764
Appropriation to general reserve	60	—	—	—	—	410,657	(410,657)	—	—	—	—
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	—	(149,412)	(149,412)
Dividends recognized as distribution	18	—	—	—	—	—	(1,806,410)	—	(1,806,410)	—	(1,806,410)
As at June 30, 2012		30,140,024	6,577,994	(1,105,693)	1,222,355	912,279	11,644,884	(323,659)	49,068,184	4,980,401	54,048,585

A. FINANCIAL INFORMATION (continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—continued
(Amounts in thousands of RMB, unless otherwise stated)

		Equity attributable to equity holders of the Company									
	Notes VI	Share capital	Capital reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at January 1, 2013		30,140,024	6,520,646	406,054	1,760,041	912,279	15,426,502	(391,978)	54,773,568	6,111,175	60,884,743
Profit for the period		—	—	—	—	—	4,064,824	—	4,064,824	(47,808)	4,017,016
Other comprehensive (expense)/income for the period		—	—	(504,363)	—	—	—	(44,740)	(549,103)	101,267	(447,836)
Total comprehensive (expense)/income for the period		—	—	(504,363)	—	—	4,064,824	(44,740)	3,515,721	53,459	3,569,180
Capital contribution from non-controlling shareholders		—	—	—	—	—	—	—	—	4,924	4,924
Acquisition of additional interests in subsidiaries		—	(311,633)	—	—	—	(1,495)	—	(313,128)	266,605	(46,523)
Acquisition of subsidiaries		—	—	—	—	—	—	—	—	22,674	22,674
Deconsolidation of a consolidated structured entity		—	—	—	—	—	(511)	—	(511)	—	(511)
Appropriation to general reserve	60	—	—	—	—	1,229,760	(1,229,760)	—	—	—	—
Dividends paid to non-controlling interests		—	—	—	—	—	—	—	—	(76,123)	(76,123)
Dividends recognized as distribution	18	—	—	—	—	—	(1,613,059)	—	(1,613,059)	—	(1,613,059)
As at June 30, 2013		30,140,024	6,209,013	(98,309)	1,760,041	2,142,039	16,646,501	(436,718)	56,362,591	6,382,714	62,745,305

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

I. GENERAL INFORMATION

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

The Company has financial services certificate No. J0004H111000001 issued by the China Banking Regulatory Commission (the "CBRC"), and business license No. 100000000031562 issued by the State Administration of Industry and Commerce of the PRC.

The Company and its subsidiaries are collectively referred to as the "Group".

The principal activities of the Group comprise acquiring and entrusting to manage, invest and dispose of both financial and non-financial institution distressed assets; receivership; foreign investment; securities and futures dealing; financial bonds 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; assets 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.

The Financial Information is presented in Renminbi ("RMB"), which is also the functional currency of the Company.

II. FINANCIAL RESTRUCTURING AND INCORPORATION OF JOINT STOCK COMPANY

Pursuant to the MOF's Notice on Matters about the Pilot Reform of China Cinda Asset Management Corporation issued by the MOF on June 8, 2010 (the "Restructuring Plan"), the Former Cinda completed the following financial restructuring and joint stock reformation measures ("Financial Restructuring"):

1. Continuation of the Former Cinda's commercial business

The Former Cinda was established to manage the non-performing assets spun off from state-owned financial institutions (hereinafter referred to as "policy business"). The Former Cinda also operated its own commercial business. Separate books and records had been maintained for the policy business and its own commercial business.

The commercial business has been operated by the Former Cinda and the Company continuously. On this basis, the financial statements of the Company for the years ended December 31, 2010, 2011 and 2012 and for the six months ended June 30, 2013 are prepared as a continuation of the Former Cinda.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

II. FINANCIAL RESTRUCTURING AND INCORPORATION OF JOINT STOCK COMPANY—continued

2. Revaluation of the Former Cinda's assets

In accordance with the related requirements for state-owned enterprises restructuring, the Former Cinda engaged China United Assets Appraisal Co., Ltd. ("CUA") (currently known as China United Assets Appraisal Group Co., Ltd., located at Chemsunny World Trade Center, No.28 Fuxingmen Nei Avenue, Xicheng District, Beijing, PRC), a certified asset appraiser in the PRC, to carry out an independent valuation on the assets and liabilities of its commercial business as at June 30, 2009. CUA issued a valuation report (Zhonglian Pingbaozi [2010] No. 398) (the "Valuation Report") on June 9, 2010 which was subsequently approved by the MOF pursuant to the Approval of Valuation Report on Assets of China Cinda Asset Management Corporation (Caijin [2010] No. 60). The revalued net assets of the Former Cinda amounting to RMB25,155 million were recognized in the consolidated financial statements of the Group on June 30, 2010 by reference to the valuation of such assets as at June 30, 2009 set out in the Valuation Report and the revaluation surplus amounting to RMB3,565 million was credited to capital reserve accordingly.

3. Capitalization of reserves and Financial Restructuring

According to the amount of share capital determined pursuant to the Restructuring Plan and the MOF's Approval of China Cinda Asset Management Corporation State Shares Administration Plan (Caijin [2010] No. 66) issued by the MOF on June 18, 2010, RMB15,018 million of the Former Cinda's reserves including (i) distributable profit of RMB7,805 million and (ii) capital reserve of RMB7,213 million were capitalized as paid-in capital.

4. Acquisition of policy business related assets

In accordance with the Restructuring Plan, the Former Cinda acquired the assets in the policy business portfolio from the MOF at a value of RMB48,568 million that was determined based on an independent valuation as at June 30, 2009.

5. Incorporation of joint stock company

Pursuant to the MOF's Approval of China Cinda Asset Management Corporation State Shares Administration Plan (Caijin [2010] No. 66) issued by the MOF on June 18, 2010, the MOF established the Company by subscribing for 25,155 million promoters' shares at par value of RMB1 each and at a total subscription price of RMB25,155 million by reference to the valuation of the Former Cinda's net assets, representing 100% of share capital of the Company.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

For the purpose of preparing and presenting the Financial Information, the Group has consistently applied International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and the related Interpretations ("IFRICs") issued by the International Accounting Standards Board ("IASB") which are effective for the Group's financial year beginning on January 1, 2013 throughout the Relevant Periods.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")—continued

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

Amendments to IFRS 9 and IFRS 7	Mandatory Effective Date of IFRS 9 and Transition Disclosures(2)
IFRS 9	Financial Instruments(2)
Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities(1)
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions(3)
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities(1)
Amendments to IAS 36	Recoverable Amount Disclosures for Non-Financial Assets(1)
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting(1)
IFRIC 21	Levies(1)

(1) Effective for annual periods beginning on or after January 1, 2014.
(2) Available for application—the mandatory effective date will be determined when the outstanding phases of IFRS 9 are finalized.
(3) Effective for annual periods beginning on or after July 1, 2014.

IFRS 9 Financial Instruments

IFRS 9 issued in 2009 introduces new requirements for the classification and measurement of financial assets. IFRS 9 amended in 2010 includes the requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9 are described as follows:

- IFRS 9 requires all recognized financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognized in profit or loss;
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")—continued

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 introduce an exception to consolidating subsidiaries for an investment entity, except where the subsidiaries provide services that relate to the investment entity's investment activities. Under the amendments to IFRS 10, an investment entity is required to measure its interests in subsidiaries at fair value through profit or loss.

To qualify as an investment entity, certain criteria have to be met. Specifically, an entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments to IFRS 12 and IAS 27 have been made to introduce new disclosure requirements for investment entities.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realization and settlement".

The directors anticipate that all of the above-mentioned new and revised IFRSs will be adopted for the annual period beginning on the respective effective date. The directors are either in the process of assessing their impact or of the opinion that they will not have significant impact on the Financial Information.

The directors anticipate that the application of the other new and revised IFRSs not discussed above will have no significant impact on the Group's Financial Information.

IV. SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

The Financial Information has been prepared in accordance with the following accounting policies which conform to IFRSs. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

2. Basis of consolidation

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

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

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

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; 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 income statement from the effective date of acquisition and 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.

In the Company's statement of financial position, its interests in subsidiaries and consolidated structured entities are stated at cost, less impairment losses, if any.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

2. Basis of consolidation—continued

Changes in the Group's ownership interests in existing subsidiaries

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 recognize 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.

3. Business combinations

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

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

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

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

3. Business combinations—continued

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.

When a business combination is achieved without the transfer of consideration, the Group determines the amount of goodwill using the acquisition date fair value of the Group's interests in the acquiree as the acquisition date fair value of the consideration transferred, and the resulting gains or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if those interests were directly disposed of by the Group.

4. Goodwill

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.

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

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

5. Cash and cash equivalents

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

6. Foreign currency transactions

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

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

6. Foreign currency transactions—continued

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.

For the purposes of presenting the Financial Information, 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.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

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.69 to section A.

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.

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.

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

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

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")—continued

- 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.

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 bank balances, deposits with exchanges and a financial institution, placements with banks and a financial institution, 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.

Available-for-sale financial assets are measured at fair value at the end of the reporting period. Changes in fair value are recognized in other comprehensive income and accumulated in the

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

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

investment revaluation reserve, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

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

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

7.4 Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

7. Financial instruments—continued

7.4 Impairment of financial assets—continued

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

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

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

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.

The calculation of present value of the estimated future cash flows of a collaterized financial asset includes the cash flows that may result from foreclosure less costs for obtaining and selling the collateral.

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

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

Impairment of available-for-sale financial assets

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

Impairment loss on available-for-sale equity investment at fair value is not reversed through profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognized directly in other comprehensive income and accumulated in the investment revaluation

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

7. Financial instruments—continued

7.4 Impairment of financial assets—continued

Impairment of available-for-sale financial assets—continued

reserve. For available-for-sale debt investments, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Impairment of financial assets measured at cost

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

7.5 Transfer of financial assets

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

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

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 for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

7.6 Classification, recognition and measurement of financial liabilities

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

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

7. Financial instruments—continued

7.6 Classification, recognition and measurement of financial liabilities—continued

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 changes in fair value 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.

7.7 Derecognition of financial liabilities

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

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

7.8 Derivatives and embedded derivatives

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

An embedded derivative is separated from the hybrid instrument, where the hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss, and treated

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

7. Financial instruments—continued

7.8 Derivatives and embedded derivatives—continued

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

7.9 Offsetting financial assets and financial liabilities

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

8. Inventories

Properties under development and properties held for sale

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

Others

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

9. Interests in associates

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

The results and assets and liabilities of associates are incorporated in this Financial Information using the equity method of accounting. Under the equity method, investments in associates are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

9. Interests in associates—continued

includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

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

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

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

10. Investment property

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.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

10. Investment property—continued

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 on a straight-line basis over the shorter of the term of the lease and 40 years.

11. Property and equipment

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

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

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

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

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

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

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

12. Borrowing costs

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

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

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

13. Intangible assets

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

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

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

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

14. Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy above in respect of 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

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

14. Impairment losses on tangible and intangible assets other than goodwill (see the accounting policy above in respect of goodwill)—continued

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.

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 statements of financial position. The cost (including interests) of purchasing such assets is presented under "financial assets purchased under resale agreements" in the consolidated statements 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 statements of financial position. The proceeds (including interests) from selling such assets are presented under "financial assets sold under

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

15. Resale and repurchase agreements—continued

15.2 Financial assets sold under repurchase agreements—continued

repurchase agreements" in the consolidated statements of financial position. The difference between the selling price and repurchasing price is recognized as interest expense during the term of the agreement using the effective interest method.

16. Provisions

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

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

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

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 is permitted but not required to unbundle those components, if the insurance component and the deposit component are distinct and separately measurable, and all obligations and rights arising from the deposit component are recognized.

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 should be performed at the initial recognition of such contracts, and based on a group of contracts with

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

17. Insurance contracts and significant insurance risk testing—continued

similar nature. When performing the insurance risk significance test, the Group makes judgments in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

18. Insurance contracts liabilities

Insurance contract liabilities of the Group include long-term life insurance contract liabilities and short-term insurance contract liabilities which include 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.

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;
  - (iii) Reasonable expenses necessary for policy administration and claims handling, including policy maintenance expenses and claim expenses.
- Expected future cash inflows represent cash inflows arising from assuming liabilities under the insurance contracts, including premium income and other charges.

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

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

18. Insurance contracts liabilities—continued

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the consolidated income statement 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 income statement, but included in the insurance contract liabilities as a residual margin. However, any "Day 1" loss should be recognized in the consolidated income statement 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 sums insured during the whole insurance coverage period. For short-term insurance contracts, the Group amortizes the residual margin on a time basis during the whole insurance coverage period and records it in profit or loss.

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

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

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

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

18. Insurance contracts liabilities—continued

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 reserve

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.

Incurred but not reported reserves ("IBNR") are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using the chain ladder method, average claim per case method, expected loss ratio method, Bornhuetter-Ferguson method and so on, based on a reasonable estimate of ultimate claim amounts as well as margins.

Claims reserve

Claim reserves are provided for insurance claims of short-term insurance contracts and include incurred and 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 the case-by-case estimate method, average claim per case method and so on, 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.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

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 income statement. 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.

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.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

18. Insurance contracts liabilities—continued

Reinsurance—continued

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises during the reporting period. 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 income statement.

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

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

19. Revenue recognition

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

19.1 Income from distressed assets

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

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

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

19. Revenue recognition—continued

19.1 Income from distressed assets—continued

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

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

19.3 Premium income

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

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

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

19.4 Revenue from sale of goods

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

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

19. Revenue recognition—continued

19.4 Revenue from sale of goods—continued

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.

19.5 Interest income and expense

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

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

19.6 Dividend income

Dividend income from investments is recognized when the shareholder's rights to receive the payment have been established and is recognized provided that the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group.

19.7 Other income

Property rental income

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

Property management fee

The property management fee is recognized when the services are provided and it is probable that the associated economic benefits will flow to the Group and relevant income and cost can be measured reliably.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

20. Taxation

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

20.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

20.2 Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the Financial Information 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 and liabilities.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

20. Taxation—continued

20.2 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.

21. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

21.1 The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

21.2 The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

21.3 Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

21. Leasing—continued

21.3 Leasehold land and building—continued

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.

22. Fiduciary activities

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

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

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

23. Employee benefits

In the reporting period in which an employee has rendered services, the Group 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.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES—continued

23. Employee benefits—continued

Annuity Scheme

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

24. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY ASSUMPTIONS AND UNCERTAINTY OF ACCOUNTING ESTIMATIONS

The followings 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 Financial Information and/or in the next twelve months.

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.

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

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY ASSUMPTIONS AND UNCERTAINTY OF ACCOUNTING ESTIMATIONS—continued

2. Fair value of financial instruments—continued

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, etc. In making such judgment, the impact of objective evidence for impairment on expected future cash flows of the investment is taken into account.

5. Impairment of loans and advances to customers and financial assets classified as receivables

The Group reviews its loans and advances to customers and financial assets classified as receivables to assess impairment on a periodic basis. In determining whether there are objective evidence of impairment, the Group makes judgments as to whether the estimated future cash flows from loans and advances to customers and financial assets classified as receivables would likely be lower than those stated on the repayment schedule as stipulated in the loan agreements. The Group first makes the assessment on an individual basis to determine allowance for impairment losses. When the decrease may not have been identified individually or the individual loans and advances to customers or financial assets classified as receivables is not significant, management uses estimates based on historical loss experience and industrial experience data on a collective basis to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

6. Measurement method of insurance contract reserve

At the end of each reporting period, the Group needs to make reasonable estimations on the future cash layout for carrying out insurance contract obligations, such estimations are based on current

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

V. CRITICAL ACCOUNTING JUDGMENTS AND KEY ASSUMPTIONS AND UNCERTAINTY OF ACCOUNTING ESTIMATIONS—continued

6. Measurement method of insurance contract reserve—continued

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 determined based on the current information available at the end of each reporting period.

7. Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2010, 2011 and 2012 and at June 30, 2013, the carrying amount of goodwill is RMB367.97 million, RMB361.57 million, RMB361.59 million and RMB359.49 million respectively (net of accumulated impairment loss of RMB1,120.80 million, RMB1,120.80 million, RMB1,120.80 million and RMB1,120.80 million). Details of the recoverable amount calculation are disclosed in note VI.42 to section A.

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 on and is exposed to significant variable return of a structured entity. If such power and exposure exist, the Group has to consolidate such structured entity. The judgments the Group used in determining whether or not it has control over the structured entities are detailed in note VI.37 to section A.

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 to section A.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Income from distressed assets classified as receivables

The amounts 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.28 to section A).

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

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 Relevant Periods (see note VI.25 to section A).

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

3. Investment income

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Net realized gain from disposal of					
—available-for-sale financial assets	3,843,944	3,308,199	3,908,183	1,328,524	2,647,140
Interest income from investment securities					
—available-for-sale financial assets	263,669	576,133	686,898	336,860	313,306
—debt securities classified as receivables	—	59,406	396,329	241,906	167,692
—held-to-maturity financial assets	124,387	204,192	289,460	139,045	176,513
Dividend income from					
—available-for-sale financial assets	602,839	1,631,363	1,247,971	654,641	604,013
Total	4,834,839	5,779,293	6,528,841	2,700,976	3,908,664

4. Net insurance premiums earned

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Gross written premiums	4,842,230	6,258,586	8,101,449	4,189,495	3,953,635
Less: Premiums ceded to reinsurers	(41,813)	(246,532)	(2,258,690)	(1,700,891)	(1,194,672)
Change of unearned premium reserves	(216,089)	(314,033)	(517,837)	(132,103)	(155,384)
Total	4,584,328	5,698,021	5,324,922	2,356,501	2,603,579

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

	Year ended December 31,			Six months ended June 30,	
Types of insurance	2010	2011	2012	2012	2013
				(Unaudited)	
Life insurance	4,491,440	5,045,976	5,707,059	3,251,256	2,421,180
Property and casualty insurance	350,790	1,212,610	2,394,390	938,239	1,532,455
Total	4,842,230	6,258,586	8,101,449	4,189,495	3,953,635

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

5. Interest income

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

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Loans and advances to customers	238,065	748,786	1,593,080	467,651	1,245,587
Bank balances	290,146	451,748	652,088	284,210	431,519
Accounts receivable	160,025	108,327	58,641	29,953	155,197
Placements with banks	—	—	31,093	15,812	32,140
Financial assets held under resale agreements	1,228	12,930	4,529	4,292	5,698
Others	159,107	157,645	153,890	77,424	64,065
Total	848,571	1,479,436	2,493,321	879,342	1,934,206

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

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Revenue from sales of inventories	4,148,353	3,236,743	3,924,082	1,394,767	1,376,571
Purchases and changes in inventories	(2,654,920)	(1,844,213)	(2,391,784)	(724,482)	(823,865)
Including:					
Revenue from sales of properties held for sales	3,799,194	3,096,449	3,752,852	1,342,455	1,277,956
Purchases and changes in properties held for sales	(2,353,803)	(1,771,483)	(2,254,448)	(682,566)	(767,617)
Gross profit from sales of properties	1,445,391	1,324,966	1,498,404	659,889	510,339
Revenue from other trading operations	349,159	140,294	171,230	52,312	98,615
Purchase and changes in inventories of other trading operations	(301,117)	(72,730)	(137,336)	(41,916)	(56,248)
Gross profit from other trading operations	48,042	67,564	33,894	10,396	42,367

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

7. Commission and fee income

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Securities and futures brokerage	1,417,618	960,183	768,707	381,802	413,012
Trustee services	19,081	139,814	556,567	233,772	408,199
Consultancy and financial advisory	159,729	287,516	528,898	201,642	127,301
Fund and asset management business	250,963	240,070	178,209	89,378	93,893
Securities underwriting	162,742	118,925	134,856	38,950	50,726
Agency business	38,406	62,367	35,612	7,397	15,270
Others	34,132	93,525	23,499	1,873	20,754
Total	2,082,671	1,902,400	2,226,348	954,814	1,129,155

8. Net gains on disposal of subsidiaries and associates

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Net gains on disposal of subsidiaries	8,518	174,603	1,602,186	78,157	111,480
Net gains/(losses) on disposal of associates	3,614	(194)	983,154	(148)	—
Total	12,132	174,409	2,585,340	78,009	111,480

9. Other income and other net gains or losses

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Net gains on disposal of investment properties	380,768	263,473	102,191	14,303	296,580
Net gains/(losses) on exchange differences	12,875	13,835	(23,007)	(1,984)	(11,630)
Net gains on disposal of other assets	3,234	83,423	189,115	61,777	27,813
Rental income	322,504	361,974	467,655	214,716	284,690
Revenue from hotel operation	399,583	474,771	400,988	234,163	214,443
Revenue from property management business	117,657	156,120	190,796	78,444	71,616
Government grant and compensation	68,312	21,578	34,654	16,202	12,075
Others	167,644	52,083	94,020	17,253	175,977
Total	1,472,577	1,427,257	1,456,412	634,874	1,071,564

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

10. Interest expense

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Borrowings from central bank					
—wholly repayable within five years	(430,819)	(284,586)	(196,822)	(92,614)	(59,503)
Accounts payable to brokerage clients	(43,720)	(52,082)	(26,208)	(16,875)	(10,774)
Financial assets sold under repurchase agreements	(16,955)	(123,347)	(326,895)	(154,649)	(232,999)
Borrowings					
—wholly repayable within five years	(442,114)	(483,507)	(2,137,419)	(834,660)	(2,233,160)
—not wholly repayable within five years	(3,908)	(66,360)	(65,288)	(33,159)	(34,359)
Amount due to the MOF	(386,228)	(778,967)	(810,488)	(408,542)	(295,774)
Bonds issued	(26,402)	(9,207)	(114,023)	(17,820)	(287,517)
Others	(16,122)	(8,958)	(20,476)	(116)	(1,022)
Total	(1,366,268)	(1,807,014)	(3,697,619)	(1,558,435)	(3,155,108)

11. Insurance costs

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Reserves for insurance contracts	(3,900,254)	(4,309,159)	(4,785,722)	(1,846,526)	(1,897,458)
Interest credited and policyholder dividends	(338,293)	(342,872)	(321,925)	(223,420)	(232,726)
Refund of reinsurance premiums	24,182	174,717	2,211,984	765,236	1,154,233
Other insurance expenses	(219,403)	(860,108)	(1,794,397)	(799,208)	(1,200,796)
Total	(4,433,768)	(5,337,422)	(4,690,060)	(2,103,918)	(2,176,747)

12. Employee benefits

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Wages or salaries, bonuses, allowances and subsidies	(1,911,564)	(2,050,689)	(2,681,439)	(1,121,278)	(1,354,604)
Staff welfare	(71,596)	(96,605)	(107,036)	(34,776)	(43,511)
Social insurance	(182,820)	(253,701)	(313,446)	(133,529)	(146,598)
Annuity Scheme	—	(18,880)	(28,360)	—	(10,534)
Housing funds	(107,056)	(122,212)	(146,430)	(66,443)	(71,020)
Labor union fees and staff education fees	(54,311)	(66,917)	(85,197)	(36,996)	(39,624)
Others	(39,337)	(63,437)	(55,656)	(13,620)	(33,554)
Total	(2,366,684)	(2,672,441)	(3,417,564)	(1,406,642)	(1,699,445)

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

13. Commission and fee expense

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Insurance sales	(442,905)	(608,859)	(702,123)	(355,021)	(373,100)
Securities brokerage	(211,989)	(141,704)	(105,450)	(60,794)	(61,484)
Others	(42,543)	(52,933)	(93,165)	(29,121)	(44,787)
Total	(697,437)	(803,496)	(900,738)	(444,936)	(479,371)

14. Impairment losses on assets

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
(Allowances)/reversal of impairment losses on assets					
—Distressed debt assets classified as receivables	—	(20,000)	(1,471,739)	(514,574)	(745,660)
—Debt securities classified as receivables	—	—	(17,887)	—	—
—Available-for-sale financial assets	(454,522)	(245,979)	(3,340,160)	(234,146)	(2,473,696)
—Loans and advances to customers	(15,651)	(155,941)	(266,853)	(56,881)	(224,112)
—Accounts receivable	34,115	(3,631)	835,351	127	(7,328)
—Investment properties	—	(11,959)	(1,798)	—	—
—Property and equipment	—	(5,000)	(13,185)	—	—
—Other assets	(59,653)	(93,942)	(324,680)	(147,292)	(25,142)
Total	(495,711)	(536,452)	(4,600,951)	(952,766)	(3,475,938)

15. Profit before tax

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Profit before tax for the year/period has been arrived at after charging:					
Auditor's remuneration	(14,420)	(17,274)	(18,727)	—	(6,500)
Operating lease expenses	(165,506)	(208,508)	(235,523)	(96,276)	(123,068)
Depreciation of property and equipment	(228,417)	(242,872)	(229,825)	(122,342)	(123,299)
Depreciation of investment properties	(213,293)	(105,906)	(150,413)	(91,750)	(57,406)
Amortization	(57,825)	(79,826)	(68,873)	(30,534)	(30,190)

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

16. Income tax expense

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Current income tax:					
—PRC Enterprise Income Tax	(2,898,719)	(2,329,159)	(3,756,053)	(1,111,740)	(1,989,494)
—PRC Land Appreciation Tax ("LAT")	(222,619)	(180,575)	(115,561)	(52,405)	(56,785)
—Hong Kong Profits Tax	(1,374)	(37)	(41)	(17)	—
Over/(under)- provision in prior years:					
—PRC Enterprise Income Tax	4,344	4,467	33,217	31,778	107,648
—Hong Kong Profits Tax	(589)	311	—	—	—
Subtotal	(3,118,957)	(2,504,993)	(3,838,438)	(1,132,384)	(1,938,631)
Deferred income tax					
—Current year/period	665,187	233,120	1,459,711	230,694	818,203
Total	(2,453,770)	(2,271,873)	(2,378,727)	(901,690)	(1,120,428)

The statutory income tax rate applicable to PRC enterprise was 25% throughout the Relevant Periods. The Company's subsidiaries set up in Shenzhen in the PRC were subject to tax rates of 22%, 24%, 25% and 25%, respectively, for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013. A subsidiary of the Company set up in Lanzhou of the PRC was subject to tax rate of 15% for the year ended December 31, 2010. For the years ended December 31, 2011 and 2012 and the six months ended June 30, 2013, the subsidiary was taxed at 15% after special approval was granted by the tax bureau annually.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit throughout the Relevant Periods.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

16. Income tax expense—continued

Reconciliation of profit before tax to income tax expense is as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Profit before tax	9,956,355	9,058,192	9,595,863	3,883,166	5,137,444
Income tax calculated at the tax rate of 25%	(2,489,089)	(2,264,548)	(2,398,966)	(970,792)	(1,284,361)
Tax effect of expenses not deductible for tax purpose(1)	(65,635)	(61,297)	(75,404)	(36,833)	(63,893)
Tax effect of income not taxable for tax purpose(2)	162,824	408,500	417,278	202,527	270,130
Tax effect of share of results of associates	126,132	163,215	153,066	90,038	59,474
Effect of tax losses not recognized	(261,776)	(412,449)	(458,972)	(204,365)	(218,690)
Effect of utilization of tax losses not previously recognized	220,759	16,463	43,746	23,662	54,357
LAT	(222,619)	(180,575)	(115,561)	(52,405)	(56,785)
Tax effect of LAT	55,655	45,144	28,890	13,101	14,196
Over-provision in prior years(3)	3,755	4,778	33,217	31,778	107,648
Effect of different tax rates of subsidiaries	16,224	8,896	(6,021)	1,599	(2,504)
Income tax expense	(2,453,770)	(2,271,873)	(2,378,727)	(901,690)	(1,120,428)

(1) Expenses not deductible for tax purpose mainly include employee benefits and entertainment expenses in excess of the tax deduction limits according to PRC tax regulations.

(2) Income not taxable for tax purpose mainly include interest income on treasury bonds and dividend income.

(3) As detailed above, a subsidiary of the Company set up in Lanzhou of the PRC reversed the income tax previously provided after it obtained special approval from tax bureau on concessionary tax rate in 2012 and 2013 respectively.

17. Earnings per share

The calculation of basic earnings per share is as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Earnings:					
Profit attributable to equity holders of the Company	7,398,958	6,762,756	7,306,250	2,985,250	4,064,824
Number of shares:					
Weighted average number of shares in issue (in thousand)	23,365,970	25,155,097	28,859,113	27,702,340	30,140,024
Basic earnings per share (RMB yuan)	0.32	0.27	0.25	0.11	0.13

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

17. Earnings per share—continued

Paid-in capital of the Former Cinda was RMB10,137 million. After the Financial Restructuring as detailed in note II to section A, the MOF established the Company on June 29, 2010 by subscribing for 25,155 million promoters' shares at par value of RMB1 each.

Basic earnings per share for the year ended December 31, 2010 has been computed by dividing the net profits attributable to equity holders of the Company for the year ended December 31, 2010 by the weighted average number of shares determined after taking into account the effect of the revaluation of the Former Cinda's assets and capitalization of the Former Cinda's reserves as detailed in note II to section A and the paid-in capital of the Former Cinda amounting to RMB10,137 million prior to the financial restructuring.

There was no potential ordinary share outstanding during the Relevant Periods.

18. Dividends

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Dividends recognized as distribution during the year/period	—	1,711,960	1,806,410	1,806,410	1,613,059

(1) Distribution of final dividend for 2010

A cash dividend of RMB1,711.96 million in total for the year of 2010 was approved, after the required appropriations for the statutory surplus reserve and the general reserve on the net profit of the Company for the year of 2010 as determined under the PRC GAAP, at the annual general meeting held on August 26, 2011.

The above dividend had been recognized as distribution during the year ended December 31, 2011.

(2) Distribution of final dividend for 2011

A cash dividend of RMB1,806.41 million in total for the year of 2011 was approved, after the required appropriations for the statutory surplus reserve and the general reserve on the net profit of the Company for the year of 2011 as determined under the PRC GAAP, at the annual general meeting held on June 5, 2012.

The above dividend had been recognized as distribution during the year ended December 31, 2012 and the six months ended June 30, 2012.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

18. Dividends—continued

(3) Distribution of final dividend for 2012

A cash dividend of RMB1,613.06 million in total for the year of 2012 was approved, after the required appropriations for the statutory surplus reserve and the general reserve on the net profit of the Company for the year of 2012 as determined under the PRC GAAP, at the annual general meeting held on June 28, 2013.

The above dividend had been recognized as distribution during the six months ended June 30, 2013.

19. Emoluments of directors and supervisors

	Year ended December 31, 2010				
	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Bonuses	Total
Executive directors					
TIAN Guoli(1)	—	655	29	1,040	1,724
HOU Jianhang(2)	—	576	29	929	1,534
CHEN Weizhong(2)	—	565	29	898	1,492
XU Zhichao(3)	—	558	29	898	1,485
Non-executive directors					
WANG Shurong(4)	—	—	—	—	—
YIN Boqin(4)	—	—	—	—	—
XIAO Yuping(4)	—	—	—	—	—
LI Yanping(4)	—	—	—	—	—
LIU Xianghui(4)	—	—	—	—	—
Independent non-executive directors					
LI Xikui(5)	125	—	—	—	125
QIU Dong(5)	125	—	—	—	125
Supervisors					
ZANG Jingfan(6)	—	235	12	383	630
DONG Juan(7)	100	—	—	—	100
WU Deqiao(8)(9)	20	—	—	—	20
	370	2,589	128	4,148	7,235

(1) Tian Guoli was appointed as the Chairman of the Board of Directors in July 2010.
(2) Hou Jianhang and Chen Weizhong were appointed as executive directors in June 2010. Hou Jianhang was also the Chief Executive and his emoluments disclosed above include those for services rendered by him as the Chief Executive from June 2010 to the year end.
(3) Xu Zhichao was appointed as the executive director in June 2010.
(4) Wang Shurong, Yin Boqin, Xiao Yuping, Li Yanping and Liu Xianghui were appointed as non-executive directors in June 2010. These non-executive directors did not receive any fees from the Company.
(5) Li Xikui and Qiu Dong were appointed as independent non-executive directors in June 2010.
(6) Zang Jingfan was appointed as the Chairman of the Board of Supervisors in June 2010.
(7) Dong Juan was appointed as external supervisor in June 2010.
(8) Wu Deqiao was appointed as employee representative supervisor in June 2010.
(9) The amount only included fees for his services as supervisor.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

19. Emoluments of directors and supervisors—continued

	Year ended December 31, 2011				
	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Bonuses	Total
Executive directors					
TIAN Guoli(1)	—	—	—	—	—
HOU Jianhang(2)	—	659	53	1,073	1,785
ZANG Jingfan(3)	—	615	49	1,008	1,672
ZHUANG Enyue(4)	—	650	52	966	1,668
CHEN Weizhong(6)	—	—	—	—	—
XU Zhichao	—	623	52	975	1,650
Non-executive directors					
WANG Shurong(5)	—	—	—	—	—
YIN Boqin(5)	—	—	—	—	—
XIAO Yuping(5)	—	—	—	—	—
LI Yanping(5)	—	—	—	—	—
LIU Xianghui(5)	—	—	—	—	—
Independent non-executive directors					
LI Xikui	250	—	—	—	250
QIU Dong	250	—	—	—	250
Supervisors					
ZANG Jingfan(3)	—	—	—	—	—
CHEN Weizhong(6)	—	625	52	989	1,666
DONG Juan	200	—	—	—	200
WU Deqiao(7)	20	—	—	—	20
	720	3,172	258	5,011	9,161

(1) Tian Guoli ceased to be the Chairman of the Board of Directors in May 2011 and did not receive any emolument for his service as Chairman for the first half of year 2011.

(2) Hou Jianhang was appointed as the Chairman of the Board of Directors in May 2011. He was also the Chief Executive for the first half of year 2011 and his emoluments disclosed above include those for services rendered by him as the Chief Executive during this period.

(3) Zang Jingfan ceased to be the Chairman of the Board of Supervisors in May 2011 and was appointed as executive director in May 2011. His total emolument for the year is presented under his role as executive director. He was also the Chief Executive for the second half of year 2011 and his emoluments disclosed above include those for services rendered by him as the Chief Executive during this period.

(4) Zhuang Enyue was appointed as executive director in May 2011.

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

(6) Chen Weizhong ceased to be executive director and was appointed as the Chairman of the Board of Supervisors in May 2011. His total emolument for the year is presented under his role as the Chairman of the Board of Supervisors.

(7) The amount only included fees for his services as supervisor.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

19. Emoluments of directors and supervisors—continued

	Year ended December 31, 2012				
	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Bonuses	Total
Executive directors					
HOU Jianhang	—	693	57	1,203	1,953
ZANG Jingfan(1)	—	634	55	1,077	1,766
ZHUANG Enyue	—	620	54	1,031	1,705
XU Zhichao	—	623	54	1,037	1,714
Non-executive directors					
WANG Shurong(2)	—	—	—	—	—
YIN Boqin(2)	—	—	—	—	—
XIAO Yuping(2)	—	—	—	—	—
LI Yanping(2)	—	—	—	—	—
LIU Xianghui(2)	—	—	—	—	—
LU Shengliang(2)(3)	—	—	—	—	—
Independent non-executive directors					
LI Xikui	250	—	—	—	250
QIU Dong	250	—	—	—	250
YUEN Tin Fan Francis(4)	63	—	—	—	63
Supervisors					
CHEN Weizhong	—	628	55	1,056	1,739
DONG Juan	200	—	—	—	200
WANG Ting(5)	20	—	—	—	20
ZHANG Guoying(6)(7)	20	—	—	—	20
WU Deqiao(7)	20	—	—	—	20
	823	3,198	275	5,404	9,700

(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) These non-executive directors did not receive any fees from the Company.
(3) Lu Shengliang was appointed as non-executive director in June 2012.
(4) Yuen Tin Fan Francis was appointed as independent non-executive director in October 2012.
(5) Wang Ting was appointed as shareholder representative supervisor in May 2012.
(6) Zhang Guoying was appointed as employee representative supervisor in February 2012.
(7) The amounts only included fees for their services as supervisors.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

19. Emoluments of directors and supervisors—continued

	Six months ended June 30, 2012 (Unaudited)				
	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Bonuses	Total
Executive directors					
HOU Jianhang	—	336	28	217	581
ZANG Jingfan(1)	—	312	27	199	538
ZHUANG Enyue	—	307	27	192	526
XU Zhichao	—	307	27	192	526
Non-executive directors					
WANG Shurong(2)	—	—	—	—	—
YIN Boqin(2)	—	—	—	—	—
XIAO Yuping(2)	—	—	—	—	—
LI Yanping(2)	—	—	—	—	—
LIU Xianghui(2)	—	—	—	—	—
LU Shengliang(2) (3)	—	—	—	—	—
Independent Non-executive directors					
LI Xikui	120	—	—	—	120
QIU Dong	120	—	—	—	120
Supervisors					
CHEN Weizhong	—	310	27	197	534
DONG Juan	96	—	—	—	96
WANG Ting(4)	2	—	—	—	2
ZHANG Guoying(5)(6)	7	—	—	—	7
WU Deqiao(6)	10	—	—	—	10
Total	355	1,572	136	997	3,060

(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 period.
(2) These non-executive directors did not receive any fees from the Company.
(3) Lu Shengliang was appointed as non-executive director in June 2012.
(4) Wang Ting was appointed as shareholder representative supervisor in May 2012.
(5) Zhang Guoying was appointed as employee representative supervisor in February 2012.
(6) The amounts only included fees for their services as supervisors.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

19. Emoluments of directors and supervisors—continued

	Six months ended June 30, 2013				
	Fees	Salaries, allowances and benefits in kind	Employer's contribution to pension scheme	Bonuses	Total
Executive directors					
HOU Jianhang	—	319	32	211	562
ZANG Jingfan(1)	—	290	30	199	519
ZHUANG Enyue(10)	—	283	31	192	506
XU Zhichao	—	284	31	192	507
Non-executive directors					
WANG Shurong(2)	—	—	—	—	—
YIN Boqin(2)	—	—	—	—	—
XIAO Yuping(2)	—	—	—	—	—
LI Yanping(2)(11)	—	—	—	—	—
LIU Xianghui(3)	—	—	—	—	—
LU Shengliang(2)	—	—	—	—	—
YUAN Hong(2)(4)	—	—	—	—	—
Independent Non-executive directors					
LI Xikui	120	—	—	—	120
QIU Dong	120	—	—	—	120
YUEN Tin Fan Francis(12)	120	—	—	—	120
CHANG Tso Tung Stephen(5)	—	—	—	—	—
XU Dingbo(5)	—	—	—	—	—
Supervisors					
CHEN Weizhong	—	288	31	197	516
DONG Juan	96	—	—	—	96
ZHANG Guoying(6)(9)	10	—	—	—	10
WU Deqiao(6)(9)	10	—	—	—	10
WANG Ting(7)	10	—	—	—	10
LIU Xianghui(3)	—	—	—	—	—
LIN Jian(8)	—	—	—	—	—
WEI Jianhui(8)	—	—	—	—	—
Total	486	1,464	155	991	3,096

(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 period.
(2) These non-executive directors did not receive any fees from the Company.
(3) Liu Xianghui ceased to be non-executive director in June 2013 and was appointed as external supervisor in June 2013.
(4) Yuan Hong was appointed as non-executive director in June 2013.
(5) Chang Tso Tung Stephen and Xu Dingbo were appointed as independent non-executive directors in June 2013.
(6) Zhang Guoying and Wu Deqiao ceased to be employee representative supervisors in June 2013.
(7) Wang Ting ceased to be shareholder representative supervisor in June 2013.
(8) Lin Jian and Wei Jianhui were appointed as employee representative supervisors in June 2013.
(9) The amounts only included fees for their services as supervisors.
(10) Zhuang Enyue ceased to be executive director in June 2013.
(11) Li Yanping ceased to be non-executive director in June 2013.
(12) Yuen Tin Fan Francis ceased to be independent non-executive director in June 2013.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

19. Emoluments of directors and supervisors—continued

During the Relevant Periods, no emolument was paid by the Group to any of the directors, supervisors or the five highest paid individuals as set out in note VI.20 to section A 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 Relevant Periods. Bonus was determined based on the performance of individuals by the Group on a discretionary basis.

20. Five highest paid individuals

(1) The emoluments of the five individuals whose emoluments were the highest in the Group for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013 were as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Salaries, allowances and benefits in kind	4,764	3,501	2,457	4,142	1,957
Employer's contribution to pension scheme	143	150	164	80	84
Bonuses	16,639	16,995	19,408	126	2,335
Total	21,546	20,646	22,029	4,348	4,376

Among the five individuals with the highest emoluments in the Group, none of them was director.

(2) The number of these five individuals whose emoluments within the following bands is as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
HKD1,000,001 to HKD1,500,000	—	—	—	5	5
HKD3,500,001 to HKD4,000,000	1	—	—	—	—
HKD4,000,001 to HKD4,500,000	2	1	1	—	—
HKD4,500,001 to HKD5,000,000	1	1	1	—	—
HKD5,000,001 to HKD5,500,000	—	2	2	—	—
HKD5,500,001 to HKD6,000,000	—	1	—	—	—
HKD6,000,001 to HKD6,500,000	—	—	—	—	—
HKD6,500,001 to HKD7,000,000	—	—	—	—	—
HKD7,000,001 to HKD7,500,000	—	—	1	—	—
HKD7,500,001 to HKD8,000,000	1	—	—	—	—
	5	5	5	5	5

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

21. Cash and bank balances

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Cash	3,783	4,064	3,982	3,967
Bank balances				
—House accounts	22,146,651	20,447,718	38,303,096	25,320,323
—Cash held on behalf of clients	11,622,213	6,735,408	4,419,210	4,406,567
	33,772,647	27,187,190	42,726,288	29,730,857
Including:				
Restricted bank balances	14,344,656	12,623,819	13,783,176	11,438,209
—including pledged bank deposits	—	962,989	1,200,000	723,948

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Cash	673	908	675	797
Bank balances				
—House accounts	13,395,764	9,892,788	18,499,654	11,949,205
	13,396,437	9,893,696	18,500,329	11,950,002

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

22. Clearing settlement funds

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Clearing settlement funds				
held with clearing houses for:				
—House accounts	152,925	86,165	100,591	122,659
—Clients	1,028,708	977,780	1,216,019	1,691,552
held with commodity and futures exchanges for:				
—Clients	233,836	222,372	209,234	245,378
	1,415,469	1,286,317	1,525,844	2,059,589
Including:				
Restricted clearing settlement funds	1,262,544	1,200,152	1,425,253	1,936,930

As at December 31, 2010, 2011 and 2012 and June 30, 2013, the Group's clearing settlement funds were interest bearing at prevailing market interest rates and mainly deposited in the China Securities Depository and Clearing Corporation Limited.

The Company had no balance in clearing settlement funds at the end of each reporting period.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

23. Deposits with exchanges and a financial institution

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Shanghai Stock Exchange	3,875	4,325	4,914	13,676
Shenzhen Stock Exchange	166,535	132,800	108,830	13,968
Hong Kong Stock Exchange	446	385	445	1,710
Shanghai Futures Exchange	35,101	232,876	160,424	131,394
China Financial Futures Exchange	309,033	99,464	293,819	320,093
Hong Kong Futures Exchange	3,482	2,729	3,023	2,962
Dalian Commodity Exchange	207,098	187,728	266,381	166,921
Zhengzhou Commodity Exchange	151,514	118,572	69,390	37,378
China Securities Finance Corporation Limited	—	—	—	8,000
Total	877,084	778,879	907,226	696,102

The Company had no deposits with exchanges or financial institutions at the end of each reporting period.

24. Placements with banks and a financial institution

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Placements with banks	—	—	2,000,000	—

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Placements with banks	—	—	2,000,000	—
Placement with a financial institution, a subsidiary	—	—	—	300,000
	—	—	2,000,000	300,000

The placements with banks and a financial institution as at December 31, 2012 and June 30, 2013 were repayable within one month after the end of the reporting period.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

25. Financial assets at fair value through profit or loss

Group

	Notes	As at December 31, 2010	As at December 31, 2011	As at December 31, 2012	As at June 30, 2013
Held-for-trading financial assets					
Debt securities					
—Public sector and quasi-government bonds		583,254	800,808	760,153	1,168,027
—Government bonds		—	200,005	—	—
—Financial institution bonds		100,000	52,147	25,793	—
—Corporate bonds		328,258	2,152,364	3,368,856	2,344,367
		1,011,512	3,205,324	4,154,802	3,512,394
Equity instruments listed or traded on exchanges		685,786	333,101	813,105	813,458
Mutual funds		886,328	752,806	1,380,055	1,875,097
Derivatives		—	—	19,468	24,509
Subtotal		2,583,626	4,291,231	6,367,430	6,225,458
Financial assets designated as at fair value through profit or loss					
Distressed debt assets		7,293,692	7,415,411	7,960,200	8,371,611
Financial institution convertible bonds		69,669	1,168,181	946,017	665,218
Corporate convertible bonds		150,274	59,959	72,752	38,103
Wealth management products		4,667	197,044	1,246,869	1,037,035
Unlisted equity instruments		—	270,239	329,705	352,394
Subtotal		7,518,302	9,110,834	10,555,543	10,464,361
Total		10,101,928	13,402,065	16,922,973	16,689,819
Analyzed as:					
Listed in Hong Kong		210,018	167,602	295,372	185,770
Listed outside Hong Kong	(1)	2,415,740	5,096,360	6,943,810	5,806,084
Unlisted		7,476,170	8,138,103	9,683,791	10,697,965
Total		10,101,928	13,402,065	16,922,973	16,689,819
Including:					
Debt securities analyzed as:					
Listed in Hong Kong		—	52,147	57,614	27,775
Listed outside Hong Kong	(1)	1,011,512	3,153,177	4,097,188	3,484,619
Total		1,011,512	3,205,324	4,154,802	3,512,394
Held-for-trading equity instruments analyzed as:					
Listed in Hong Kong		210,018	115,455	237,758	157,995
Listed outside Hong Kong		475,768	217,646	575,347	655,463
Total		685,786	333,101	813,105	813,458

(1) Debt securities listed outside Hong Kong included those traded in interbank market in China.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

25. Financial assets at fair value through profit or loss—continued

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Held-for-trading financial assets				
Derivatives	—	—	19,468	24,509
Financial assets designated as at fair value through profit or loss				
Distressed debt assets	8,029,922	7,918,457	8,022,197	8,468,887
Equity instruments	—	—	138,564	15,353
Investment fund[1]	—	—	600,000	591,887
Total	8,029,922	7,918,457	8,780,229	9,100,636
Analyzed as:				
Unlisted	8,029,922	7,918,457	8,780,229	9,100,636

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

26. Financial assets held under resale agreements

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
By collateral type:				
Bonds	369,309	560,535	49,701	908,496
Equity instruments	—	—	7,531	99,608
Total	369,309	560,535	57,232	1,008,104

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
By collateral type:				
Bonds	—	—	—	200,000

According to the resale agreements, the Company and the Group can resell or repledge certain financial assets that it received as collateral in the absence of default by their owners. As at December 31, 2010, 2011 and 2012 and June 30, 2013, the Group had received securities with a fair value of approximately RMB360.08 million, RMB558.08 million, RMB74.13 million and RMB1,115.58 million respectively that the Group can resell or repledge. Of these, securities with a fair value of approximately RMB349.21 million, RMB157.53 million, RMB nil and RMB nil had been repledged under repurchase agreements as at December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The Group has an obligation to return the securities to its counterparties.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

26. Financial assets held under resale agreements—continued

As at June 30, 2013, the Company had received securities with a fair value of approximately RMB197.33 million that the Company can resell or repledge. None of these was resold or repledged as at June 30, 2013 by the Company. The Company has an obligation to return the securities to its counterparties.

27. Available-for-sale financial assets

Group

	Notes	As at December 31, 2010	As at December 31, 2011	As at December 31, 2012	As at June 30, 2013
Debt securities					
—Public sector and quasi-government bonds		3,121,442	4,025,901	3,229,605	3,774,753
—Financial institution bonds		911,158	1,708,865	1,997,819	1,802,088
—Corporate bonds		2,184,485	3,790,439	2,770,740	4,469,787
Subtotal		6,217,085	9,525,205	7,998,164	10,046,628
Equity instruments		53,259,502	51,550,085	50,441,494	46,085,719
Funds		1,357,105	2,162,098	3,705,067	3,505,567
Trust products		415,078	258,191	158,004	290,886
Wealth management products		437,000	8,001	980,000	1,648,079
Rights to trust assets		470,000	700,000	1,073,250	1,073,250
Others	(1)	—	178,726	20,586	22,958
Total		62,155,770	64,382,306	64,376,565	62,673,087
Analyzed as:					
Listed in Hong Kong		171,846	250,429	214,445	146,973
Listed outside Hong Kong	(2)	20,743,132	22,193,359	20,816,414	18,882,986
Unlisted	(3)	41,240,792	41,938,518	43,345,706	43,643,128
Total		62,155,770	64,382,306	64,376,565	62,673,087
Including:					
Debt securities analyzed as:					
Listed outside Hong Kong		6,217,085	9,525,205	7,998,164	10,046,628
Equity instruments analyzed as:					
Listed in Hong Kong		171,846	250,429	214,445	146,973
Listed outside Hong Kong		13,461,357	11,260,906	11,098,404	8,131,581
Unlisted		39,626,299	40,038,750	39,128,645	37,807,165
Total		53,259,502	51,550,085	50,441,494	46,085,719
Including:					
Debt securities pledged for borrowings		128,949	128,949	334,776	128,949

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

27. Available-for-sale financial assets—continued

Company

	Notes	As at December 31, 2010	As at December 31, 2011	As at December 31, 2012	As at June 30, 2013
Equity instruments		49,546,421	48,287,080	46,985,078	42,620,151
Funds		—	460,000	924,860	1,112,000
Trust products		—	100,000	—	—
Others	(1)	—	160,000	—	—
Total		49,546,421	49,007,080	47,909,938	43,732,151
Analyzed as:					
Listed outside Hong Kong	(2)	10,764,805	9,303,557	9,152,044	6,493,493
Unlisted	(3)	38,781,616	39,703,523	38,757,894	37,238,658
Total		49,546,421	49,007,080	47,909,938	43,732,151
Including:					
Equity instruments analyzed as:					
Listed outside Hong Kong		10,764,805	9,303,557	9,152,044	6,493,493
Unlisted		38,781,616	38,983,523	37,833,034	36,126,658
Total		49,546,421	48,287,080	46,985,078	42,620,151

The Company had no available-for-sale financial assets pledged as securities for borrowings at the end of each reporting period.

(1) Included in the balance as at December 31, 2011 is a right held by the Group and the Company to receive from third parties amounts of sales proceeds from the disposal of assets owned by the third parties. The right was valued at the amount of RMB160 million. The Group and the Company received full payment in 2012.

(2) Debt securities listed outside Hong Kong included those traded in interbank market in China.

(3) Included in the balances are amounts of equity instruments, funds and other financial assets of RMB39,666.94 million, RMB40,511.78 million, RMB40,225.81 million and RMB39,444.27 million of the Group and RMB38,781.62 million, RMB39,443.52 million, RMB38,757.90 million and RMB37,238.66 million of the Company as at December 31, 2010, 2011 and 2012 and June 30, 2013, respectively, that were measured at cost because their fair values cannot be reliably measured.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

28. Financial assets classified as receivables

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Distressed debt assets				
—Loans acquired from financial institutions	—	3,099,337	19,294,465	29,683,765
—Accounts receivable acquired from non-financial institutions	—	6,601,794	30,256,028	50,402,607
	—	9,701,131	49,550,493	80,086,372
Less: Allowance for impairment losses				
—Individually assessed	—	(20,000)	(179,974)	(171,381)
—Collectively assessed	—	—	(1,302,331)	(2,026,802)
	—	(20,000)	(1,482,305)	(2,198,183)
Subtotal	—	9,681,131	48,068,188	77,888,189
Debt securities				
—Trust products	—	2,176,000	2,637,000	2,262,000
—Certificate treasury bonds	—	292,700	292,700	142,700
—Others	—	—	215,119	150,000
	—	2,468,700	3,144,819	2,554,700
Less: Allowance for impairment losses				
—Individually assessed	—	—	(17,887)	(13,169)
Subtotal	—	2,468,700	3,126,932	2,541,531
Total	—	12,149,831	51,195,120	80,429,720

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Distressed debt assets				
—Loans acquired from financial institutions	—	3,099,337	19,294,465	29,683,765
—Accounts receivable acquired from non-financial institutions	—	6,601,794	30,256,028	50,402,607
	—	9,701,131	49,550,493	80,086,372
Less: Allowance for impairment losses				
—Individually assessed	—	(20,000)	(179,974)	(171,381)
—Collectively assessed	—	—	(1,302,331)	(2,026,802)
	—	(20,000)	(1,482,305)	(2,198,183)
Total	—	9,681,131	48,068,188	77,888,189

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

28. Financial assets classified as receivables—continued

Movements of allowance for impairment losses during the Relevant Periods are:

Group and Company

	2010 and 2011		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1 and December 31, 2010 and January 1, 2011	—	—	—
Impairment losses recognized	20,000	—	20,000
As at December 31, 2011	20,000	—	20,000

Group

	2012		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	20,000	—	20,000
Impairment losses recognized	187,295	1,302,331	1,489,626
Unwinding of discount on allowance	(9,434)	—	(9,434)
As at December 31	197,861	1,302,331	1,500,192

	2013		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	197,861	1,302,331	1,500,192
Impairment losses recognized	52,593	891,659	944,252
Impairment losses reversed	(31,404)	(167,188)	(198,592)
Unwinding of discount on allowance	(34,500)	—	(34,500)
As at June 30	184,550	2,026,802	2,211,352

Company

	2012		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	20,000	—	20,000
Impairment losses recognized	169,408	1,302,331	1,471,739
Unwinding of discount on allowance	(9,434)	—	(9,434)
As at December 31	179,974	1,302,331	1,482,305

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

28. Financial assets classified as receivables—continued

Movements of allowance for impairment losses during the Relevant Periods are:—continued

Company—continued

	2013		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	179,974	1,302,331	1,482,305
Impairment losses recognized	52,593	891,659	944,252
Impairment losses reversed	(31,404)	(167,188)	(198,592)
Unwinding of discount on allowance	(29,782)	—	(29,782)
As at June 30	171,381	2,026,802	2,198,183

29. Loans and advances to customers

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Loans to customers				
—Unsecured loans	186,912	191,108	288,103	192,134
—Loans secured by properties	332,019	577,470	3,109,294	3,815,311
—Other secured loans	110,000	—	461,715	497,511
Loans to margin clients	—	—	447,662	1,826,394
Finance lease receivables	1,565,136	8,440,933	18,003,442	21,921,639
Entrusted loans	330,020	409,972	3,169,747	4,386,652
Subtotal	2,524,087	9,619,483	25,479,963	32,639,641
Less: Allowance for impairment losses				
—Individually assessed	—	—	(83,974)	(233,942)
—Collectively assessed	(15,651)	(171,592)	(354,471)	(428,615)
Subtotal	(15,651)	(171,592)	(438,445)	(662,557)
Total	2,508,436	9,447,891	25,041,518	31,977,084

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

29. Loans and advances to customers—continued

Group—continued

Finance lease receivables are analyzed as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Minimum finance lease receivables:				
Within 1 year (inclusive)	479,334	3,023,707	6,623,994	8,568,053
1 year to 5 years (inclusive)	1,316,606	6,586,923	13,554,153	15,928,628
Over 5 years	—	183,952	598,272	608,311
Gross investment in finance leases	1,795,940	9,794,582	20,776,419	25,104,992
Less: Unearned finance income	(230,804)	(1,353,649)	(2,772,977)	(3,183,353)
Net investment in finance leases	1,565,136	8,440,933	18,003,442	21,921,639
Present value of minimum lease receivables:				
Within 1 year (inclusive)	389,268	1,817,252	5,502,529	7,195,968
1 year to 5 years (inclusive)	1,175,868	6,501,299	12,017,830	14,199,175
Over 5 years	—	122,382	483,083	526,496
Total	1,565,136	8,440,933	18,003,442	21,921,639
Including:				
Finance lease receivables pledged for borrowings	—	—	401,635	1,536,866

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

29. Loans and advances to customers—continued

Group—continued

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

	2010		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	—	—	—
Impairment losses recognized	—	15,651	15,651
As at December 31	—	15,651	15,651

	2011		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	—	15,651	15,651
Impairment losses recognized	—	155,941	155,941
As at December 31	—	171,592	171,592

	2012		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	—	171,592	171,592
Impairment losses recognized	83,974	182,879	266,853
As at December 31	83,974	354,471	438,445

	2013		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	83,974	354,471	438,445
Impairment losses recognized	149,968	74,144	224,112
As at June 30	233,942	428,615	662,557

The Company had no loans and advances to customers at the end of each reporting period.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

30. Accounts receivable

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Accounts receivable relating to distressed assets(1)	6,461,990	4,163,634	4,197,492	6,788,984
Insurance premium and reinsurance refund receivables	110,644	218,549	384,449	1,491,329
Due from brokerage clients and securities companies	172,840	165,778	301,311	117,599
Accounts receivable from sales of properties	615,417	232,088	230,659	299,931
Commission and fee receivable	19,343	26,190	35,235	69,998
Others	199,606	210,286	226,697	254,261
Subtotal	7,579,840	5,016,525	5,375,843	9,022,102
Less: Allowance for impairment loss	(1,161,650)	(954,022)	(118,550)	(125,852)
Total	6,418,190	4,062,503	5,257,293	8,896,250

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Accounts receivable relating to distressed assets(1)	6,461,990	4,163,634	4,197,492	6,788,984
Others	169,370	164,939	165,677	166,426
Subtotal	6,631,360	4,328,573	4,363,169	6,955,410
Less: Allowance for impairment loss	(1,119,455)	(920,130)	(80,111)	(80,111)
Total	5,511,905	3,408,443	4,283,058	6,875,299

(1) The balances include two material items that account for the majority portion of the balances. Both of them are aged over 3 years. The first item is due from China Orient Asset Management Corporation as consideration receivable from disposal of a distressed asset portfolio prior to 2010. In accordance with the repayment agreement, the outstanding balance of the accounts receivable bears interest at 2.25% per annum from December 2009 onwards. The balance will be settled no later than December 31, 2014. The carrying amounts of the outstanding balances as at December 31, 2010, 2011 and 2012 and June 30, 2013 were RMB5,150.54 million, RMB3,099.74 million, RMB1,752.77 million and RMB1,535.38 million, respectively.

Another item represents outstanding amount of RMB840.00 million due from China Galaxy Investment Management Co., Ltd. ("Galaxy") that the Group made full provision prior to January 1, 2012 but has reversed to the amount based on its discounted cash flows with reference to the new repayment plan during the year ended December 31, 2012. In 2012, the Company entered into a restructuring agreement with Galaxy where the original debt was extinguished and a new repayment plan was agreed. Galaxy repaid RMB200.00 million in 2012 and RMB160.00 million at the end of June 2013 with the remaining balance to be settled over the next one and half year payable semiannually with equal amount and non-interest bearing. The carrying amount of the outstanding balances as at December 31, 2012 and June 30, 2013 were approximately RMB539.78 million and RMB418.27 million respectively.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

30. Accounts receivable—continued

Ageing analysis of:

Accounts receivable relating to distressed assets

Group and Company

	As at December 31,												As at June 30,			
	2010				2011				2012				2013			
	Gross amount before impairment	%	Impairment	Carrying amount	Gross amount before impairment	%	Impairment	Carrying amount	Gross amount before impairment	%	Impairment	Carrying amount	Gross amount before impairment	%	Impairment	Carrying amount
Within 1 year (inclusive)	—	—	—	—	90,000	2	—	90,000	1,771,068	42	—	1,771,068	4,684,800	69	—	4,684,800
1 year to 2 years (inclusive)	—	—	—	—	—	—	—	—	—	—	—	—	16,670	—	—	16,670
2 years to 3 years (inclusive)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Over 3 years	6,461,990	100	(1,119,455)	5,342,535	4,073,634	98	(920,130)	3,153,504	2,426,424	58	(80,111)	2,346,313	2,087,514	31	(80,111)	2,007,403
Total	6,461,990	100	(1,119,455)	5,342,535	4,163,634	100	(920,130)	3,243,504	4,197,492	100	(80,111)	4,117,381	6,788,984	100	(80,111)	6,708,873

Accounts receivable from sales of properties

Group

	As at December 31,												As at June 30,			
	2010				2011				2012				2013			
	Gross amount before impairment	%	Impairment	Carrying amount	Gross amount before impairment	%	Impairment	Carrying amount	Gross amount before impairment	%	Impairment	Carrying amount	Gross amount before impairment	%	Impairment	Carrying amount
Within 1 year (inclusive)	500,479	81	—	500,479	192,049	83	(1,198)	190,851	192,093	83	(36)	192,057	270,180	90	(76)	270,104
1 year to 2 years (inclusive)	63,177	10	(2,896)	60,281	11,065	5	(345)	10,720	13,568	6	(77)	13,491	3,433	1	(43)	3,390
2 years to 3 years (inclusive)	20,786	3	(3,420)	17,366	16,826	7	(2,525)	14,301	1,361	1	(311)	1,050	1,608	1	(191)	1,417
Over 3 years	30,975	6	(14,704)	16,271	12,148	5	(5,268)	6,880	23,637	10	(10,233)	13,404	24,710	8	(10,339)	14,371
Total	615,417	100	(21,020)	594,397	232,088	100	(9,336)	222,752	230,659	100	(10,657)	220,002	299,931	100	(10,649)	289,282

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

30. Accounts receivable—continued

No ageing analysis is disclosed on items such as insurance premium and reinsurance refund receivables and due from brokerage clients and securities companies as they are all current. Other items are considered insignificant. In the opinion of the directors of the Company, ageing analysis on these items does not give additional value to the readers of this report in view of the nature of these items.

Movements of allowance for impairment loss during the Relevant Periods are:

Group

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
At beginning of the year/period	1,339,844	1,161,650	954,022	118,550
Impairment losses recognized	3,755	6,966	5,433	7,479
Impairment losses reversed	(37,870)	(3,335)	(840,784)	(151)
Amounts written off as uncollectible	(144,079)	(211,259)	(121)	(26)
At end of the year/period	1,161,650	954,022	118,550	125,852

Company

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
At beginning of the year/period	1,119,455	1,119,455	920,130	80,111
Impairment losses reversed	—	—	(840,019)	—
Amounts written off as uncollectible	—	(199,325)	—	—
At end of the year/period	1,119,455	920,130	80,111	80,111

31. Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured and repayable on demand. The Company expected to recover the amounts due from subsidiaries within one year from the end of each reporting period.

32. Held-to-maturity investments

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Debt securities				
—Public sector and quasi-government bonds	2,829,628	4,319,705	4,460,953	4,534,874
—Financial institution bonds	621,683	1,400,219	2,341,963	2,362,285
—Corporate bonds	324,323	541,990	540,358	739,771
Total	3,775,634	6,261,914	7,343,274	7,636,930

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

32. Held-to-maturity investments—continued

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Debt securities				
—Financial institution bonds	210,000	210,000	210,000	210,000

All held-to-maturity investments held by the Group and the Company are traded in interbank market in China which are classified as listed outside Hong Kong. The fair values are disclosed in note VI. 69.1 to section A that are derived from quoted market prices.

33. Properties held for sale

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Completed properties	1,244,556	1,085,341	1,717,363	2,173,277
Properties under development	10,249,313	11,971,539	12,060,419	12,436,225
Others	43,372	34,898	37,585	29,204
Total	11,537,241	13,091,778	13,815,367	14,638,706
Including:				
Pledged for borrowings	1,602,055	5,253,085	5,221,046	4,087,401

As at December 31, 2010, 2011 and 2012 and June 30, 2013, included in the properties held for sale are amounts of RMB10,646.21 million, RMB11,036.31 million, RMB12,645.79 million and RMB12,086.55 million which represent the carrying value 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 each reporting period.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

34. Investment properties

Group

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Cost				
At beginning of the year/period	3,000,591	2,920,589	2,982,298	2,878,445
Additions during the year/period	123,464	209,725	53,482	342
Acquisition of subsidiaries	18,478	—	—	—
Transfer-in/(out)	385,915	(1,524)	188,492	(2,642)
Disposals	(414,208)	(146,492)	(334,169)	(148,508)
Disposal of subsidiaries	—	—	(11,658)	—
Eliminated on revaluation	(252,675)	—	—	—
Revaluation surplus[1]	59,024	—	—	—
At end of the year/period	2,920,589	2,982,298	2,878,445	2,727,637
Accumulated depreciation				
At beginning of the year/period	(438,975)	(538,614)	(618,497)	(752,572)
Charge for the year/period	(213,293)	(105,906)	(150,413)	(57,406)
Transfer-in	11,635	9,462	4,478	7,927
Disposals	21,553	16,561	10,014	27,240
Disposal of subsidiaries	—	—	1,846	—
Eliminated on revaluation	80,466	—	—	—
At end of the year/period	(538,614)	(618,497)	(752,572)	(774,811)
Allowance for impairment losses				
At beginning of the year/period	(282,490)	(17,658)	(24,381)	(26,179)
Impairment losses recognized	—	(11,959)	(1,798)	—
Disposals	92,623	5,236	—	7,819
Eliminated on revaluation	172,209	—	—	—
At end of the year/period	(17,658)	(24,381)	(26,179)	(18,360)
Net book value				
At beginning of the year/period	2,279,126	2,364,317	2,339,420	2,099,694
At end of the year/period	2,364,317	2,339,420	2,099,694	1,934,466
Net book value of investment properties pledged for borrowings	1,395,669	732,986	734,043	1,802,421

(1) As part of the Financial Restructuring in 2010 (see note II to section A for details), assets including investment properties were revalued.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

34. 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,			As at June 30,
	2010	2011	2012	2013
Held In Hong Kong:				
—on medium-term lease (10-50 years)	307,175	292,663	292,717	287,555
Held Outside Hong Kong:				
—on long-term lease (over 50 years)	882,072	916,755	834,280	682,806
—on medium-term lease (10-50 years)	1,146,082	1,103,734	968,315	959,827
—on short-term lease (less than 10 years)	28,988	26,268	4,382	4,278
Subtotal	2,057,142	2,046,757	1,806,977	1,646,911
Total	2,364,317	2,339,420	2,099,694	1,934,466

As at December 31, 2010, 2011 and 2012 and June 30, 2013, the Group's investment properties which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB1,352.88 million, RMB1,330.38 million, RMB247.49 million and RMB104.78 million, respectively.

Company

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Cost				
At beginning of the year/period	—	429,667	429,667	429,667
Transfer-in	429,667	—	—	—
At end of the year/period	429,667	429,667	429,667	429,667
Accumulated depreciation				
At beginning of the year/period	—	(7,871)	(23,613)	(39,355)
Charge for the year/period	(7,871)	(15,742)	(15,742)	(7,871)
At end of the year/period	(7,871)	(23,613)	(39,355)	(47,226)
Net book value				
At beginning of the year/period	—	421,796	406,054	390,312
At end of the year/period	421,796	406,054	390,312	382,441

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

34. 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,			As at June 30,
	2010	2011	2012	2013
Held outside Hong Kong:				
—on medium-term lease (10-50 years)	421,796	406,054	390,312	382,441

The directors of the Company are of the opinion that the fair value of the investment properties of the Group and of the Company are not significantly different from their net book value as at the end of each reporting period.

35. Interests in subsidiaries

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Carrying amount	15,647,442	17,673,588	20,823,220	21,557,914
Allowance for impairment losses	—	—	—	—
Net carrying amount	15,647,442	17,673,588	20,823,220	21,557,914

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

35. Interests in subsidiaries—continued

Company—continued

Details of the Company's principal subsidiaries are as follows:

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at June 30, 2013	Proportion of ownership held by the Group				Proportion of voting rights held by the Group				Principal activities	Statutory auditor[16][III]
			(In '000)	As at December 31,			As at June 30,	As at December 31,			As at June 30,		
				2010	2011	2012	2013	2010	2011	2012	2013		
				%	%	%	%	%	%	%	%		
CINDA Securities Co., Ltd.*[1]	Beijing, PRC	September 4, 2007	RMB2,568,700	99.27	99.33	99.33	99.33	99.27	99.33	99.33	99.33	Securities brokerage	DTT, PRC[17]
Well Kent International Investment Co., Ltd.* .	Hong Kong, PRC	December 16, 1998	HK$1,400,000	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Investment holding	DTT, Hong Kong
Happy Life Insurance Co., Ltd.*[2]	Beijing, PRC	November 5, 2007	RMB3,330,376	51.77	53.32	53.32	61.59	51.77	53.32	53.32	61.59	Life insurance	DTT, PRC[18]
CINDA Investment Co., Ltd.*	Beijing, PRC	August 1, 2000	RMB2,000,000	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Industry investment	DTT, PRC[17]
Zhongrun Economic Development Co., Ltd.* .	Beijing, PRC	April 2, 1996	RMB30,000	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Investment management	DTT, PRC[19]
First State CINDA Fund Management Co., Ltd.*	Shenzhen, PRC	June 5, 2006	RMB100,000	54.00	54.00	54.00	54.00	54.00	54.00	54.00	54.00	Fund management	DTT, PRC[20]
China Jingu International Trust Co., Ltd.* .	Beijing, PRC	September 15, 2004	RMB1,200,000	92.29	92.29	92.29	92.29	92.29	92.29	92.29	92.29	Trust	DTT, PRC

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

35. Interests in subsidiaries—continued

Company—continued

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at June 30, 2013	Proportion of ownership held by the Group				Proportion of voting rights held by the Group				Principal activities	Statutory auditor[16][III]
			(In '000)	As at December 31,			As at June 30,	As at December 31,			As at June 30,		
				2010	2011	2012	2013	2010	2011	2012	2013		
				%	%	%	%	%	%	%	%		
CINDA Property and Casualty Insurance Co., Ltd.*[3]	Beijing, PRC	August 31, 2009	RMB3,000,000	51.00	51.00	51.00	51.00	51.00	51.00	51.00	51.00	Property and casualty insurance	DTT, PRC[18]
CINDA Financial Leasing Co., Ltd.*[4]	Lanzhou, PRC	January 6, 2010	RMB2,001,489	98.80	98.80	99.36	99.56	98.80	98.80	99.36	99.56	Financial leasing	DTT, PRC
Well Kent International Group Co., Ltd. . .	Hong Kong, PRC	May 27, 1993	HK$1,000	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Investment holding	DTT, Hong Kong
CINDA Real Estate Co., Ltd.[I]	Beijing, PRC	December 23, 2008	RMB1,524,260	58.56	58.56	58.53	58.53	58.56	58.56	58.53	58.53	Real estate development	RSM China CPAs, PRC
Hainan Jianxin Investment Management Co., Ltd. . .	Haikou, PRC	October 10, 2010	RMB112,500	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Investment holding	DTT, PRC[17]
Sanya Horizon Industry Co., Ltd. . .	Sanya, PRC	December 19, 1992	RMB60,000	51.00	51.00	51.00	51.00	51.00	51.00	51.00	51.00	Real estate development	Hainan Yongxin Dewei CPAs, PRC
Shanghai Tongda Venture Capital Co., Ltd.[5][I]	Shanghai, PRC	July 27, 1991	RMB107,034	40.68	40.68	40.68	41.02	40.68	40.68	40.68	41.02	Real estate development	Crowe Horwath China CPAs, PRC

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

35. Interests in subsidiaries—continued

Company—continued

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at June 30, 2013	Proportion of ownership held by the Group				Proportion of voting rights held by the Group				Principal activities	Statutory auditor[16][III]
			(In '000)	As at December 31,			As at June 30,	As at December 31,			As at June 30,		
				2010	2011	2012	2013	2010	2011	2012	2013		
				%	%	%	%	%	%	%	%		
Shenzhen Jianxin Investment Development Co., Ltd. . .	Shenzhen, PRC	April 21, 1993	RMB40,000	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Investment holding	DTT, PRC[17]
Hebei CINDA Jinjian Investment Co., Ltd. . .	Langfang, PRC	November 24, 1998	RMB76,000	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Real estate development	DTT, PRC[17]
Jilin CINDA Jindu Industries Co., Ltd. . .	Changchun, PRC	March 18, 2008	RMB60,000	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Real estate development	DTT, PRC[17]
Dalian Jinyuan Hotel Co., Ltd.[6]	Dalian, PRC	August 5, 1992	RMB149,807	100.00	100.00	—	—	100.00	100.00	—	—	Hotel management	RSM China CPAs, PRC
Yantai Jingdu Property Management Co., Ltd. . .	Yantai, PRC	April 28, 2004	RMB1,000	71.71	71.71	71.71	71.71	80.00	80.00	80.00	80.00	Property management	DTT, PRC[17]
CINDA (China) Investment Co., Ltd. . .	Hong Kong, PRC	March 24, 1994	HK$10	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Investment holding	DTT, Hong Kong
China CINDA Fund Management Co., Ltd. . .	Hong Kong, PRC	June 23, 1999	HK$0.002	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Fund management	DTT, Hong Kong

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

35. Interests in subsidiaries—continued

Company—continued

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at June 30, 2013	Proportion of ownership held by the Group				Proportion of voting rights held by the Group				Principal activities	Statutory auditor[16][III]
			(In '000)	As at December 31,			As at June 30,	As at December 31,			As at June 30,		
				2010	2011	2012	2013	2010	2011	2012	2013		
				%	%	%	%	%	%	%	%		
China CINDA (HK) Investment Management Co., Ltd. . .	Hong Kong, PRC	November 22, 2006	HK$0.001	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Investment holding	DTT, Hong Kong
Sinoday Limited[II] .	The British Virgin Islands	July 3, 2007	USD0.001	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Investment holding	DTT, Hong Kong
China CINDA (HK) Asset Management Co., Ltd. . .	Hong Kong, PRC	April 21, 1999	HK$0.002	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Investment holding	DTT, Hong Kong
China CINDA (Macau) Asset Management Co., Ltd. . .	Macao, PRC	May 28, 1999	MOP$100	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Asset management	DTT, Hong Kong
Beijing Yintai Property Management Co., Ltd. . .	Beijing, PRC	September 24, 1998	RMB10,000	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Property management	DTT, PRC[19]
CINDA Futures Co., Ltd.[7]	Hangzhou, PRC	December 21, 2007	RMB300,000	99.27	99.33	99.33	99.33	100.00	100.00	100.00	100.00	Futures and brokerage	DTT, PRC[21]
CINDA Jianrun Real Estate Co., Ltd. . .	Beijing, PRC	December 28, 2007	RMB200,000	70.00	70.00	70.00	70.00	70.00	70.00	70.00	70.00	Real estate development	DTT, PRC[17]

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

35. Interests in subsidiaries—continued

Company—continued

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at June 30, 2013	Proportion of ownership held by the Group				Proportion of voting rights held by the Group				Principal activities	Statutory auditor[16][III]
			(In '000)	As at December 31,			As at June 30,	As at December 31,			As at June 30,		
				2010	2011	2012	2013	2010	2011	2012	2013		
				%	%	%	%	%	%	%	%		
Beijing CINDA Properties Co., Ltd.[8]	Beijing, PRC	October 20, 2009	RMB400,000	100.00	100.00	—	—	100.00	100.00	—	—	Real estate development	RSM China CPAs, PRC
Henan Jinboda Development and Construction Co., Ltd. . .	Zhengzhou, PRC	December 7, 2000	RMB8,000	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	Property leasing	Henan Tianjian CPAs, PRC
CINDA Capital Management Co., Ltd.[9]	Tianjin, PRC	December 9, 2009	RMB100,000	81.95	81.95	82.22	82.22	100.00	100.00	100.00	100.00	Investment holding	DTT, PRC[17]
Wuhan Oriental Jianguo Hotel Co., Ltd. . .	Wuhan, PRC	June 9, 2009	RMB282,000	90.25	90.25	90.25	90.25	90.25	90.25	90.25	90.25	Hotel management	DTT, PRC[17]
Dalian CINDA Zhonglian Investment Co., Ltd. . .	Dalian, PRC	March 3, 2010	RMB111,110	55.00	55.00	55.00	55.00	55.00	55.00	55.00	55.00	Project investment	DTT, PRC[17]
Zhengzhou Jinboda Investment Co., Ltd.[10]	Zhengzhou, PRC	January 13, 2010	RMB100,000	95.00	—	—	—	95.00	—	—	—	Real estate development	RSM China CPAs, PRC

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

35. Interests in subsidiaries—continued

Company—continued

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at June 30, 2013	Proportion of ownership held by the Group				Proportion of voting rights held by the Group				Principal activities	Statutory auditor(16)(III)
			(In '000)	As at December 31,			As at June 30,	As at December 31,			As at June 30,		
				2010	2011	2012	2013	2010	2011	2012	2013		
				%	%	%	%	%	%	%	%		
Anhui CINDA Infrastructure Development Co., Ltd.(11)	Hefei, PRC	December 8, 2010	RMB1,000	100.00	—	—	—	100.00	—	—	—	Real estate development	RSM China CPAs, PRC
Hainan Jincui Real Estate Co., Ltd(12) .	Haikou, PRC	July 20, 2009	RMB169,380	70.00	70.00	35.00	35.00	70.00	70.00	35.00	35.00	Real estate development	DTT, PRC(17)
CINDA Equity Investment (Tianjin) Co., Ltd.(13)	Tianjin, PRC	December 29, 2011	RMB790,000	—	36.71	36.71	49.15	—	36.71	36.71	49.15	Private fund	DTT, PRC
Xinfeng Investment Management Co., Ltd.(14)	Beijing, PRC	April 9, 2012	RMB200,000	—	—	99.33	99.33	—	—	100.00	100.00	Investment management	DTT, PRC
Guangxi Xintou Real Estate Co., Ltd.(15)	Nanning, PRC	December 10, 2012	RMB30,000	—	—	100.00	100.00	—	—	100.00	100.00	Real estate development	DTT, PRC

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.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

35. Interests in subsidiaries—continued

Company—continued

(II) A subsidiary of this company named CINDA International Holdings Ltd. is listed in Hong Kong.

(III) Deloitte Touche Tohmatsu Certified Public Accountants LLP is referred to as DTT, PRC.
Deloitte Touche Tohmatsu is referred to as DTT, Hong Kong.

(1) The Company made an additional capital injection of RMB1,987.15 million into CINDA Securities Co., Ltd. in February 2011 and its total registered and paid-in capital increased to RMB2,568.70 million. The Company's shareholding in this subsidiary increased to 99.33% after the capital injection.

(2) The Company made an additional capital injection of RMB826.80 million, RMB338.03 million and RMB884.69 million into Happy Life Insurance Co., Ltd. in January 2011, December 2012 and April 2013, respectively. The Company's shareholding in this subsidiary increased to 53.32% after the capital injection in 2011, remained at 53.32% after the capital injection in 2012, and increased to 61.59% after the capital injection in 2013.

(3) The Company made an additional capital injection of RMB1,326 million into CINDA Property and Casualty Insurance Co., Ltd. in December 2012 and its registered and paid-in capital increased to RMB3,000 million. The Company's shareholding in this subsidiary remained at 51% after the capital injection.

(4) The subsidiary was acquired in 2010 through a business combination. The Company made an additional capital injection of RMB1,000 million into CINDA Financial Leasing Co., Ltd. in October 2012. The Company's shareholding in this subsidiary increased to 99.36% after the capital injection. In February 2013, China Great Wall Asset Management Corporation transferred 3,974,249 shares to Zhongrun Economic Development Co., Ltd. at a consideration of RMB4,080 million. Therefore, the Group's shareholding in this subsidiary increased to 99.56% after the transfer of shares.

(5) The Group increased its investment in Shanghai Tongda Venture Capital Co., Ltd. ("Shanghai Tongda") through purchase of additional shares in open market in 2013, with its shareholding increased from 40.68% to 41.02% accordingly. The shareholding percentage of other shareholders is widely dispersed and no other shareholders hold more than 10% shares of Shanghai Tongda. The Group is entitled to appoint 3 executive directors out of a total of 6 directors in the board of directors of Shanghai Tongda of which 2 are independent directors, so the Group can direct Shanghai Tongda's relevant activities, and it is accounted for as a subsidiary of the Group.

(6) CINDA Investment Co., Ltd. disposed of its subsidiary, Dalian Jinyuan Hotel Co., Ltd., to an independent third party at a consideration of RMB208.43 million through Beijing Financial Assets Exchange in June 2012.

(7) CINDA Futures Co., Ltd. is a wholly owned subsidiary of CINDA Securities Co., Ltd.. As set out in note (1) above, due to increase in the Company's shareholding in CINDA Securities Co., Ltd. in 2011, the Group's shareholding in CINDA Futures Co., Ltd. increased to 99.33% accordingly.

(8) CINDA Investment Co., Ltd. disposed of its subsidiary, Beijing CINDA Properties Co., Ltd., to an independent third party at a consideration of RMB1.36 billion in November 2012.

(9) In 2012, the Group increased 0.67% of indirect shareholding in Hangzhou Hanshi Investment Management Co., Ltd., which hold 40% shares of CINDA Capital Management Co., Ltd.. The Group's shareholding in CINDA Capital Management Co., Ltd. increased to 82.22% accordingly.

(10) Zhengzhou Jinboda Investment Co., Ltd. was closed in year 2011.

(11) Anhui CINDA Infrastructure Development Co., Ltd. was closed in year 2011.

(12) The Group disposed of 35% shares of Hainan Jincui Real Estate Co., Ltd. in 2012 and accounted for it as an associate thereafter.

(13) CINDA Equity Investment (Tianjin) Co., Ltd. was set up in December 2011. Its total authorized capital is RMB790 million. As of June 30, 2013, the paid-in capital of this subsidiary by all shareholders amounted to RMB590 million. The Group increased the proportion of its contribution in 2013, and the Group's shareholding in this subsidiary increased from 36.71% as at December 31, 2012 to 49.15% as at June 30, 2013 accordingly. The Group is entitled to appoint 4 directors out of a total of 7 directors in the board of directors of this company, so the Group can direct this company's relevant activities, and it is accounted for as a subsidiary of the Group.

(14) Xinfeng Investment Management Co., Ltd. was set up by CINDA Securities Co., Ltd. in April 2012.

(15) Guangxi Xintou Real Estate Co., Ltd. was set up by CINDA Investment Co., Ltd. in November 2012.

(16) It represents statutory auditor of these subsidiaries for each of the three years ended December 31, 2010, 2011 and 2012 unless indicated as below.

(17) The statutory auditor of these companies for 2010 and 2011 is RSM China CPAs.

(18) The statutory auditor of Happy Life Insurance Co., Ltd. for 2010 and the statutory auditor of CINDA Property and Casualty Insurance Co., Ltd. for 2010 and 2011 is Zhongtianyin Certified Public Accountants.

(19) The statutory auditor of Zhongrun Economic Development Co., Ltd. and Beijing Yintai Property Management Co., Ltd. for 2010 and 2011 is Zhonglei Certified Public Accountants.

(20) The statutory auditor of First State CINDA Fund Management Co., Ltd. for 2010 and 2011 is PricewaterhouseCoopers CPAs.

(21) The statutory auditor of CINDA Futures Co., Ltd. for 2010 and 2011 is Pan-China Certified Public Accountants.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

36. Non-controlling interests in the subsidiaries of the Group

The only subsidiary that has significant non-controlling interests to the Group is Cinda Real Estate Co., Ltd.. General information about this subsidiary has been set out in note VI.35 to section A. Summarized financial information about the subsidiary and its subsidiaries, before intragroup eliminations, is as below:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Current assets	11,804,734	13,019,793	17,396,104	19,065,507
Non-current assets	2,133,150	2,060,722	2,167,952	1,989,870
Current liabilities	5,656,289	5,098,633	7,704,190	7,235,986
Non-current liabilities	2,021,956	3,256,673	4,734,978	6,638,665
Total equity	6,259,639	6,725,209	7,124,888	7,180,726
Non-controlling interests of the subsidiary	2,346,456	2,528,078	2,736,584	2,778,158

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Total revenue	4,133,497	3,306,772	4,007,250	1,380,518	1,380,643
Profit before tax	580,887	837,597	855,506	282,529	320,752
Total comprehensive income	553,567	515,605	697,663	279,166	235,007
Profit attributable to non-controlling interests of the subsidiary during the year/period	217,748	314,862	328,590	111,133	99,400
Dividend distribution to non-controlling interests	—	—	37,899	37,899	44,251

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Net cash flows from operating activities	(836,160)	(176,204)	(2,225,141)	(458,223)	(1,550,911)
Net cash flows from investing activities	(105,385)	190,304	(126,891)	(4,683)	147,018
Net cash flows from financing activities	718,305	666,321	2,671,773	(110,068)	791,282
Net cash flow	(223,240)	680,421	319,741	(572,974)	(612,611)

37. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts and wealth management products. To determine whether control exists, the Group uses the following judgments:

(1) For the private equity funds, trusts and wealth management products where the Group provides financial guarantee, the Group therefore has obligation to fund the losses beyond its investment, if any, in accordance with the guarantee agreements. The Group then concludes that its exposure to variability of returns is of such significance that these structured entities shall be consolidated.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

37. Interests in consolidated structured entities—continued

(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 fund that is of such significance that it indicates that the fund manager is a principal. The fund shall be consolidated if the Group acts in the role of principal.

(3) For the wealth management products and trusts where the Group involves as manager 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 the wealth management products and trusts that is of such significance that it indicates that the Group is a principal. The wealth management products and trusts shall be consolidated if the Group acts in the role of principal.

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 June 30, 2013	Proportion of interests held by the Group				Principal activities
	(RMB'000)	As at December 31,			As at June 30,	
		2010	2011	2012	2013	
		%	%	%	%	
Ningbo Qiushi Investment Management Partnership (Limited Partnership)	4,185,100	—	—	6.00	9.21	Investment management
Jinggu-Xiamen Xiangshan Yacht Beneficial Right Trust Plan	1,197,870	57.71	37.52	74.96	29.86	Trust

The financial impact of these private equity funds, trusts and wealth management products on the Group's financial position as at December 31, 2010, 2011 and 2012 and June 30, 2013, and results and cash flows for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013, though consolidated, are not significant and therefore not disclosed separately.

Interests in all consolidated structured entities directly held by the Company amounted to RMB295.24 million, RMB2,028.73 million, RMB1,553.85 million and RMB1,926.52 million, at December 31, 2010, 2011 and 2012 and June 30, 2013, respectively.

Interests held by other interest holders are presented as change in net assets attributable to other holders of consolidated structured entities in the consolidated income statements and included in other liabilities in the consolidated statements of financial position as set out in note VI.55 to section A.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

38. Interests in associates

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Carrying amount of unlisted investment	5,971,088	6,712,876	7,476,276	7,913,823
Allowance for impairment losses	(105)	—	—	—
Net carrying amounts	5,970,983	6,712,876	7,476,276	7,913,823

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Carrying amount of unlisted investment	4,649,153	4,918,908	4,973,530	5,376,470
Allowance for impairment losses	—	—	—	—
Net carrying amounts	4,649,153	4,918,908	4,973,530	5,376,470

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

38. Interests in associates—continued

Details of the Group's principal associates are as follows:

Name of entity	Place of incorporation/ establishment	Authorized/paid-in capital as at June 30, 2013	Proportion of equity interests held by the Group				Proportion of voting power held by the Group				Principal activities
		(In '000)	As at December 31,			As at June 30,	As at December 31,			As at June 30,	
			2010	2011	2012	2013	2010	2011	2012	2013	
			%	%	%	%	%	%	%	%	
Qinghai Salt Lake Industry Co., Ltd.[(1)]	Ge'ermu, PRC	RMB3,068,000	10.94	7.27	7.27	7.27	10.94	7.27	7.27	7.27	Chemical raw material/products
Bank of Xi'an Co., Ltd.	Xi'an, PRC	RMB3,000,000	23.52	23.52	23.52	23.52	23.52	23.52	23.52	23.52	Banking
Silver Grant International Industries Limited[(2)]	Hong Kong, PRC	HKD460,970	18.40	19.12	19.54	19.54	18.40	19.12	19.54	19.54	Asset management
Shenzhen Jianheheng Investment Co., Ltd.[(3)]	Shenzhen, PRC	RMB944,000	—	—	50.00	50.00	—	—	50.00	50.00	Investment holding
Ningbo Qinlun Investment Center (LP)[(4)]	Nanjing, PRC	RMB800,000	—	—	55.33	20.75	—	—	40.00	42.86	Industry investment
Ningbo Shanshan Hongfa Real Estate Co., Ltd.	Ningbo, PRC	RMB130,000	45.00	45.00	45.00	45.00	45.00	45.00	45.00	45.00	Real estate development
Hainan Jincui Real Estate Co., Ltd.[(5)]	Haikou, PRC	RMB169,380	70.00	70.00	35.00	35.00	70.00	70.00	35.00	35.00	Real estate development
Huzhou Xinhua Real Estate Co., Ltd.	Huzhou, PRC	RMB100,000	30.00	30.00	30.00	30.00	30.00	30.00	30.00	30.00	Real estate development
Jiaxing Economic Development Area Real Estate Co., Ltd.	Jiaxing, PRC	RMB60,000	49.00	49.00	49.00	49.00	49.00	49.00	49.00	49.00	Real estate development
Shaoxing Yincheng Development and Construction Co., Ltd.	Shaoxing, PRC	RMB100,000	35.00	35.00	35.00	35.00	35.00	35.00	35.00	35.00	Real estate development
Beijing Zizhu Pharmaceutical Co., Ltd.[(6)]	Beijing, PRC	—	42.28	42.28	—	—	42.28	42.28	—	—	Pharmacy
Anhui Jishi Real Estate Co., Ltd.[(7)]	Hefei, PRC	RMB100,000	51.00	51.00	100.00	100.00	51.00	51.00	100.00	100.00	Real estate development

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

38. Interests in associates—continued

The above table lists the principal associates of the Group. To give details of other associates would, in the opinion of the management, result in particulars of excessive length. The financial information of Bank of Xi'an Co., Ltd., Qinghai Salt Lake Industry Co., Ltd. and Silver Grant International Industries Limited, which are individually significant associates to the Group, are set out below:

Qinghai Salt Lake Industry Co., Ltd.

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Total assets	25,175,675	29,371,212	42,440,046	47,352,383
Total liabilities	12,840,515	14,458,223	24,751,494	29,529,588
Total equity	12,335,160	14,912,989	17,688,552	17,822,795

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Total revenue	5,896,565	6,777,563	8,270,807	3,917,012	4,128,915
Net profit	2,368,866	2,817,612	2,751,927	1,460,237	893,134
Total comprehensive income	2,368,866	2,817,612	2,751,927	1,460,237	893,134

Bank of Xi'an Co., Ltd.

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Total assets	80,884,064	102,353,057	122,049,406	119,274,470
Total liabilities	76,421,509	97,107,610	115,275,233	112,070,117
Total equity	4,462,555	5,245,447	6,774,173	7,204,353

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(unaudited)	
Total revenue	1,779,653	2,613,194	3,112,689	1,617,064	1,392,121
Net profit	825,707	1,107,287	1,455,711	864,904	732,935
Total comprehensive income	805,278	1,114,415	1,467,201	883,285	731,786

Silver Grant International Industries Limited

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Total assets	7,754,055	7,848,745	8,196,373	8,587,695
Total liabilities	1,535,095	1,527,847	1,981,219	2,554,134
Total equity	6,218,960	6,320,898	6,215,154	6,033,561

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

38. Interests in associates—continued

Silver Grant International Industries Limited—continued

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Total revenue	192,605	331,892	436,884	177,348	119,583
Net profit	485,185	315,160	147,021	121,924	12,233
Total comprehensive income	1,315,149	84,540	68,171	35,032	19,812

Reconciliation of the above financial information to the carrying amount of the interests in above associates recognized in the Financial Information:

Qinghai Salt Lake Industry Co., Ltd.

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Equity attributable to equity holders of the associate	8,964,420	13,676,159	15,930,279	16,114,737
Proportion of equity interests held by the Group	10.94%	7.27%	7.27%	7.27%
Revaluation surplus	1,938,096	1,938,096	1,938,096	1,938,096
Others	—	836	836	836
Carrying amount	2,918,804	2,933,189	3,097,063	3,110,473

Bank of Xi'an Co., Ltd.

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Equity attributable to equity holders of the associate*	4,458,411	5,241,096	6,768,982	7,204,353
Proportion of equity interests held by the Group	23.52%	23.52%	23.52%	23.52%
Goodwill	517,242	517,242	517,242	517,242
Others	—	3,779	3,779	3,779
Carrying amount	1,565,860	1,753,727	2,113,086	2,215,487

* Balance as at June 30, 2013 represents total equity of the bank.

A. FINANCIAL INFORMATION—continued

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

38. Interests in associates—continued

Silver Grant International Industries Limited

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Equity attributable to equity holders of the associate	5,990,691	5,912,388	5,882,834	5,711,991
Proportion of equity interests held by the Group	18.40%	19.12%	19.54%	19.54%
Goodwill	7,825	7,825	7,825	7,825
Adjustment of accounting policy for the associate	(243,834)	(253,268)	(262,464)	(262,464)
Increase in shareholding	(160,953)	(117,709)	(93,368)	(93,368)
Others	153,242	90,981	46,355	46,869
Carrying amount	858,577	858,276	847,853	814,984

(1) The Group swapped the shareholding of 10.94% in Qinghai Salt Lake Industry Group Co., Ltd into the shareholding in Qinghai Salt Lake Industry Co., Ltd. at no consideration in March 2011 and purchased additional 13,150 shares of Qinghai Salt Lake Industry Co., Ltd. The Group holds 7.27% shares of Qinhai Salt Lake Industry Co., Ltd. after the above transaction and is its third largest shareholder. According to the company's articles of association, the board of directors is the company's daily financial and operating decision-making body. The Group can exercise significant influence on the financial and operating policy decision of Qinghai Salt Lake Industry Co., Ltd. by nominating a director to this company. The Group accounts for this investment by equity method as an associate.

(2) The Group subscribed for the new shares issued by Silver Grant International Industries Limited in 2011 and 2012 respectively. As a result, the Group's shareholding in this associate increased from 18.40% in 2010 to 19.12% in 2011 and to 19.54% in 2012. The Group has nominated 2 directors out of a total of 6 directors on the board and can exercise significant influence on the financial and operating policy decision of this company. The Group accounts for this investment by equity method as an associate.

(3) Shenzhen Jianheheng Investment Co., Ltd. was set up on March 22, 2012. The Group holds 50% shares of this company and can exercise significant influence on the financial and operating policy of this company. The Group accounts for this investment by equity method as an associate.

(4) Ningbo Qinlun Investment Center (LP) was set up in 2012. The Group initially held 55.33% shares and 40% voting power of this partnership and had 2 seats out of a total of 5 seats in the Investment Decision Committee in 2012 according to the partnership agreement. After additional capital contribution by partners in 2013, the Group held 20.75% shares and had 3 seats out of a total of 7 seats in the Investment Decision Committee according to the partnership agreement, therefore holding 42.86% of voting power. The Group can exercise significant influence on the financial and operating policy of this partnership but cannot control it. The Group accounts for this investment by equity method as an associate.

(5) The Group held 70% shares of Hainan Jincui Real Estate Co., Ltd. and its financial statements were consolidated in the Group as of December 31, 2010 and 2011. The Group disposed of 35% shares of this company to Beijing Shoutai Jinxin Equity Investment Fund in year 2012 and holds 35% shares and 40% voting power of this company according to its articles of association. Although the Group lost control on this company, the Group still exercises significant influence on the financial and operating policy of this company. The Group accounts for this investment by equity method as an associate as at December 31, 2012 and June 30, 2013.

(6) The Group disposed of its 42.28% shareholding in Beijing Zizhu Pharmaceutical Co., Ltd. to Beijing Pharmaceutical Group Co., Ltd. on December 24, 2012.

(7) The Group held 51% shares of Anhui Jishi Real Estate Co., Ltd. (Anhui Jishi) as of December 31, 2010 and 2011. The board of directors is the company's daily financial and operational decision-making body according to the articles of association of this company. Prior to August 2012, the Group had nominated 3 directors out of a total of 7 directors on the board and could exercise significant influence on the financial and operating policy decision of this company. The Group accounted for this investment by equity method as an associate. Since the articles of association of this company was revised in August 2012, the Group has nominated 4 directors out of a total of 5 directors on the board and can exercise control on the financial and operating policy decision of this company. The Group acquired the remaining 49% of the issued share capital of Anhui Jishi subsequently and it has become a wholly-owned subsidiary of the Group since then.

A. FINANCIAL INFORMATION—continued

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

39. Interests in unconsolidated structured entities

Structured entities the Group served as general partner or manager, therefore had power over them during the Relevant Periods include trust plans, private equity funds and wealth management products. Except for the structured entities the Group has consolidated as detailed in note VI.37 to section A, in the opinion of the directors of the Company, the variable returns the Group exposed to over the structured entities that the Group has interests in are not significant. The Group therefore did not consolidate these structured entities.

The size of unconsolidated trust plans managed by the Group amounted to RMB260.00 million, RMB460.00 million, RMB nil and RMB nil as at December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The size of unconsolidated wealth management products managed by the Group amounted to RMB nil, RMB357.02 million, RMB nil and RMB18.65 million as at December 31, 2010, 2011 and 2012 and June 30, 2013, respectively. The Group classified the investments in these unconsolidated trust plans and wealth management products as receivables or available-for-sale financial assets as appropriate. The Group's interests in and exposure to these trust plans and wealth management products are not significant.

The carrying amount of the Group's investments in unconsolidated private equity funds are classified as available-for-sale financial assets and amounted to RMB50,000, RMB50,000, RMB200.05 million and RMB200.05 million as at December 31, 2010, 2011 and 2012 and June 30, 2013, respectively.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

40. Property and equipment

Group

	Buildings	Machinery and equipment	Electronic equipment and furnitures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2010	3,443,758	153,965	376,995	283,206	33,307	4,291,231
Acquisition of subsidiaries	2,938	245	974	2,145	—	6,302
Additions	35,950	28,567	154,302	41,644	41,087	301,550
Disposals	(59,316)	(11,315)	(86,478)	(17,835)	—	(174,944)
Transfer	33,857	25	463	—	(34,345)	—
Transfer-in/(out)	43,752	—	—	—	(20,199)	23,553
Eliminated on revaluation	(160,798)	(6,292)	(8,353)	(5,451)	—	(180,894)
Revaluation surplus(1)	489,372	(9,959)	744	24,311	—	504,468
As at December 31, 2010	3,829,513	155,236	438,647	328,020	19,850	4,771,266
Accumulated depreciation						
As at January 1, 2010	(646,502)	(67,075)	(191,287)	(152,860)	—	(1,057,724)
Charge for the year	(106,507)	(23,944)	(70,947)	(27,019)	—	(228,417)
Disposals	39,685	2,741	28,455	14,281	—	85,162
Eliminated on revaluation	160,798	6,292	8,353	5,451	—	180,894
Transfer-in	(11,635)	—	—	—	—	(11,635)
As at December 31, 2010	(564,161)	(81,986)	(225,426)	(160,147)	—	(1,031,720)
Allowance for impairment losses						
As at January 1, 2010	(4,973)	(178)	(18)	(627)	—	(5,796)
As at December 31, 2010	(4,973)	(178)	(18)	(627)	—	(5,796)
Net book value						
As at January 1, 2010	2,792,283	86,712	185,690	129,719	33,307	3,227,711
As at December 31, 2010	3,260,379	73,072	213,203	167,246	19,850	3,733,750
Including:						
Net book value of assets pledged as at December 31, 2010	244,708	—	—	—	—	244,708

(1) As part of the Financial Restructuring in 2010 (see note II to section A for details), assets including property and equipment were revalued.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

40. Property and equipment—continued

Group—continued

	Buildings	Machinery and equipment	Electronic equipment and furnitures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2011	3,829,513	155,236	438,647	328,020	19,850	4,771,266
Additions	122,900	18,691	100,257	62,685	77,248	381,781
Disposal of subsidiaries	(27,099)	(23,227)	(1,218)	(34,253)	—	(85,797)
Disposals	(36,414)	(8,693)	(21,355)	(27,006)	(1,492)	(94,960)
Transfer	(215,229)	—	8,322	—	206,907	—
Transfer-in/(out)	1,910	—	—	—	(39,434)	(37,524)
As at December 31, 2011	3,675,581	142,007	524,653	329,446	263,079	4,934,766
Accumulated depreciation						
As at January 1, 2011	(564,161)	(81,986)	(225,426)	(160,147)	—	(1,031,720)
Charge for the year	(120,906)	(12,254)	(83,511)	(26,201)	—	(242,872)
Disposal of subsidiaries	2,479	7,760	864	15,906	—	27,009
Disposals	8,329	8,479	17,230	19,266	—	53,304
Transfer-in	(900)	—	—	—	—	(900)
As at December 31, 2011	(675,159)	(78,001)	(290,843)	(151,176)	—	(1,195,179)
Allowance for impairment losses						
As at January 1, 2011	(4,973)	(178)	(18)	(627)	—	(5,796)
Provided for the year	(5,000)	—	—	—	—	(5,000)
Disposals	3,349	162	18	49	—	3,578
As at December 31, 2011	(6,624)	(16)	—	(578)	—	(7,218)
Net book value						
As at January 1, 2011	3,260,379	73,072	213,203	167,246	19,850	3,733,750
As at December 31, 2011	2,993,798	63,990	233,810	177,692	263,079	3,732,369
Including:						
Net book value of assets pledged as at December 31, 2011	238,776	—	—	—	—	238,776

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

40. Property and equipment—continued

Group—continued

	Buildings	Machinery and equipment	Electronic equipment and furnitures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2012	3,675,581	142,007	524,653	329,446	263,079	4,934,766
Acquisition of subsidiaries	8,843	327	183	1,739	—	11,092
Additions	222,459	32,507	55,716	46,030	121,786	478,498
Disposal of subsidiaries	(305,663)	(9,455)	(4,013)	(11,840)	—	(330,971)
Disposals	(20,249)	(33,208)	(32,778)	(40,288)	(22,238)	(148,761)
Transfer	119	498	15	—	(632)	—
Transfer-out	(190,213)	—	—	—	(15,898)	(206,111)
As at December 31, 2012	3,390,877	132,676	543,776	325,087	346,097	4,738,513
Accumulated depreciation						
As at January 1, 2012	(675,159)	(78,001)	(290,843)	(151,176)	—	(1,195,179)
Charge for the year	(85,241)	(27,047)	(81,495)	(36,042)	—	(229,825)
Disposal of subsidiaries	61,667	9,455	1,740	8,438	—	81,300
Disposals	9,098	22,835	30,412	33,921	—	96,266
Transfer-out	(3,975)	—	—	—	—	(3,975)
As at December 31, 2012	(693,610)	(72,758)	(340,186)	(144,859)	—	(1,251,413)
Allowance for impairment losses						
As at January 1, 2012	(6,624)	(16)	—	(578)	—	(7,218)
Provided for the year	(13,185)	—	—	—	—	(13,185)
Disposals	—	—	—	97	—	97
As at December 31, 2012	(19,809)	(16)	—	(481)	—	(20,306)
Net book value						
As at January 1, 2012	2,993,798	63,990	233,810	177,692	263,079	3,732,369
As at December 31, 2012	2,677,458	59,902	203,590	179,747	346,097	3,466,794
Including:						
Net book value of assets pledged as at December 31, 2012	343,375	—	—	—	—	343,375

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

40. Property and equipment—continued

Group—continued

	Buildings	Machinery and equipment	Electronic equipment and furnitures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2013	3,390,877	132,676	543,776	325,087	346,097	4,738,513
Additions	1,403	13,339	15,868	6,656	121,101	158,367
Disposal of subsidiaries	(55,670)	—	(271)	—	—	(55,941)
Disposals	(12,393)	(15,646)	(13,154)	(2,816)	—	(44,009)
Transfer	258,281	16,186	16,877	—	(291,344)	—
Transfer-out	(34,671)	—	—	—	(2,680)	(37,351)
As at June 30, 2013	3,547,827	146,555	563,096	328,927	173,174	4,759,579
Accumulated depreciation						
As at January 1, 2013	(693,610)	(72,758)	(340,186)	(144,859)	—	(1,251,413)
Charge for the period	(48,679)	(15,266)	(37,677)	(21,677)	—	(123,299)
Disposal of subsidiaries	5,194	—	217	—	—	5,411
Disposals	870	13,141	8,456	1,743	—	24,210
Transfer-out	462	—	—	—	—	462
As at June 30, 2013	(735,763)	(74,883)	(369,190)	(164,793)	—	(1,344,629)
Allowance for impairment losses						
As at January 1, 2013	(19,809)	(16)	—	(481)	—	(20,306)
As at June 30, 2013	(19,809)	(16)	—	(481)	—	(20,306)
Net book value						
As at January 1, 2013	2,677,458	59,902	203,590	179,747	346,097	3,466,794
As at June 30, 2013	2,792,255	71,656	193,906	163,653	173,174	3,394,644
Including:						
Net book value of assets pledged as at June 30, 2013	155,224	—	—	—	—	155,224

As at December 31, 2010, 2011 and 2012 and June 30, 2013, the gross carrying amounts of the fully depreciated property and equipment that were still in use amounted to RMB1.91 million, RMB3.06 million, RMB6.10 million and RMB6.90 million, respectively.

As at December 31, 2010, 2011 and 2012 and June 30, 2013, the Group's property and equipment which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB894.21 million, RMB897.10 million, RMB845.57 million and RMB822.69 million, respectively.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

40. Property and equipment—continued

Group—continued

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Held in Hong Kong:				
—on long-term lease (over 50 years)	390	411	335	330
—on medium-term lease (10-50 years)	4,209	4,558	3,985	3,366
Subtotal	4,599	4,969	4,320	3,696
Held outside Hong Kong:				
—on long-term lease (over 50 years)	9,223	45,048	47,082	46,249
—on medium-term lease (10-50 years)	3,242,504	2,939,518	2,622,584	2,737,997
—on short-term lease (less than 10 years)	4,053	4,263	3,472	4,313
Subtotal	3,255,780	2,988,829	2,673,138	2,788,559
Total	3,260,379	2,993,798	2,677,458	2,792,255

Company

	Buildings	Machinery and equipment	Electronic equipment and furnitures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2010	212	701	129,307	94,297	—	224,517
Additions	—	33	26,767	10,337	8,074	45,211
Disposals	—	—	(9,894)	(6,268)	—	(16,162)
Eliminated on revaluation	—	—	(3,997)	(2,783)	—	(6,780)
Revaluation surplus[1]	57	(131)	7,328	18,897	—	26,151
As at December 31, 2010	269	603	149,511	114,480	8,074	272,937
Accumulated depreciation						
As at January 1, 2010	(41)	(298)	(94,818)	(66,023)	—	(161,180)
Charge for the year	(7)	(48)	(17,293)	(6,867)	—	(24,215)
Disposals	—	—	8,552	4,157	—	12,709
Eliminated on revaluation	—	—	3,997	2,783	—	6,780
As at December 31, 2010	(48)	(346)	(99,562)	(65,950)	—	(165,906)
Net book value						
As at January 1, 2010	171	403	34,489	28,274	—	63,337
As at December 31, 2010	221	257	49,949	48,530	8,074	107,031

(1) As part of the Financial Restructuring in 2010 (see note II to section A for details), assets including property and equipment were revalued.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

40. Property and equipment—continued

Company—continued

	Buildings	Machinery and equipment	Electronic equipment and furnitures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2011	269	603	149,511	114,480	8,074	272,937
Additions	—	46	40,495	19,559	5,715	65,815
Disposals	—	—	(10,275)	(12,025)	—	(22,300)
As at December 31, 2011	269	649	179,731	122,014	13,789	316,452
Accumulated depreciation						
As at January 1, 2011	(48)	(346)	(99,562)	(65,950)	—	(165,906)
Charge for the year	(7)	(46)	(17,917)	(7,347)	—	(25,317)
Disposals	—	—	9,074	7,848	—	16,922
As at December 31, 2011	(55)	(392)	(108,405)	(65,449)	—	(174,301)
Net book value						
As at January 1, 2011	221	257	49,949	48,530	8,074	107,031
As at December 31, 2011	214	257	71,326	56,565	13,789	142,151

	Buildings	Machinery and equipment	Electronic equipment and furnitures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2012	269	649	179,731	122,014	13,789	316,452
Additions	—	55	22,658	18,409	44,041	85,163
Disposals	(56)	—	(22,037)	(31,012)	(22,238)	(75,343)
As at December 31, 2012	213	704	180,352	109,411	35,592	326,272
Accumulated depreciation						
As at January 1, 2012	(55)	(392)	(108,405)	(65,449)	—	(174,301)
Charge for the year	(54)	(54)	(24,415)	(10,540)	—	(35,063)
Disposals	56	—	20,038	25,883	—	45,977
As at December 31, 2012	(53)	(446)	(112,782)	(50,106)	—	(163,387)
Net book value						
As at January 1, 2012	214	257	71,326	56,565	13,789	142,151
As at December 31, 2012	160	258	67,570	59,305	35,592	162,885

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

40. Property and equipment—continued

Company—continued

	Buildings	Machinery and equipment	Electronic equipment and furnitures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2013	213	704	180,352	109,411	35,592	326,272
Additions	—	—	4,500	3	111,072	115,575
Disposals	—	—	(3,508)	(788)	—	(4,296)
As at June 30, 2013	213	704	181,344	108,626	146,664	437,551
Accumulated depreciation						
As at January 1, 2013	(53)	(446)	(112,782)	(50,106)	—	(163,387)
Charge for the period	(3)	(32)	(14,093)	(5,729)	—	(19,857)
Disposals	—	—	2,969	384	—	3,353
As at June 30, 2013	(56)	(478)	(123,906)	(55,451)	—	(179,891)
Net book value						
As at January 1, 2013	160	258	67,570	59,305	35,592	162,885
As at June 30, 2013	157	226	57,438	53,175	146,664	257,660

As at December 31, 2010, 2011 and 2012 and June 30, 2013, the gross carrying amounts of the fully depreciated property and equipment that were still in use amounted to RMB1.20 million, RMB1.20 million, RMB1.63 million and RMB1.90 million, respectively.

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Held outside Hong Kong:				
—on medium-term lease (10-50 years)	221	214	160	157

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

41. Goodwill

Group

	Note	Year ended December 31, 2010	2011	2012	Six months ended June 30, 2013
Cost					
At beginning of the year/period		1,411,935	1,488,773	1,482,368	1,482,390
Acquisition of subsidiaries		81,218	—	—	—
Disposal of subsidiaries		—	(485)	—	—
Foreign exchange difference		(4,380)	(5,920)	22	(2,103)
At end of the year/period		1,488,773	1,482,368	1,482,390	1,480,287
Impairment					
At beginning/end of the year/period	(1)	(1,120,799)	(1,120,799)	(1,120,799)	(1,120,799)
Net book values					
At beginning of the year/period		291,136	367,974	361,569	361,591
At end of the year/period		367,974	361,569	361,591	359,488

(1) Related goodwill arose from the acquisition of a company by one of the subsidiaries of the Company before 2010. Full impairment was made on the goodwill based on the estimation of recoverable amount.

Particulars regarding impairment testing on goodwill are disclosed in note VI.42 to section A.

42. Impairment testing on goodwill

For the purposes of impairment testing, goodwill with indefinite useful lives set out in note VI. 41 to section A have been allocated to relevant individual cash generating units (CGUs). As at December 31, 2010, 2011 and 2012 and June 30, 2013, the carrying amounts of goodwill (net of accumulated impairment losses) allocated to these units are as follows:

	As at December 31, 2010	2011	2012	As at June 30, 2013
Investment management				
—Shanghai Tongda Venture Capital Co., Ltd. (Unit A)	111,619	111,619	111,619	111,619
Securities brokerage				
—Cinda International Holdings Limited (Unit B)	95,635	91,114	91,092	89,530
Financial leasing				
—Cinda Financial Leasing Co., Ltd. (Unit C)	81,218	81,218	81,218	81,218
Others	79,502	77,618	77,662	77,121
Total	367,974	361,569	361,591	359,488

During the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, management of the Group determined that there were no further impairments of any of its CGUs containing goodwill.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

42. Impairment testing on goodwill—continued

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarized below:

Unit A

The recoverable amount of this unit has been determined based on fair value less costs to sell calculation. Unit A's fair value was determined by reference to the shares of the company which is listed on Shanghai Stock Exchange. There was no impairment recognized as the recoverable amount of Unit A was higher than its carrying amount.

Unit B

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3-year period, and discount rate at 10.44% during the Relevant Periods. Unit B's cash flows beyond the 3-year period are extrapolated using a steady growth rate of 9% and 6% for the 4th to 8th years and 9th to 13th years, respectively. Unit B's cash flows beyond the 13-year period are extrapolated using a steady 3% growth rate. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted revenue and operating expenses. Such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit B to exceed the aggregate recoverable amount of Unit B. There was no impairment recognized as the recoverable amount of Unit B was higher than its carrying amount.

Unit C

The recoverable amount of this unit has been determined based on a value-in-use calculation. That calculation uses cash flow projections based on financial budgets approved by management covering a 3- to 5-year period, and discount rate ranging from 11% to 15% during the Relevant Periods. Other key assumptions for the value-in-use calculations relate to the estimation of cash inflows/outflows which include budgeted interest income and net interest spread. Such estimation is based on the unit's past performance and management's expectations for the market development. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Unit C to exceed the aggregate recoverable amount of Unit C. There was no impairment recognized as the recoverable amount of Unit C was higher than its carrying amount.

Other Units

For other units with which goodwill has been allocated to, their recoverable amounts have been determined based on value-in-use calculation. The calculation uses cash flow projections based on financial budgets approved by management covering a 3- to 5-year period, and discount rate ranging

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

42. Impairment testing on goodwill—continued

Other Units—continued

from 6% to 15% during the Relevant Periods. Other key assumptions for the value-in-use calculation relate to the estimation of cash inflows/outflows. Such estimation is based on each unit's past performance and management's expectations for the market development.

43. Other intangible assets

Group

	Trading seats	Computer software systems and others	Total
Cost			
As at January 1, 2010	21,941	80,911	102,852
Acquisition of subsidiaries	—	89	89
Additions	—	42,017	42,017
Written off	(40)	(1,703)	(1,743)
Revaluation surplus(1)	—	386	386
As at December 31, 2010	21,901	121,700	143,601
Accumulated amortization			
As at January 1, 2010	—	(34,541)	(34,541)
Charge for the year	—	(18,452)	(18,452)
Written off	—	310	310
As at December 31, 2010	—	(52,683)	(52,683)
Allowance for impairment losses			
As at January 1, 2010	—	(276)	(276)
Written off	—	276	276
As at December 31, 2010	—	—	—
Net book value			
As at January 1, 2010	21,941	46,094	68,035
As at December 31, 2010	21,901	69,017	90,918

(1) As part of the Financial Restructuring in 2010 (see note II to section A for details), assets including certain intangible assets were revalued.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

43. Other intangible assets—continued

Group—continued

	Trading seats	Computer software systems and others	Total
Cost			
As at January 1, 2011	21,901	121,700	143,601
Additions	—	35,536	35,536
Written off	(53)	(255)	(308)
As at December 31, 2011	21,848	156,981	178,829
Accumulated amortization			
As at January 1, 2011	—	(52,683)	(52,683)
Charge for the year	—	(23,639)	(23,639)
Written off	—	201	201
As at December 31, 2011	—	(76,121)	(76,121)
Allowance for impairment losses			
As at January 1, 2011	—	—	—
As at December 31, 2011	—	—	—
Net book value			
As at January 1, 2011	21,901	69,017	90,918
As at December 31, 2011	21,848	80,860	102,708

	Trading seats	Computer software systems and others	Total
Cost			
As at January 1, 2012	21,848	156,981	178,829
Additions	1,360	65,216	66,576
Written off	—	(17,580)	(17,580)
As at December 31, 2012	23,208	204,617	227,825
Accumulated amortization			
As at January 1, 2012	—	(76,121)	(76,121)
Charge for the year	—	(31,643)	(31,643)
Written off	—	17,093	17,093
As at December 31, 2012	—	(90,671)	(90,671)
Allowance for impairment losses			
As at January 1, 2012	—	—	—
As at December 31, 2012	—	—	—
Net book value			
As at January 1, 2012	21,848	80,860	102,708
As at December 31, 2012	23,208	113,946	137,154

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

43. Other intangible assets—continued

Group—continued

	Trading seats	Computer software systems and others	Total
Cost			
As at January 1, 2013	23,208	204,617	227,825
Additions	—	13,177	13,177
Written off	(19)	(83)	(102)
As at June 30, 2013	23,189	217,711	240,900
Accumulated amortization			
As at January 1, 2013	—	(90,671)	(90,671)
Charge for the period	—	(19,205)	(19,205)
Written off	—	61	61
As at June 30, 2013	—	(109,815)	(109,815)
Allowance for impairment losses			
As at January 1, 2013	—	—	—
As at June 30, 2013	—	—	—
Net book value			
As at January 1, 2013	23,208	113,946	137,154
As at June 30, 2013	23,189	107,896	131,085

As at December 31, 2010, 2011 and 2012 and June 30, 2013, the gross carrying amounts of the fully amortized intangible assets that were still in use amounted to RMB5.07 million, RMB8.80 million, RMB10.08 million and RMB11.59 million, respectively.

Company

The Company's other intangible assets mainly include computer software systems and others.

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
At beginning of the year/period	19,808	20,574	25,987	23,317
Additions	766	5,413	14,430	—
Written off	—	—	(17,100)	—
At end of the year/period	20,574	25,987	23,317	23,317
Accumulated amortization				
At beginning of the year/period	(15,315)	(17,883)	(19,902)	(6,875)
Charge for the year/period	(2,568)	(2,019)	(3,704)	(3,044)
Written off	—	—	16,731	—
At end of the year/period	(17,883)	(19,902)	(6,875)	(9,919)
Net book value				
At beginning of the year/period	4,493	2,691	6,085	16,442
At end of the year/period	2,691	6,085	16,442	13,398

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

44. Deferred taxation

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

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Deferred tax assets	334,273	1,400,233	2,622,975	3,503,536
Deferred tax liabilities	(677,925)	(348,575)	(356,745)	(248,227)
	(343,652)	1,051,658	2,266,230	3,255,309

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

44. Deferred taxation—continued

Group—continued

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

	Allowance for impairment losses	Withholding land appreciation tax	Advance from sales of real estate	Assets revaluation	Accrued but not paid staff costs	Intragroup interest capitalized on properties held for sales	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value of available-for-sale financial assets	Others	Total
January 1, 2010	145,399	42,806	7,773	—	81,083	32,876	15,239	—	(9,398)	(281,145)	(109,352)	(74,719)
Credit to profit or loss	117,161	39,505	55,951	—	112,113	26,596	35,816	56,153	185,237	—	36,655	665,187
Charge to other comprehensive income	—	—	—	—	—	—	—	—	—	(777,657)	—	(777,657)
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	—	—	6,403	6,403
Revaluation surplus	—	—	—	(164,990)	—	—	—	—	—	—	4,013	(160,977)
Exchange difference	—	—	—	—	—	—	—	—	35	—	(1,924)	(1,889)
December 31, 2010	262,560	82,311	63,724	(164,990)	193,196	59,472	51,055	56,153	175,874	(1,058,802)	(64,205)	(343,652)
January 1, 2011	262,560	82,311	63,724	(164,990)	193,196	59,472	51,055	56,153	175,874	(1,058,802)	(64,205)	(343,652)
Credit /(charge) to profit or loss	34,487	(11,866)	(14,097)	—	25,195	100,151	15,480	(4,493)	84,571	—	3,692	233,120
Credit to other comprehensive income	—	—	—	—	—	—	—	—	—	1,154,490	—	1,154,490
Revaluation surplus	—	—	—	7,348	—	—	—	—	—	—	(64)	7,284
Exchange difference	—	—	—	—	—	—	—	—	(55)	—	471	416
December 31, 2011	297,047	70,445	49,627	(157,642)	218,391	159,623	66,535	51,660	260,390	95,688	(60,106)	1,051,658

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

44. Deferred taxation—continued

Group—continued

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

	Allowance for impairment losses	Unrealized financing income	Withholding land appreciation tax	Advance from sales of real estate	Assets revaluation	Accrued but not paid staff costs	Intragroup interest capitalized on properties held for sales	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value of available-for-sale financial assets	Others	Total
January 1, 2012	297,047	—	70,445	49,627	(157,642)	218,391	159,623	66,535	51,660	260,390	95,688	(60,106)	1,051,658
Credit /(charge) to profit or loss	1,275,961	153,618	(63,000)	50,471	—	49,567	(24,302)	(9,731)	21,531	(6,148)	—	11,744	1,459,711
Charge to other comprehensive income	—	—	—	—	—	—	—	—	—	—	(245,350)	—	(245,350)
Acquisitions of subsidiaries	—	—	—	—	—	—	—	—	—	—	—	(1,257)	(1,257)
Revaluation surplus	—	—	—	—	1,254	—	—	—	—	—	—	3	1,257
Exchange difference	—	—	—	—	—	—	—	—	—	2	—	209	211
December 31, 2012	1,573,008	153,618	7,445	100,098	(156,388)	267,958	135,321	56,804	73,191	254,244	(149,662)	(49,407)	2,266,230
January 1, 2013	1,573,008	153,618	7,445	100,098	(156,388)	267,958	135,321	56,804	73,191	254,244	(149,662)	(49,407)	2,266,230
Credit /(charge) to profit or loss	828,666	(33,615)	20,469	1,200	—	(20,956)	10,143	(24,987)	16,718	25,233	—	(4,668)	818,203
Charge to other comprehensive income	—	—	—	—	(16,364)	—	—	—	—	—	186,928	312	170,876
June 30, 2013	2,401,674	120,003	27,914	101,298	(172,752)	247,002	145,464	31,817	89,909	279,477	37,266	(53,763)	3,255,309

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

44. Deferred taxation—continued

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Deferred tax assets	—	924,117	2,040,457	2,957,978
Deferred tax liabilities	(196,568)	—	—	—
	(196,568)	924,117	2,040,457	2,957,978

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

	Allowance for impairment losses	Accrued but not paid staff costs	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value of available-for-sale financial assets	Total
January 1, 2010	—	—	—	—	—	—
Credit to profit or loss	154,613	109,839	56,153	176,183	—	496,788
Charge to other comprehensive income	—	—	—	—	(693,356)	(693,356)
December 31, 2010	154,613	109,839	56,153	176,183	(693,356)	(196,568)

	Allowance for impairment losses	Accrued but not paid staff costs	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value of available-for-sale financial assets	Total
January 1, 2011	154,613	109,839	56,153	176,183	(693,356)	(196,568)
Credit /(charge) to profit or loss	40,708	37,401	(4,493)	59,016	—	132,632
Credit to other comprehensive income	—	—	—	—	988,053	988,053
December 31, 2011	195,321	147,240	51,660	235,199	294,697	924,117

	Allowance for impairment losses	Unrealized financing income	Accrued but not paid staff costs	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value of available-for-sale financial assets	Total
January 1, 2012	195,321	—	147,240	51,660	235,199	294,697	924,117
Credit to profit or loss	1,183,303	153,618	14,324	6,679	29,906	—	1,387,830
Charge to other comprehensive income	—	—	—	—	—	(271,490)	(271,490)
December 31, 2012	1,378,624	153,618	161,564	58,339	265,105	23,207	2,040,457

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

44. Deferred taxation—continued

Company—continued

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

	Allowance for impairment losses	Unrealized financing income	Accrued but not paid staff costs	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value of available-for-sale financial assets	Total
January 1, 2013	1,378,624	153,618	161,564	58,339	265,105	23,207	2,040,457
Credit /(charge) to profit or loss	782,602	(33,615)	(13,850)	(286)	24,547	—	759,398
Credit to other comprehensive income	—	—	—	—	—	158,123	158,123
June 30, 2013	2,161,226	120,003	147,714	58,053	289,652	181,330	2,957,978

According to the MOF and the State Administration of Tax's Notice With Respect to Income Tax Issues Concerning Revaluation Surplus Arising From the Restructuring of China Cinda Asset Management Co., Ltd. (Cai Shui [2012] No. 90), no income tax will be levied on the asset revaluation surplus. Depreciation and amortization relating to the revalued assets are deductible for income tax purpose.

45. Other assets

Group

	Notes	As at December 31, 2010	2011	2012	As at June 30, 2013
Other receivables		976,506	582,404	1,861,894	2,478,648
Assets in satisfaction of debts	(1)	1,788,271	1,997,018	1,893,591	1,851,039
Prepayments and guarantee deposits		844,914	794,442	549,256	1,497,109
Statutory deposits	(2)	431,800	663,600	663,600	1,266,075
Interest receivable		234,088	534,716	871,445	1,245,922
Dividend receivable		71,877	519,020	371,469	381,319
Prepaid taxes		—	128,935	211,933	241,119
Land use rights	(3)	223,669	212,719	182,218	164,184
Others		336,363	430,736	675,768	754,294
Total		4,907,488	5,863,590	7,281,174	9,879,709

Company

	Notes	As at December 31, 2010	2011	2012	As at June 30, 2013
Assets in satisfaction of debts	(1)	1,788,268	1,936,230	1,832,801	1,790,254
Other receivables		494,824	386,692	342,304	879,096
Dividend receivable		68,509	505,495	353,622	441,974
Interest receivable		57,876	41,466	79,772	249,381
Land use rights	(3)	27,852	78,210	50,033	49,012
Prepayments and guarantee deposits		21,337	26,944	26,901	2,500
Others		1,746	40,274	79,959	219,293
Total		2,460,412	3,015,311	2,765,392	3,631,510

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

45. Other assets—continued

(1) Assets in satisfaction of debts

Assets in satisfaction of debts include those that were obtained from the Group's debtors to settle their defaulted debts and those that were acquired directly from financial institutions, which came into their possession through similar arrangement.

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Buildings	1,714,105	1,955,790	1,857,296	1,802,274
Land use rights	108,400	144,254	139,656	137,170
Others	23,333	29,390	65,246	65,157
Subtotal	1,845,838	2,129,434	2,062,198	2,004,601
Less: Allowance for impairment losses	(57,567)	(132,416)	(168,607)	(153,562)
Net book value	1,788,271	1,997,018	1,893,591	1,851,039

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Buildings	1,714,105	1,895,004	1,796,510	1,741,489
Land use rights	108,400	144,254	139,656	137,170
Others	23,330	29,388	65,242	65,157
Subtotal	1,845,835	2,068,646	2,001,408	1,943,816
Less: Allowance for impairment losses	(57,567)	(132,416)	(168,607)	(153,562)
Net book value	1,788,268	1,936,230	1,832,801	1,790,254

(2) Statutory deposits

In accordance with the Insurance Law of the PRC and The Interim Measures for the Administration of the Capital Guarantee Funds of Insurance Companies (Baojianfa [2007] No. 66) issued by the China Insurance Regulatory Commission, the Group's subsidiaries engaging in insurance business shall deposit at least 20% of their registered capital as statutory deposits in designated banks. The statutory deposits are not allowed to be used unless the subsidiaries go into liquidation and have to pay off their debts.

(3) Land use rights

The carrying amounts of land use rights analyzed by the remaining lease terms are as follows:

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Held outside Hong Kong:				
—on medium-term lease (10-50 years)	223,669	212,719	182,218	164,184

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

45. Other assets—continued

(3) Land use rights—continued

Group—continued

The net book value of pledged land use rights as at December 31, 2010, 2011 and 2012 and June 30, 2013 were RMB2.67 million, RMB nil, RMB nil and RMB nil.

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Held outside Hong Kong:				
—on medium-term lease (10-50 years)	27,852	78,210	50,033	49,012

46. Borrowings from central bank

Group and Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Borrowings from central bank	16,464,601	11,310,682	7,053,442	6,872,683

The borrowings from the People's Bank of China ("PBOC") 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, 2010, 2011 and 2012, the loans were repayable in full no later than June 30, 2013. As at June 30, 2013, after approval for extension of repayment date was granted by the PBOC on April 27, 2013, the loans were repayable in full no later than December 31, 2014.

47. Accounts payable to brokerage clients

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Personal customers	12,168,593	7,278,930	5,876,761	5,910,013
Corporate customers	1,508,891	871,555	752,764	863,771
Total	13,677,484	8,150,485	6,629,525	6,773,784

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 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.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

47. Accounts payable to brokerage clients—continued

Group—continued

No ageing analysis is disclosed as in the opinion of the directors of the Company, 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, 2010, 2011 and 2012 and June 30, 2013, included in the Group's accounts payable to brokerage clients were approximately RMB nil, RMB nil, RMB54.55 million and RMB180.35 million of cash collateral received from clients for margin financing and securities lending arrangement.

The Company had no accounts payable to brokerage clients at the end of each reporting period.

48. Financial assets sold under repurchase agreements

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
By collateral type:				
Debt securities	879,510	5,263,520	6,334,946	2,698,272
Finance lease receivables	—	1,657,000	5,658,700	3,536,767
Total	879,510	6,920,520	11,993,646	6,235,039

The Company had no financial assets sold under repurchase agreements at the end of each reporting period.

49. Borrowings

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Banks and other financial institutions borrowings				
Unsecured loans	2,697,931	18,715,109	66,850,064	95,326,225
Loans secured by properties	2,598,260	3,227,963	4,543,557	3,587,727
Other secured loans	2,300,000	3,122,846	3,962,699	4,495,695
Other borrowings				
Unsecured loans	230,000	113,022	742,840	691,120
Total	7,826,191	25,178,940	76,099,160	104,100,767

Loans secured by properties were collateralized by property and equipment, investment properties, properties held for sale and other intangible assets at an aggregate carrying amount of RMB3,245.10 million, RMB6,224.85 million, RMB6,298.46 million and RMB6,045.05 million as at December 31, 2010, 2011 and 2012 and June 30, 2013.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

49. Borrowings—continued

Group—continued

Other secured loans were collateralized by bank balances, available-for-sale financial assets, and finance lease receivables at an aggregate carrying amount of RMB128.95 million, RMB1,091.94 million, RMB1,936.41 million and RMB2,389.76 million as at December 31, 2010, 2011 and 2012 and June 30, 2013, respectively.

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Carrying amount repayable*:				
Within one year	2,206,771	18,182,603	37,206,208	47,295,930
More than one year, but not exceeding two years	633,870	5,290,089	27,956,554	31,107,547
More than two years, but not exceeding five years	4,760,300	530,908	9,628,922	24,413,522
More than five years	225,250	933,079	745,139	763,210
Subtotal	7,826,191	24,936,679	75,536,823	103,580,209
Carrying amount of borrowings that contain a repayment on demand clause repayable*:				
Within one year	—	242,261	245,379	209,061
More than one year, but not exceeding two years	—	—	285,821	280,810
More than two years, but not exceeding five years	—	—	6,446	4,221
More than five years	—	—	24,691	26,466
Subtotal	—	242,261	562,337	520,558
Total	7,826,191	25,178,940	76,099,160	104,100,767

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

The exposure of the Group's fixed-rate borrowings by the remaining contractual maturity periods are as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Fixed-rate borrowings:				
Within one year	661,400	16,066,643	31,736,539	43,999,835
More than one year, but not exceeding two years	181,170	1,056,422	22,494,900	23,458,000
More than two years, but not exceeding five years	157,200	4,200	494,200	5,158,250
More than five years	5,250	3,850	2,450	—
	1,005,020	17,131,115	54,728,089	72,616,085

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

49. Borrowings—continued

Group—continued

In addition, the Group has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC, 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,			As at June 30,
	2010	2011	2012	2013
Effective interest rate				
Fixed-rate borrowings	4.98% to 12.00%	5.90% to 18.00%	1.07% to 16.00%	2.70% to 16.00%
Variable-rate borrowings	4.86% to 7.20%	2.30% to 12.25%	2.40% to 8.61%	1.61% to 8.61%

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Bank borrowings				
Unsecured loans	443,761	13,568,078	55,831,334	80,269,331
Carrying amount repayable*:				
Within one year	254,761	12,587,646	23,379,002	32,532,331
More than one year, but not exceeding two years	189,000	808,100	25,452,332	26,670,000
More than two years, but not exceeding five years	—	172,332	7,000,000	21,067,000
	443,761	13,568,078	55,831,334	80,269,331

* 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 the remaining contractual maturity periods are as follows:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Fixed-rate borrowings:				
Within one year	—	11,917,623	23,250,902	32,260,000
More than one year, but not exceeding two years	—	700,000	20,800,000	21,200,000
More than two years, but not exceeding five years	—	—	—	4,000,000
	—	12,617,623	44,050,902	57,460,000

In addition, the Company has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC or SHIBOR.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

49. 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,			As at June 30,
	2010	2011	2012	2013
Effective interest rate				
Fixed-rate borrowings	—	5.90% to 8.00%	4.80% to 6.90%	4.75% to 6.90%
Variable-rate borrowings	4.86% to 6.80%	5.99% to 7.04%	5.35% to 6.15%	5.10% to 6.15%

50. Accounts payable

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Amount due to the MOF(1)	46,204,841	46,983,808	38,112,306	33,564,329
Accounts payable associated with real estate business(2)	908,138	826,117	1,254,054	610,456
Others	106,569	184,969	173,066	250,536
Total	47,219,548	47,994,894	39,539,426	34,425,321

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Amount due to the MOF(1)	46,204,841	46,983,808	38,112,306	33,564,329
Others	15,163	—	33,781	102,791
Total	46,220,004	46,983,808	38,146,087	33,667,120

(1) Amount due to the MOF represents outstanding balance of consideration arising from the purchase of assets in the policy business portfolio from the MOF. The consideration is repayable in five equal installments of RMB9.71 billion each over the following five years, representing an effective annual interest rate of 1.69%. The first repayment date was no later than December 31, 2011. On February 24, 2012, as approved by the MOF, the Company was allowed to postpone the payment of RMB9.71 billion, which falls due at December 31, 2012, to the end of 2014. This postponed payment bears an additional interest of 2.25% per annum.

(2) Accounts payable associated with real estate business mainly comprised of construction cost payable to contractors.

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

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

51. Investment contract liabilities for policyholders

Group

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
At beginning of the year/period	1,374,872	2,697,322	3,617,781	3,213,126
Deposits received	1,769,076	1,696,041	518,471	104,053
Deposits withdrawn	(417,334)	(736,715)	(792,501)	(365,652)
Fees deducted	(114,760)	(114,856)	(67,353)	(29,040)
Interest credited	77,593	182,331	133,658	58,011
Others	7,875	(106,342)	(196,930)	22,416
At end of the year/period	2,697,322	3,617,781	3,213,126	3,002,914

The Company had no investment contract liabilities for policyholders at the end of each reporting period.

52. Tax payable

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Enterprise income tax	2,555,921	3,060,215	2,036,323	1,234,281
Land appreciation tax	297,818	259,315	89,919	66,793
Hong Kong profits tax	6,541	5,789	5,832	5,688
Total	2,860,280	3,325,319	2,132,074	1,306,762

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Enterprise income tax	2,035,042	2,539,353	1,201,457	876,281
Land appreciation tax	—	574	574	574
Total	2,035,042	2,539,927	1,202,031	876,855

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

53. Insurance contract liabilities

Group

	January 1, 2010	Increase	Decrease	December 31, 2010
Short-term insurance contracts				
—Unearned premium reserves	22,668	240,883	(1,582)	261,969
—Outstanding claim reserves	18,933	101,341	(21,430)	98,844
Long-term life insurance contracts	3,451,349	4,140,152	(319,809)	7,271,692
Total	3,492,950	4,482,376	(342,821)	7,632,505

	January 1, 2011	Increase	Decrease	December 31, 2011
Short-term insurance contracts				
—Unearned premium reserves	261,969	396,569	(37,367)	621,171
—Outstanding claim reserves	98,844	342,893	(101,219)	340,518
Long-term life insurance contracts	7,271,692	4,571,986	(504,501)	11,339,177
Total	7,632,505	5,311,448	(643,087)	12,300,866

	January 1, 2012	Increase	Decrease	December 31, 2012
Short-term insurance contracts				
—Unearned premium reserves	621,171	2,488,034	(1,954,798)	1,154,407
—Outstanding claim reserves	340,518	1,233,526	(915,279)	658,765
Long-term life insurance contracts	11,339,177	5,352,584	(919,265)	15,772,496
Total	12,300,866	9,074,144	(3,789,342)	17,585,668

	January 1, 2013	Increase	Decrease	June 30, 2013
Short-term insurance contracts				
—Unearned premium reserves	1,154,407	1,655,121	(1,507,677)	1,301,851
—Outstanding claim reserves	658,765	910,700	(640,441)	929,024
Long-term life insurance contracts	15,772,496	2,252,473	(581,969)	17,443,000
Total	17,585,668	4,818,294	(2,730,087)	19,673,875

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

53. Insurance contract liabilities—continued

Group—continued

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

	As at December 31, 2010			As at December 31, 2011			As at December 31, 2012			As at June 30, 2013		
	Within 1 year	Over 1 year	Total	Within 1 year	Over 1 year	Total	Within 1 year	Over 1 year	Total	Within 1 year	Over 1 year	Total
Short-term insurance contracts												
—Unearned premium reserves	235,529	26,440	261,969	569,965	51,206	621,171	1,051,107	103,300	1,154,407	1,204,326	97,525	1,301,851
—Outstanding claim reserves	97,924	920	98,844	340,518	—	340,518	433,023	225,742	658,765	589,891	339,133	929,024
Long-term life insurance contracts . .	2,036	7,269,656	7,271,692	2,821	11,336,356	11,339,177	4,578	15,767,918	15,772,496	5,165	17,437,835	17,443,000
Total	335,489	7,297,016	7,632,505	913,304	11,387,562	12,300,866	1,488,708	16,096,960	17,585,668	1,799,382	17,874,493	19,673,875

The Company had no insurance contract liabilities at the end of each reporting period.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

54. Bonds issued

Group

	Notes	As at December 31, 2010	2011	2012	As at June 30, 2013
10-year 7.2% fixed rate subordinated bonds	(1)	—	495,000	495,000	522,027
3-year 4.35% fixed rate financial bonds	(2)	—	—	5,018,984	5,131,658
5-year 4.65% fixed rate financial bonds	(3)	—	—	5,020,570	5,138,371
3-year 4% fixed rate RMB bonds	(4)	—	—	2,000,000	2,000,000
Total		—	495,000	12,534,554	12,792,056

Company

	Notes	As at December 31, 2010	2011	2012	As at June 30, 2013
3-year 4.35% fixed rate financial bonds	(2)	—	—	5,002,734	5,115,408
5-year 4.65% fixed rate financial bonds	(3)	—	—	5,004,320	5,122,121
Total		—	—	10,007,054	10,237,529

(1) The fixed rate subordinated bonds issued in September 2011 with a principal of RMB495 million by a subsidiary of the Company have a tenure of 10 years, with a fixed coupon rate of 7.2%, payable annually. The subsidiary has an option to redeem all of the bonds at face value on September 2016. If the subsidiary does not exercise this option, the coupon rate of the bonds will be increased to 9.2% per annum from September 2016 onwards.

(2) The fixed rate financial bonds issued in October 2012 with a principal of RMB5,000 million by the Company have a tenure of 3 years, with a fixed coupon rate of 4.35%, payable annually.

(3) The fixed rate financial bonds issued in October 2012 with a principal of RMB5,000 million by the Company have a tenure of 5 years, with a fixed coupon rate of 4.65%, payable annually.

(4) The fixed rate RMB bonds issued in December 2012 in Hong Kong with a principal of RMB2,000 million by a subsidiary of the Company have a tenure of 3 years, with a fixed coupon rate of 4%, payable semi-annually.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

55. Other liabilities

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Payables to interest holders of consolidated structured entities (note VI.37 to section A)	891,813	1,581,598	4,949,374	6,959,091
Other payables	2,467,262	2,075,286	2,221,915	3,819,899
Guarantee deposits received on leasing business	222,157	1,324,203	2,746,200	3,288,575
Receipts in advance from property sales	2,248,634	2,318,462	2,197,843	3,097,262
Dividends payable to equity holders of the Company	—	—	—	1,613,059
Staff costs payable(1)	1,161,246	1,252,317	1,553,921	1,325,908
Reinsurance premium payable	24,973	83,650	47,491	1,181,196
Liabilities related to insurance business	446,117	574,844	802,711	848,690
Interest payable	36,571	93,198	259,578	469,237
Provisions(2)	224,614	206,639	307,062	356,021
Sundry taxes payable	108,032	142,670	241,743	184,379
Receipts in advance associated with disposal of distressed assets	242,262	532,335	671,339	89,138
Others	190,811	452,325	539,672	1,190,110
Total	8,264,492	10,637,527	16,538,849	24,422,565

(1) Staff costs payable

	2010			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	905,556	1,928,748	(1,765,311)	1,068,993
Social insurance	16,730	184,463	(188,193)	13,000
Housing funds	3,822	108,018	(106,231)	5,609
Labor union fees and staff education expenses	39,206	54,799	(36,683)	57,322
Others	18,829	111,577	(114,084)	16,322
Total	984,143	2,387,605	(2,210,502)	1,161,246

	2011			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	1,068,993	2,108,056	(2,069,708)	1,107,341
Social insurance	13,000	260,798	(247,202)	26,596
Annuity Scheme	—	18,880	—	18,880
Housing funds	5,609	125,631	(128,266)	2,974
Labor union fees and staff education expenses	57,322	68,789	(50,933)	75,178
Others	16,322	162,744	(157,718)	21,348
Total	1,161,246	2,744,898	(2,653,827)	1,252,317

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

55. Other liabilities—continued

Group—continued

	2012			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	1,107,341	2,823,308	(2,535,429)	1,395,220
Social insurance	26,596	330,030	(323,179)	33,447
Annuity Scheme	18,880	28,360	(47,240)	—
Housing funds	2,974	154,177	(155,047)	2,104
Labor union fees and staff education expenses	75,178	89,705	(66,064)	98,819
Others	21,348	168,392	(165,409)	24,331
Total	1,252,317	3,593,972	(3,292,368)	1,553,921

	2013			
	As at January 1,	Accrued	Paid	As at June 30,
Wages or salaries, bonuses, allowances and subsidies	1,395,220	1,385,558	(1,636,451)	1,144,327
Social insurance	33,447	159,199	(157,501)	35,145
Annuity Scheme	—	10,534	(10,438)	96
Housing funds	2,104	76,285	(73,075)	5,314
Labor union fees and staff education expenses	98,819	44,520	(27,498)	115,841
Others	24,331	78,780	(77,926)	25,185
Total	1,553,921	1,754,876	(1,982,889)	1,325,908

(2) Movements of provisions

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
At beginning of the year/period	115,228	224,614	206,639	307,062
Provided for the year/period	159,894	—	182,468	64,404
Settled	(50,508)	(17,975)	(82,045)	(15,445)
At end of the year/period	224,614	206,639	307,062	356,021

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Dividends payable	—	—	—	1,613,059
Other payables	782,718	559,269	515,385	1,103,415
Staff costs payable[(1)]	439,355	585,165	641,923	587,418
Interest payable	—	47,732	132,420	271,392
Provisions[(2)]	224,614	206,639	233,357	232,211
Receipts in advance associated with disposal of distressed assets	242,262	532,335	671,339	89,138
Sundry taxes payable	14,142	20,969	43,494	51,372
Others	62,530	58,426	59,349	59,811
Total	1,765,621	2,010,535	2,297,267	4,007,816

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

55. Other liabilities—continued

Company—continued

(1) Staff costs payable

	2010			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	385,590	466,761	(424,845)	427,506
Social insurance	3,609	42,969	(42,023)	4,555
Housing funds	1,874	34,947	(36,796)	25
Labor union fees and staff education expenses	5,361	6,829	(6,306)	5,884
Others	6,109	41,494	(46,218)	1,385
Total	402,543	593,000	(556,188)	439,355

	2011			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	427,506	561,583	(441,644)	547,445
Social insurance	4,555	46,573	(45,417)	5,711
Annuity Scheme	—	18,880	—	18,880
Housing funds	25	40,935	(40,673)	287
Labor union fees and staff education expenses	5,884	17,452	(12,382)	10,954
Others	1,385	59,037	(58,534)	1,888
Total	439,355	744,460	(598,650)	585,165

	2012			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	547,445	582,135	(518,592)	610,988
Social insurance	5,711	77,830	(74,903)	8,638
Annuity Scheme	18,880	28,360	(47,240)	—
Housing funds	287	50,649	(50,547)	389
Labor union fees and staff education expenses	10,954	26,480	(17,401)	20,033
Others	1,888	50,025	(50,038)	1,875
Total	585,165	815,479	(758,721)	641,923

	2013			
	As at January 1,	Accrued	Paid	As at June 30,
Wages or salaries, bonuses, allowances and subsidies	610,988	291,373	(351,095)	551,266
Social insurance	8,638	36,738	(33,712)	11,664
Annuity Scheme	—	10,534	(10,438)	96
Housing funds	389	25,238	(25,279)	348
Labor union fees and staff education expenses	20,033	9,419	(7,126)	22,326
Others	1,875	26,784	(26,941)	1,718
Total	641,923	400,086	(454,591)	587,418

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

55. Other liabilities—continued

Company—continued

(2) Movements of provisions

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
At beginning of the year/period	80,222	224,614	206,639	233,357
Provided for the year/period	159,894	—	34,942	—
Settled	(15,502)	(17,975)	(8,224)	(1,146)
At end of the year/period	224,614	206,639	233,357	232,211

56. Share capital

Group and Company

	Notes	Year ended December 31,			Six months ended June 30,
		2010	2011	2012	2013
Authorized, issued and fully paid:					
At beginning of the year/period	(1)	—	25,155,097	25,155,097	30,140,024
Financial Restructuring	(1), II	25,155,097	—	—	—
Capital injection	(2)	—	—	4,984,927	—
At end of the year/period		25,155,097	25,155,097	30,140,024	30,140,024

Notes:

(1) The Former Cinda was established by the MOF with paid-in capital of RMB10,137 million. Upon the completion of the Financial Restructuring and incorporation of the joint stock company on June 29, 2010 as set out in note II to section A, RMB15,018 million of the Former Cinda's reserves was capitalized and together with the RMB10,137 million of paid-in capital of Former Cinda were converted into share capital. The MOF subscribed for the 25,155 million promoter's shares at par value of RMB1 each. The capital contribution was verified by Deloitte Touche Tohmatsu CPA Ltd., with verification report De Shi Bao (Yan) Zi (10) No. 0036 issued on June 26, 2010.

(2) On March 30, 2012, the Company issued a total of 4,985 million shares at par value of RMB1 each to four strategic investors for a total consideration of RMB10,369 million with share premium of RMB5,384 million. The capital contribution was verified by RSM China Certified Public Accountants LLP with verification report Zhong Rui Yue Hua Yan Zi [2012] No. 0052 issued on March 19, 2012.

57. Capital reserve

The balance of capital reserve mainly represented deemed contribution from the MOF relating to the subsidiaries of the Company and the share premium of RMB5,384 million from new shares issuance during 2012 as detailed in note VI.56 to section A.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

58. Investment revaluation reserve

Group

Investment revaluation reserve attributable to equity holders of the Company is set out below:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
At beginning of the year/period	2,130,733	3,402,022	(738,932)	(738,932)	406,054
Fair value changes on available-for-sale financial assets					
—fair value changes arising during the year/period	2,953,815	(4,351,666)	(1,624,906)	(97,066)	(2,479,712)
—amounts reclassified to profit or loss upon disposal	(1,065,658)	(710,361)	(155,702)	(515,496)	(611,446)
—amounts reclassified to profit or loss upon impairment	49,307	16,044	3,108,684	185,526	2,435,764
Income tax effect	(762,963)	1,145,185	(243,312)	120,553	170,967
Share of other comprehensive income/ (expense) of associates	96,788	(240,156)	60,222	(60,278)	(19,936)
Subtotal	1,271,289	(4,140,954)	1,144,986	(366,761)	(540,363)
At end of the year/period	3,402,022	(738,932)	406,054	(1,105,693)	(98,309)

Company

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
At beginning of the year/period	975,854	1,929,986	(1,231,831)	(1,231,831)	(124,615)
Fair value changes on available-for-sale financial assets					
—fair value changes arising during the year/period	2,342,996	(3,803,503)	(1,676,826)	(434,836)	(2,922,227)
—amounts reclassified to profit or loss upon disposal	(742,504)	(188,065)	(72,153)	(36,634)	(134,565)
—amounts reclassified to profit or loss upon impairment	48,516	—	3,063,065	108,338	2,424,301
Income tax effect	(693,356)	988,053	(271,490)	91,383	158,123
Share of other comprehensive (expense)/income of associates	(1,520)	(158,302)	64,620	(42,469)	(8,761)
Subtotal	954,132	(3,161,817)	1,107,216	(314,218)	(483,129)
At end of the year/period	1,929,986	(1,231,831)	(124,615)	(1,546,049)	(607,744)

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

59. Surplus reserve

Under the PRC Laws, the Company and its domestic subsidiaries are required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital of the respective entity.

60. General reserve

Prior to July 1, 2012, pursuant to the Administrative Measures of the Ministry of Finance for the Withdrawal of Reserves for Non-performing Debts of Financial Enterprises (Caijin [2005] No. 49) and the Financial Rules for Financial Enterprises-Implementation Guide (Caijin [2007] No. 23) issued by the MOF, in addition to the specific allowance for impairment losses, the Company is required to maintain a general reserve within equity, through the appropriation of profit determined under the PRC GAAP, which should not be less than 1% of the period end balance of its risk assets. Starting from July 1, 2012 and onwards, pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Caijin [2012] No. 20) issued by the MOF, the Company is required to maintain a general reserve at no less than 1.5% of its risk assets at the end of the reporting period, and the minimum threshold can be accumulated over a period of no more than five years.

For the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013, as approved by the general shareholders meeting, the Group and the Company transferred RMB nil, RMB501.62 million, RMB410.66 million, RMB410.66 million (unaudited) and RMB1,229.76 million to general reserve pursuant to the regulatory requirements in the PRC.

61. Retained earnings

During the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2012 and 2013, the distributable profits of the Company were as follows:

Company

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
At beginning of the year/period	4,479,219	6,290,623	9,496,276	9,496,276	12,118,383
Profit for the year/period	6,202,181	6,021,372	5,376,860	2,567,869	3,142,241
Financial Restructuring(1)	(3,759,471)	—	—	—	—
Appropriation to surplus reserve	(620,218)	(602,137)	(537,686)	—	—
Appropriation to general reserve	—	(501,622)	(410,657)	(410,657)	(1,229,760)
Disposal of partial interests in state-owned companies	(11,088)	—	—	—	—
Dividends recognized as distribution	—	(1,711,960)	(1,806,410)	(1,806,410)	(1,613,059)
At end of the year/period	6,290,623	9,496,276	12,118,383	9,847,078	12,417,805

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

61. Retained earnings—continued

Company—continued

(1) Pursuant to the Restructuring Plan and the MOF's Approval of China Cinda Asset Management Corporation State Shares Administration Plan (Caijin [2010] No. 66) issued by the MOF on June 18, 2010, RMB3,759.47 million of the Former Cinda's distributable profit at Company level were capitalized.

62. Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Cash on hand	3,783	4,064	3,982	3,967
Unrestricted balances with original maturity of less than 3 months				
Bank balances	19,424,208	14,559,307	28,939,130	18,288,681
Clearing settlement funds	152,925	86,165	100,591	122,659
Placements with banks	—	—	2,000,000	—
Financial assets held under resale agreements	369,309	560,535	49,701	912,093
Cash and cash equivalents	19,950,225	15,210,071	31,093,404	19,327,400

63. Major non-cash transaction

	Year ended December 31,			Six months ended June 30,
	2010	2011	2012	2013
Debt-to-equity swap (Note)				
—available-for-sale financial assets transferred in	436,690	675,524	18,233	—
—financial assets at fair value through profit or loss transferred out	(278,713)	(321,213)	(14,941)	—
Equity swap (Note)				
—available-for-sale financial assets transferred in	—	3,159,455	1,119,310	435,255
—available-for-sale financial assets transferred out	—	(1,721,507)	(273,152)	(228,501)
During the Financial Restructuring in 2010, the Group had the following revaluation surplus:				
—Interests in associates	1,994,720	—	—	—
—Available-for-sale financial assets	999,712	—	—	—
—Property and equipment	504,468	—	—	—
—Investment properties	59,024	—	—	—
—Other intangible assets	386	—	—	—
—Others	6,794	—	—	—

Note: As part of its distressed asset management business, the Group entered into transactions of debt-to-equity swap and equity swap with counterparties in the ordinary course of business during the Relevant Periods.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

64. 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, 2010, 2011 and 2012 and June 30, 2013 the claim amounts of pending litigation were RMB536.60 million, RMB683.02 million, RMB709.05 million, and RMB787.23 million for the Group and RMB536.60 million, RMB683.02 million, RMB692.35 million, and RMB623.77 million for the Company respectively, and provisions of RMB112.35 million, RMB94.58 million, RMB143.41 million, and RMB127.97 million for the Group and RMB112.35 million, RMB94.58 million, RMB129.11 million and RMB127.97 million for the Company respectively were made based on court judgments or the advice of legal counsel. Directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group and the Company.

(2) Commitments other than operating lease commitments

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Contracted but not provided for				
—commitments for the acquisition of property and equipment	3,420	196,442	417,150	314,832
—commitments for the acquisition of investments	—	47,925	1,102,971	1,095,690
Total	3,420	244,367	1,520,121	1,410,522

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Contracted but not provided for				
—commitments for the acquisition of property and equipment	—	12,137	375,522	312,869
—commitments for the acquisition of investments	—	40,000	1,025,140	1,095,690
Total	—	52,137	1,400,662	1,408,559

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

64. Contingent liabilities and commitments—continued

(3) Operating lease commitments

At the end of each reporting period, 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,			As at June 30,
	2010	2011	2012	2013
Within 1 year	134,650	176,594	200,734	180,896
1-2 years	106,145	155,850	136,317	128,395
2-3 years	65,247	97,022	77,961	71,898
Over 3 years	105,827	102,469	79,365	63,635
Total	411,869	531,935	494,377	444,824

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Within 1 year	13,543	98,589	118,544	107,135
1-2 years	10,942	87,169	81,044	24,406
2-3 years	7,655	61,269	13,654	11,850
Over 3 years	7,873	29,230	13,779	9,841
Total	40,013	276,257	227,021	153,232

(4) Other guarantee provided by the Group

(i) The Company and its subsidiary, Cinda Investment Co., Ltd. respectively provided credit enhancements for the trust plans issued by China Jingu International Trust Co., Ltd. ("Jingu Trust"), also a subsidiary of the Company. As at December 31, 2010, 2011 and 2012 and June 30, 2013, the exposure to the credit enhancements amounted to RMB nil, RMB401.00 million, RM1,320.00 million, RMB1,820.00 million for the Group and RMB nil, RMB220.00 million, RMB220.00 million, RMB nil for the Company, respectively, plus any shortfall from the guaranteed returns ranging from 8% to 20%. As a result of the credit enhancements provided by the Group, related trust plans issued by Jingu Trust for external beneficial parties are consolidated, because the Group is exposed to a significant variable return on trust plans that it has power upon.

(ii) During 2012, the Company and Cinda Capital Management Co., Ltd., a subsidiary, jointly set up Ningbo Qiushi Investment Management Partnership Limited ("Ningbo Qiushi") together with Kunlun Trust Co, Ltd. ("Kunlun Trust"). Cinda Investment Co., Ltd. provided purchase commitments to Kunlun Trust in respect of its capital contribution and guaranteed a basic return in case the project does not achieve the pre-determined return for

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

64. Contingent liabilities and commitments—continued

(4) Other guarantee provided by the Group—continued

a period of 3 years. If Cinda Investment Co., Ltd. failed to meet its obligation, the Company shall undertake the obligation. As at December 31, 2012 and June 30, 2013, the capital subscribed and paid in by Kunlun Trust amounted to RMB4,700.00 million and RMB1,627.00 million, and RMB4,700.00 million and RMB3,799.57 million, respectively. The guaranteed basic return ranges from 8% to 10%, depends on the duration period of the investment projects.

(iii) During 2012, Zhejiang Cinda Asset Management Co, Ltd. ("Zhejiang Cinda"), a Group entity, set up Ningbo Cinda Xixi Equity Investment Partnership together with a number of individuals. Zhejiang Cinda provided unconditional purchase commitment to those individual shareholders on their capital contribution at an aggregate amount of RMB83.00 million plus a pre-determined return of 10% in the first year and 12.5% in the second year during a specified period of 2 years.

As a result of the purchase commitments and guarantee provided by the Group entities, the funds managed by the Group as set out in note (ii) and (iii) above are consolidated, because the Group is exposed to significant variable returns on these private funds and the Group has the ability to use its power over the funds to affect its returns.

(iv) During 2012, Hainan Jianxin Investment Management Co., Ltd. ("Hainan Jianxin"), a subsidiary, transferred 35% of its interests in Hainan Jincui Real Estate Co., Ltd. to Shoutai Jinxin (Beijing) Equity Investment Fund Management Co., Ltd. ("Shoutai Jinxin"). Hainan Jianxin provided guaranteed return to Shoutai Jinxin for a period of 3 years. Cinda Investment Co., Ltd., as the holding company of Hainan Jianxin, provided undertaking for Hainan Jianxin's guarantee. Maximum exposure to the Group resulted from the return guarantee amounted to RMB518.28 million and RMB518.28 million as at December 31, 2012 and June 30, 2013, respectively.

(v) During 2012, the Company provided guarantee to China Zheshang Bank Co., Ltd., an independent third party, for a series of collective notes issued by the bank at an aggregate amount of RMB639.48 million at a coupon rate of 6% for a period ranging from one to two years.

65. Transfers of financial assets

Repurchase agreements

The Group entered into sales agreements with certain counterparties on its financial assets, in which the Group was subject to simultaneous agreements with commitments to repurchase these financial assets at specified future dates and prices. As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these financial assets to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these financial assets during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

65. Transfers of financial assets—continued

Repurchase agreements—continued

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 exists an event of default on the secured lending.

	Carrying amount of pledged assets				Related liabilities			
	December 31,			June 30,	December 31,			June 30,
	2010	2011	2012	2013	2010	2011	2012	2013
Held-for-trading debt securities	169,536	1,013,390	1,892,145	1,862,633	141,660	899,863	1,823,548	1,446,645
Available-for-sale debt securities	349,586	2,633,311	2,027,217	592,037	312,530	2,223,597	1,796,858	511,667
Held-to-maturity debt securities	100,717	2,205,327	2,910,872	777,959	92,120	1,981,060	2,714,540	739,960
Finance lease receivables	—	1,581,271	5,713,956	3,400,754	—	1,657,000	5,658,700	3,536,767
Total	619,839	7,433,299	12,544,190	6,633,383	546,310	6,761,520	11,993,646	6,235,039

In addition to the above-mentioned pledged assets, there were collaterals accepted from external parties which were then re-pledged under repurchase agreements. As at December 31, 2010, 2011 and 2012 and June 30, 2013, the related liabilities amounted to RMB333.20 million, RMB159.00 million, RMB nil, and RMB nil, respectively.

66. 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.

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

The Group allocates tax assets/liabilities to segments without allocating the related income tax expense to those segments.

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

Distressed asset management operations

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

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

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

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

Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Revenue and assets of the Group are generated primarily from operating units located in Mainland China. There is no significant customer concentration of the Group's business. There is no customer contributing to more than 10% of the Group's revenue.

Internal charges and transfer prices are determined with reference to market rates and have been reflected in the performance of each segment. The inter-segment income/expenses are reflected in the "Elimination" in the following segment information tables.

Segment revenues, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

66. Segment information—continued

Year ended December 31, 2010	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Fair value changes on distressed debt assets	5,395,860	—	—	455,059	5,850,919
Fair value changes on other financial assets	28,003	290,121	113,961	(6,026)	426,059
Investment income	4,038,554	535,252	756,403	(495,370)	4,834,839
Net insurance premiums earned	—	—	4,584,328	—	4,584,328
Interest income	365,283	113,735	370,664	(1,111)	848,571
Revenue from sales of inventories	—	4,148,353	—	—	4,148,353
Commission and fee income	172,951	88,842	1,873,453	(52,575)	2,082,671
Net gains on disposal of subsidiaries and associates	—	12,132	—	—	12,132
Other income and other net gains or losses	(188,036)	1,854,330	19,516	(213,233)	1,472,577
Total	9,812,615	7,042,765	7,718,325	(313,256)	24,260,449
Interest expense	(913,684)	(393,555)	(63,585)	4,556	(1,366,268)
Insurance costs	—	—	(4,433,768)	—	(4,433,768)
Employee benefits	(593,000)	(574,809)	(1,198,875)	—	(2,366,684)
Purchases and changes in inventories	—	(2,654,920)	—	—	(2,654,920)
Commission and fee expense	—	(22,687)	(711,734)	36,984	(697,437)
Business tax and surcharges	(17,270)	(344,841)	(141,878)	—	(503,989)
Depreciation and amortization expenses	(42,546)	(360,050)	(98,539)	1,600	(499,535)
Other expenses	(562,956)	(611,722)	(858,043)	248,470	(1,784,251)
Impairment losses on assets	(462,141)	(1,984)	(31,586)	—	(495,711)
Total	(2,591,597)	(4,964,568)	(7,538,008)	291,610	(14,802,563)
Change in net assets attributable to other holders of consolidated structured entities	—	(6,057)	—	—	(6,057)
Profit before share of results of associates and tax	7,221,018	2,072,140	180,317	(21,646)	9,451,829
Share of results of associates	243,872	260,654	—	—	504,526
Profit before tax	7,464,890	2,332,794	180,317	(21,646)	9,956,355
Income tax expense					(2,453,770)
Profit for the year					7,502,585
Capital expenditure	45,977	268,240	190,991	(244)	504,964
As at December 31, 2010					
Segment assets	84,476,110	32,147,140	36,418,019	(2,339,858)	150,701,411
Including: Interests in associates	3,257,907	2,713,076	—	—	5,970,983
Total assets	84,476,110	32,147,140	36,418,019	(2,339,858)	150,701,411
Segment liabilities	67,126,365	16,833,068	27,730,978	(3,490,553)	108,199,858
Total liabilities	67,126,365	16,833,068	27,730,978	(3,490,553)	108,199,858

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

66. Segment information—continued

Year ended December 31, 2011	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Income from distressed debt assets classified as receivables	180,901	—	—	—	180,901
Fair value changes on distressed debt assets	4,850,808	—	—	(387,715)	4,463,093
Fair value changes on other financial assets	—	252,407	(60,226)	(151,663)	40,518
Investment income	4,118,282	643,037	945,461	72,513	5,779,293
Net insurance premiums earned	—	—	5,701,319	(3,298)	5,698,021
Interest income	425,284	104,599	1,006,652	(57,099)	1,479,436
Revenue from sales of inventories	—	3,236,743	—	—	3,236,743
Commission and fee income	205,233	112,053	1,629,477	(44,363)	1,902,400
Net gains on disposal of subsidiaries and associates	—	174,409	—	—	174,409
Other income and other net gains or losses	176,103	1,422,809	8,183	(179,838)	1,427,257
Total	9,956,611	5,946,057	9,230,866	(751,463)	24,382,071
Interest expense	(1,245,222)	(341,334)	(322,703)	102,245	(1,807,014)
Insurance costs	—	—	(5,337,422)	—	(5,337,422)
Employee benefits	(744,460)	(465,540)	(1,462,441)	—	(2,672,441)
Purchases and changes in inventories	—	(1,844,213)	—	—	(1,844,213)
Commission and fee expense	—	(19,761)	(785,415)	1,680	(803,496)
Business tax and surcharges	(34,886)	(328,989)	(197,918)	—	(561,793)
Depreciation and amortization expenses	(57,063)	(243,883)	(129,258)	1,600	(428,604)
Other expenses	(625,833)	(635,212)	(995,323)	221,069	(2,035,299)
Impairment losses on assets	(318,696)	(10,372)	(207,384)	—	(536,452)
Total	(3,026,160)	(3,889,304)	(9,437,864)	326,594	(16,026,734)
Change in net assets attributable to other holders of consolidated structured entities	—	49,995	—	—	49,995
Profit before share of results of associates and tax	6,930,451	2,106,748	(206,998)	(424,869)	8,405,332
Share of results of associates	271,384	381,476	—	—	652,860
Profit before tax	7,201,835	2,488,224	(206,998)	(424,869)	9,058,192
Income tax expense					(2,271,873)
Profit for the year					6,786,319
Capital expenditure	123,273	434,765	135,916	—	693,954
As at December 31, 2011					
Segment assets	91,550,712	35,387,176	49,785,642	(3,599,556)	173,123,974
Including: Interests in associates	3,583,297	3,129,579	—	—	6,712,876
Total assets	91,550,712	35,387,176	49,785,642	(3,599,556)	173,123,974
Segment liabilities	76,560,801	17,895,081	40,150,801	(4,325,381)	130,281,302
Total liabilities	76,560,801	17,895,081	40,150,801	(4,325,381)	130,281,302

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

66. Segment information—continued

Year ended December 31, 2012	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Income from distressed debt assets classified as receivables	3,518,395	—	—	—	3,518,395
Fair value changes on distressed debt assets	3,982,855	—	—	(104,602)	3,878,253
Fair value changes on other financial assets	16,429	(10,913)	399,179	(5,401)	399,294
Investment income	5,108,058	407,418	1,016,997	(3,632)	6,528,841
Net insurance premiums earned	—	—	5,340,216	(15,294)	5,324,922
Interest income	447,296	297,427	1,841,565	(92,967)	2,493,321
Revenue from sales of inventories	—	3,924,082	—	—	3,924,082
Commission and fee income	87,845	318,875	1,900,847	(81,219)	2,226,348
Net gains on disposal of subsidiaries and associates	983,193	1,602,147	—	—	2,585,340
Other income and other net gains or losses	247,946	1,372,265	53,776	(217,575)	1,456,412
Total	14,392,017	7,911,301	10,552,580	(520,690)	32,335,208
Interest expense	(2,703,531)	(358,736)	(785,758)	150,406	(3,697,619)
Insurance costs	—	—	(4,690,060)	—	(4,690,060)
Employee benefits	(815,480)	(573,415)	(2,028,669)	—	(3,417,564)
Purchases and changes in inventories	—	(2,391,784)	—	—	(2,391,784)
Commission and fee expense	—	(23,126)	(877,694)	82	(900,738)
Business tax and surcharges	(89,352)	(381,772)	(314,540)	—	(785,664)
Depreciation and amortization expenses	(70,348)	(227,029)	(153,334)	1,600	(449,111)
Other expenses	(692,091)	(765,914)	(1,090,251)	281,677	(2,266,579)
Impairment losses on assets	(4,013,787)	(139,147)	(448,017)	—	(4,600,951)
Total	(8,384,589)	(4,860,923)	(10,388,323)	433,765	(23,200,070)
Change in net assets attributable to other holders of consolidated structured entities	—	(151,539)	—	—	(151,539)
Profit before share of results of associates and tax	6,007,428	2,898,839	164,257	(86,925)	8,983,599
Share of results of associates	226,529	385,735	—	—	612,264
Profit before tax	6,233,957	3,284,574	164,257	(86,925)	9,595,863
Income tax expense					(2,378,727)
Profit for the year					7,217,136
Capital expenditure	99,881	373,900	135,897	—	609,678
As at December 31, 2012					
Segment assets	140,327,703	49,026,597	69,352,054	(4,091,996)	254,614,358
Including: Interests in associates	3,317,063	4,159,213	—	—	7,476,276
Total assets	140,327,703	49,026,597	69,352,054	(4,091,996)	254,614,358
Segment liabilities	115,549,944	27,364,894	55,550,164	(4,735,387)	193,729,615
Total liabilities	115,549,944	27,364,894	55,550,164	(4,735,387)	193,729,615

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

66. Segment information—continued

Six months ended June 30, 2012 (Unaudited)	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Income from distressed debt assets classified as receivables	1,086,959	—	—	—	1,086,959
Fair value changes on distressed debt assets	1,917,059	—	—	(27,954)	1,889,105
Fair value changes on other financial assets	(39,806)	(7,582)	281,619	—	234,231
Investment income	2,054,970	118,070	536,969	(9,033)	2,700,976
Net insurance premiums earned	—	—	2,358,125	(1,624)	2,356,501
Interest income	205,347	74,454	649,264	(49,723)	879,342
Revenue from sales of inventories	—	1,394,767	—	—	1,394,767
Commission and fee income	33,526	132,900	789,735	(1,347)	954,814
Net gains on disposal of subsidiaries and associates	—	78,009	—	—	78,009
Other income and other net gains or losses	98,733	616,455	26,898	(107,212)	634,874
Total	5,356,788	2,407,073	4,642,610	(196,893)	12,209,578
Interest expense	(1,129,980)	(154,167)	(355,508)	81,220	(1,558,435)
Insurance costs	—	—	(2,103,918)	—	(2,103,918)
Employee benefits	(343,640)	(264,817)	(798,185)	—	(1,406,642)
Purchases and changes in inventories	—	(724,482)	—	—	(724,482)
Commission and fee expense	—	(2,816)	(442,187)	67	(444,936)
Business tax and surcharges	(18,284)	(144,257)	(127,986)	—	(290,527)
Depreciation and amortization expenses	(21,534)	(169,013)	(54,079)	—	(244,626)
Other expenses	(262,627)	(268,903)	(476,210)	109,743	(897,997)
Impairment losses on assets	(722,621)	(34,803)	(195,342)	—	(952,766)
Total	(2,498,686)	(1,763,258)	(4,553,415)	191,030	(8,624,329)
Change in net assets attributable to other holders of consolidated structured entities	—	(62,236)	—	—	(62,236)
Profit before share of results of associates and tax	2,858,102	581,579	89,195	(5,863)	3,523,013
Share of results of associates	140,938	219,215	—	—	360,153
Profit before tax	2,999,040	800,794	89,195	(5,863)	3,883,166
Income tax expense					(901,690)
Profit for the period					2,981,476
Capital expenditure	65,815	420,337	112,711	—	598,863

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

66. Segment information—continued

Six months ended June 30, 2013	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Income from distressed debt assets classified as receivables	4,244,535	—	—	—	4,244,535
Fair value changes on distressed debt assets	2,003,017	—	—	(35,068)	1,967,949
Fair value changes on other financial assets	(6,975)	(37,191)	357,700	8,113	321,647
Investment income	3,295,032	264,698	348,934	—	3,908,664
Net insurance premiums earned	—	—	2,605,730	(2,151)	2,603,579
Interest income	443,220	470,753	1,073,051	(52,818)	1,934,206
Revenue from sales of inventories	—	1,376,571	—	—	1,376,571
Commission and fee income	15,486	14,459	1,119,135	(19,925)	1,129,155
Net gains on disposal of subsidiaries and associates	—	111,480	—	—	111,480
Other income and other net gains or losses	54,735	1,103,616	7,366	(94,153)	1,071,564
Total	10,049,050	3,304,386	5,511,916	(196,002)	18,669,350
Interest expense	(2,410,480)	(248,711)	(570,696)	74,779	(3,155,108)
Insurance costs	—	—	(2,176,747)	—	(2,176,747)
Employee benefits	(400,086)	(336,346)	(963,013)	—	(1,699,445)
Purchases and changes in inventories	—	(823,865)	—	—	(823,865)
Commission and fee expense	—	(8,568)	(470,803)	—	(479,371)
Business tax and surcharges	(120,294)	(197,574)	(205,172)	—	(523,040)
Depreciation and amortization expenses	(29,971)	(125,843)	(55,081)	—	(210,895)
Other expenses	(307,370)	(259,891)	(558,671)	116,934	(1,008,998)
Impairment losses on assets	(3,113,353)	(134,534)	(228,051)	—	(3,475,938)
Total	(6,381,554)	(2,135,332)	(5,228,234)	191,713	(13,553,407)
Change in net assets attributable to other holders of consolidated structured entities	—	(216,396)	—	—	(216,396)
Profit before share of results of associates and tax	3,667,496	952,658	283,682	(4,289)	4,899,547
Share of results of associates	43,265	194,632	—	—	237,897
Profit before tax	3,710,761	1,147,290	283,682	(4,289)	5,137,444
Income tax expense					(1,120,428)
Profit for the period					4,017,016
Capital expenditure	115,573	19,729	36,582	—	171,884
As at June 30, 2013					
Segment assets	160,920,636	52,150,058	74,503,367	(4,021,062)	283,552,999
Including: Interests in associates	3,380,979	4,516,344	16,500	—	7,913,823
Total assets	160,920,636	52,150,058	74,503,367	(4,021,062)	283,552,999
Segment liabilities	136,796,239	29,214,769	59,456,849	(4,660,163)	220,807,694
Total liabilities	136,796,239	29,214,769	59,456,849	(4,660,163)	220,807,694

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

67. Related party transactions

(1) The MOF

Group

As at June 30, 2013, the MOF directly owned 83.46% (December 31, 2010 and 2011: 100%; December 31, 2012: 83.46%) 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 has 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,			As at June 30,
	2010	2011	2012	2013
Accounts receivable	164,769	164,769	164,769	164,769
Financial assets at fair value through profit or loss	—	200,005	—	—
Financial assets classified as receivables	—	292,700	292,700	142,700
Interest receivable	—	8,756	23,396	15,970
Accounts payable	46,204,841	46,983,808	38,112,306	33,564,329
Other payables	59,200	35,200	—	—
Interest payable	—	—	43,262	58,346

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

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Interest income	—	6,455	18,284	8,498	4,227
Interest expense	386,228	778,967	810,488	408,542	295,774

Company

The Company had the following balances with the MOF:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Accounts receivable	164,769	164,769	164,769	164,769
Accounts payable	46,204,841	46,983,808	38,112,306	33,564,329
Interest payable	—	—	43,262	58,346

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

67. Related party transactions—continued

(1) The MOF—continued

Company—continued

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

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Interest expense	386,228	778,967	810,488	408,542	295,774

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Placements with a financial institution	—	—	—	300,000
Financial assets held under resale agreements	—	—	—	200,000
Financial assets at fair value through profit or loss	823,331	545,282	1,159,242	1,162,062
Financial assets classified as receivables	—	—	48,000	48,000
Amounts due from subsidiaries	1,329,043	2,808,768	2,735,193	1,942,251
Other receivables	126,086	126,086	—	—
Dividend receivables	—	—	—	73,151
Other payables	16,787	12,964	29,978	37,732

(3) Associates

The Group has entered into transactions with its associates, entities that it does not control but exercises significant influence. 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,			As at June 30,
	2010	2011	2012	2013
Loans and advances to customers	72,500	43,800	96,326	247,897
Interest receivable	1,612	8,025	9,012	9,797
Borrowings	230,000	70,000	80,000	80,000
Bonds issued	—	150,000	150,000	150,000
Interest payable	562	2,961	3,035	8,397
Other payables	—	4,135	39,063	25,000

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

67. Related party transactions—continued

(3) Associates—continued

Group—continued

The Group has entered into the following transactions with its associates:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Interest income	8,074	6,413	4,037	1,680	6,641
Commission and fee income	9,559	12,526	2,519	—	—
Dividend income	194,468	71,785	154,860	104,560	206,418
Net insurance premiums earned	—	—	425	23	96
Rental income	—	100	—	—	—
Interest expense	6,379	4,263	20,944	8,469	9,198

Company

The Company has entered into the following transactions with its associates:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Dividend income	135,854	36,500	137,035	86,636	63,000

(4) Key management personnel

Group and Company

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.

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Remuneration of key management personnel					
—Fees	370	720	823	354	486
—Salaries, allowances and benefits in kind	4,311	6,519	7,303	3,526	3,394
—Employer's contribution to pension scheme	212	582	645	318	359
—Bonuses	6,809	10,381	12,452	2,303	2,297
Total	11,702	18,202	21,223	6,501	6,536

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

67. Related party transactions—continued

(5) Government related entities

Other than disclosed above, the Group also entered into transactions with government related entities. These transactions are entered into under normal commercial terms and conditions.

Management considers that transactions with government related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that both the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government related entities.

(6) Annuity Scheme

Group and Company

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

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Contribution to Annuity Scheme	—	18,880	28,360	—	10,534

68. 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.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

Risk Management Framework—continued

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.

68.1 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 other distressed assets is detailed in note VI.68.4 to section A.

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 collaterals 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.

(ii) Impairment assessment

Credit assets are measured at amortized cost using effective interest rate. The Group reviews the carrying value 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;

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.1 Credit Risk—continued

(ii) Impairment assessment—continued

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

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.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.1 Credit Risk—continued

(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 and treasury operations. At the end of each reporting period, maximum exposure to credit risk is as follows:

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Bank balances	33,768,864	27,183,126	42,722,306	29,726,890
Clearing settlement funds	1,415,469	1,286,317	1,525,844	2,059,589
Deposits with exchanges and a financial institution	877,084	778,879	907,226	696,102
Placements with banks	—	—	2,000,000	—
Financial assets at fair value through profit or loss	1,236,122	4,630,508	6,439,908	5,277,259
Financial assets held under resale agreements	369,309	560,535	57,232	1,008,104
Available-for-sale financial assets	7,539,163	10,651,397	10,209,418	13,058,843
Financial assets classified as receivables	—	12,149,831	51,195,120	80,429,720
Loans and advance to customers	2,508,436	9,447,891	25,041,518	31,977,084
Accounts receivables	6,418,190	4,062,503	5,257,293	8,896,250
Held-to-maturity investments	3,775,634	6,261,914	7,343,274	7,636,930
Other assets	667,086	1,240,416	1,615,203	2,707,502
Total	58,575,357	78,253,317	154,314,342	183,474,273

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.1 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,			As at June 30,
	2010	2011	2012	2013
Bank balances	13,395,764	9,892,788	18,499,654	11,949,205
Placements with banks and a financial institution	—	—	2,000,000	300,000
Financial assets at fair value through profit or loss	—	—	19,468	24,509
Financial assets held under resale agreements	—	—	—	200,000
Available-for-sale financial assets	—	260,000	—	—
Financial assets classified as receivables	—	9,681,131	48,068,188	77,888,189
Accounts receivable	5,511,905	3,408,443	4,283,058	6,875,299
Amounts due from subsidiaries	1,329,043	2,808,768	2,735,193	1,293,023
Held-to-maturity investments	210,000	210,000	210,000	210,000
Other assets	57,876	79,466	156,729	442,985
Total	20,504,588	26,340,596	75,972,290	99,183,210

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.68.4 to section A. The carrying amount of distressed debt assets designated as at fair value through profit or loss amounted to RMB7,293.69 million, RMB7,415.41 million, RMB7,960.20 million and RMB8,371.61 million for the Group and RMB8,029.92 million, RMB7,918.46 million, RMB8,022.20 million and RMB8,468.89 million for the Company as at December 31, 2010, 2011 and 2012 and June 30, 2013, 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.

A. **FINANCIAL INFORMATION (continued)**

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.1 Credit Risk—continued

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

Group

	As at December 31,			At June 30,
	2010	2011	2012	2013
Distressed debt assets classified as receivables	—	9,701,131	49,550,493	80,086,372
Loans and advances to customers	2,524,087	9,619,483	25,479,963	32,639,641
Subtotal	2,524,087	19,320,614	75,030,456	112,726,013
Allowance for impairment losses				
Distressed debt assets classified as receivables	—	(20,000)	(1,482,305)	(2,198,183)
Loans and advances to customers	(15,651)	(171,592)	(438,445)	(662,557)
Subtotal	(15,651)	(191,592)	(1,920,750)	(2,860,740)
Net carrying amount				
Distressed debt assets classified as receivables	—	9,681,131	48,068,188	77,888,189
Loans and advances to customers	2,508,436	9,447,891	25,041,518	31,977,084
Total	2,508,436	19,129,022	73,109,706	109,865,273

Company

	As at December 31,			At June 30,
	2010	2011	2012	2013
Distressed debt assets classified as receivables	—	9,701,131	49,550,493	80,086,372
Allowance for impairment losses	—	(20,000)	(1,482,305)	(2,198,183)
Net carrying value	—	9,681,131	48,068,188	77,888,189

By geographical area

Group

Area	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Gross amount	%	Gross amount	%	Gross amount	%	Gross amount	%
Western Region	284,999	11.3	3,917,389	20.3	18,315,925	24.4	30,754,695	27.3
Bohai Rim	588,902	23.3	8,688,218	45.0	18,703,350	24.9	23,322,702	20.7
Central Region	415,953	16.5	2,926,565	15.1	14,691,207	19.6	20,704,421	18.3
Yangtze River Delta	580,730	23.0	2,212,312	11.5	10,827,566	14.4	14,632,261	13.0
Pearl River Delta	306,000	12.1	1,262,932	6.5	7,434,836	9.9	13,708,083	12.2
Northeastern Region	347,503	13.8	133,029	0.7	4,751,826	6.3	9,532,474	8.4
Overseas	—	—	180,169	0.9	305,746	0.5	71,377	0.1
Total	2,524,087	100.0	19,320,614	100.0	75,030,456	100.0	112,726,013	100.0

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.1 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

Area	As at December 31, 2010 Gross amount	%	2011 Gross amount	%	2012 Gross amount	%	As at June 30, 2013 Gross amount	%
Western Region	—	—	1,349,777	13.9	12,317,283	24.9	21,580,447	26.9
Bohai Rim	—	—	4,554,974	47.0	10,972,928	22.1	16,802,678	21.0
Central Region	—	—	1,887,545	19.5	10,659,688	21.5	16,085,564	20.1
Yangtze River Delta	—	—	1,291,903	13.3	6,768,638	13.7	9,867,772	12.3
Pearl River Delta	—	—	616,932	6.3	5,657,888	11.4	8,866,163	11.1
Northeastern Region	—	—	—	—	3,174,068	6.4	6,883,748	8.6
Total	—	—	9,701,131	100.0	49,550,493	100.0	80,086,372	100.0

Notes:

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

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.1 Credit Risk—continued

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

By industry

Group

Industry	As at December 31, 2010 Gross amount	2010 %	2011 Gross amount	2011 %	2012 Gross amount	2012 %	As at June 30, 2013 Gross amount	2013 %
Real estate	645,020	25.6	8,285,565	42.9	39,666,173	52.9	55,587,827	49.3
Manufacturing	1,294,150	51.3	7,412,287	38.4	10,139,408	13.5	12,915,866	11.5
Water, environment and public utilities management	—	—	328,843	1.7	7,056,887	9.4	10,508,369	9.3
Leasing and commercial services	—	—	—	—	—	—	7,734,956	6.9
Construction	—	—	446,483	2.3	3,982,524	5.3	5,065,778	4.5
Transportation, logistics and postal services	306,409	12.1	1,266,901	6.6	2,692,640	3.6	5,384,936	4.8
Mining	—	—	458,390	2.4	2,539,268	3.4	3,734,942	3.3
Others	278,508	11.0	1,122,145	5.7	8,953,556	11.9	11,793,339	10.4
Total	2,524,087	100.0	19,320,614	100.0	75,030,456	100.0	112,726,013	100

Company

Industry	As at December 31, 2010 Gross amount	2010 %	2011 Gross amount	2011 %	2012 Gross amount	2012 %	As at June 30, 2013 Gross amount	2013 %
Real estate	—	—	7,525,593	77.6	33,922,964	68.5	48,333,425	60.4
Manufacturing	—	—	572,618	5.9	1,839,281	3.7	5,118,398	6.4
Water, environment and public utilities management	—	—	95,195	1.0	3,265,508	6.6	4,825,272	6.0
Leasing and commercial services	—	—	—	—	—	—	6,672,144	8.3
Construction	—	—	245,115	2.5	2,465,866	5.0	3,623,632	4.5
Transportation, logistics and postal services	—	—	509,218	5.2	1,368,164	2.8	2,923,755	3.7
Mining	—	—	212,616	2.2	651,576	1.3	381,387	0.5
Others	—	—	540,776	5.6	6,037,134	12.1	8,208,359	10.2
Total	—	—	9,701,131	100.0	49,550,493	100.0	80,086,372	100

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.1 Credit Risk—continued

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

By contractual maturity and security type

Group

	Gross amount as at December 31, 2010				Gross amount as at December 31, 2011				Gross amount as at December 31, 2012				Gross amount as at June 30, 2013			
	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total
Unsecured	—	510,932	—	510,932	90,062	578,797	—	668,859	2,554,320	832,214	—	3,386,534	252,080	6,280,426	—	6,532,506
Guaranteed	—	882,000	—	882,000	2,187,656	6,550,705	200,000	8,938,361	1,640,795	20,086,979	577,311	22,305,085	2,811,051	35,479,126	494,948	38,785,125
Mortgaged	—	677,155	—	677,155	3,915,947	4,688,911	13,540	8,618,398	5,505,766	33,907,462	965,059	40,378,287	4,691,738	46,675,948	893,312	52,260,998
Pledged	175,000	279,000	—	454,000	65,000	1,029,996	—	1,094,996	1,798,098	7,162,452	—	8,960,550	4,499,752	9,548,925	1,098,707	15,147,384
Total	175,000	2,349,087	—	2,524,087	6,258,665	12,848,409	213,540	19,320,614	11,498,979	61,989,107	1,542,370	75,030,456	12,254,621	97,984,425	2,486,967	112,726,013

Company

	Gross amount as at December 31, 2010				Gross amount as at December 31, 2011				Gross amount as at December 31, 2012				Gross amount as at June 30, 2013			
	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total	Less than 1 year (Including 1 year)	1 to 5 years (Including 5 years)	Over 5 years	Total
Unsecured	—	—	—	—	20,062	53,718	—	73,780	11,058	172,419	—	183,477	62,195	4,937,624	—	4,999,819
Guaranteed	—	—	—	—	2,187,656	822,797	—	3,010,453	1,640,795	9,601,239	—	11,242,034	1,547,190	22,657,160	—	24,204,350
Mortgaged	—	—	—	—	3,495,946	3,093,993	—	6,589,939	5,505,766	26,995,469	—	32,501,235	3,579,240	39,834,660	—	43,413,900
Pledged	—	—	—	—	—	26,959	—	26,959	888,721	4,735,026	—	5,623,747	565,935	6,902,368	—	7,468,303
Total	—	—	—	—	5,703,664	3,997,467	—	9,701,131	8,046,340	41,504,153	—	49,550,493	5,754,560	74,331,812	—	80,086,372

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.1 Credit Risk—continued

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

Group

	As at December 31, 2010					As at December 31, 2011					As at December 31, 2012					As at June 30, 2013				
	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	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 . . .	—	—	—	—	—	606,820	—	—	—	606,820	810,075	670,135	—	—	1,480,210	693,823	675,284	410,064	—	1,779,171
Loans and advances to customers	—	—	—	—	—	—	70,000	—	—	70,000	27,940	53,455	—	—	81,395	241,870	777,396	90,020	—	1,109,286
Total	—	—	—	—	—	606,820	70,000	—	—	676,820	838,015	723,590	—	—	1,561,605	935,693	1,452,680	500,084	—	2,888,457

Company

	As at December 31, 2010					As at December 31, 2011					As at December 31, 2012					As at June 30, 2013				
	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	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 . . .	—	—	—	—	—	606,820	—	—	—	606,820	810,075	670,135	—	—	1,480,210	693,823	675,284	410,064	—	1,779,171

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.1 Credit Risk—continued

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

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Neither past due nor impaired	2,524,087	18,570,694	73,192,395	109,837,556
Past due but not impaired[(1)]	—	676,820	961,337	1,825,571
Impaired[(2)]	—	73,100	876,724	1,062,886
Subtotal	2,524,087	19,320,614	75,030,456	112,726,013
Allowance for impairment loss	(15,651)	(191,592)	(1,920,750)	(2,860,740)
Net carrying value	2,508,436	19,129,022	73,109,706	109,865,273

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Neither past due nor impaired	—	9,021,211	48,020,286	78,307,201
Past due but not impaired[(1)]	—	606,820	933,397	1,306,199
Impaired[(2)]	—	73,100	596,810	472,972
Subtotal	—	9,701,131	49,550,493	80,086,372
Allowance for impairment loss	—	(20,000)	(1,482,305)	(2,198,183)
Net carrying value	—	9,681,131	48,068,188	77,888,189

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.1 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, 2010					Gross amount as at December 31, 2011					Gross amount as at December 31, 2012					Gross amount as at June 30, 2013				
	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	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 receivable . .	—	—	—	—	—	606,820	—	—	—	606,820	495,256	438,141	—	—	933,397	693,823	275,412	336,964	—	1,306,199
Loans and advances to customers . .	—	—	—	—	—	—	70,000	—	—	70,000	27,940	—	—	—	27,940	241,870	277,502	—	—	519,372
Total	—	—	—	—	—	606,820	70,000	—	—	676,820	523,196	438,141	—	—	961,337	935,693	552,914	336,964	—	1,825,571

Company

	Gross amount as at December 31, 2010					Gross amount as at December 31, 2011					Gross amount as at December 31, 2012					Gross amount as at June 30, 2013				
	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	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 .	—	—	—	—	—	606,820	—	—	—	606,820	495,256	438,141	—	—	933,397	693,823	275,412	336,964	—	1,306,199

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.1 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, 2010			As at December 31, 2011			As at December 31, 2012			As at June 30, 2013		
	Gross amount	Allowance for impairment loss	Net carrying value	Gross amount	Allowance for impairment loss	Net carrying value	Gross amount	Allowance for impairment loss	Net carrying value	Gross amount	Allowance for impairment loss	Net carrying value
Distressed debt assets classified as receivables —Individually assessed . . .	—	—	—	73,100	(20,000)	53,100	596,810	(179,974)	416,836	472,972	(171,381)	301,591
Loans and advances to customers —Individually assessed . . .	—	—	—	—	—	—	279,914	(83,974)	195,940	589,914	(233,942)	355,972
Total	—	—	—	73,100	(20,000)	53,100	876,724	(263,948)	612,776	1,062,886	(405,323)	657,563

Company

	As at December 31, 2010			As at December 31, 2011			As at December 31, 2012			As at June 30, 2013		
	Gross amount	Allowance for impairment loss	Net carrying value	Gross amount	Allowance for impairment loss	Net carrying value	Gross amount	Allowance for impairment loss	Net carrying value	Gross amount	Allowance for impairment loss	Net carrying value
Distressed debt assets classified as receivables —Individually assessed . . .	—	—	—	73,100	(20,000)	53,100	596,810	(179,974)	416,836	472,972	(171,381)	301,591

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.1 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, 2010	2011	2012	As at June 30, 2013
Distressed debt assets classified as receivables				
Individually assessed and impaired	—	73,100	596,810	472,972
Individually assessed and impaired as a % of total distressed debt assets classified as receivables (%)	—	0.8	1.2	0.6
Fair value of collateral	—	53,100	401,930	286,689
Loans and advances to customers				
Individually assessed and impaired	—	—	279,914	589,914
Individually assessed and impaired as a % of total loans and advances to customers (%)	—	—	1.1	1.8
Fair value of collateral	—	—	248,000	248,000

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

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
Area	Gross amount	%	Gross amount	%	Gross amount	%	Gross amount	%
Distressed debt assets classified as receivables								
Western Region	—	—	—	—	30,680	5.1	19,740	4.2
Bohai Rim	—	—	—	—	73,002	12.2	68,446	14.5
Central Region	—	—	—	—	143,130	24.0	80,000	16.9
Yangtze River Delta	—	—	73,100	100.0	304,786	51.1	304,786	64.4
Pearl River Delta	—	—	—	—	45,212	7.6	—	—
Total	—	—	73,100	100.0	596,810	100.0	472,972	100.0
Loans and advances to customers								
Bohai Rim	—	—	—	—	189,894	67.8	189,894	32.2
Yangtze River Delta	—	—	—	—	90,020	32.2	400,020	67.8
Total	—	—	—	—	279,914	100.0	589,914	100.0

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.1 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

Company

	As at December 31, 2010	As at December 31, 2011	As at December 31, 2012	As at June 30, 2013
Distressed debt assets classified as receivables				
Individually assessed and impaired	—	73,100	596,810	472,972
Individually assessed and impaired as a % of total distressed debt assets classified as receivables (%)	—	0.8	1.2	0.6
Fair value of collateral	—	53,100	401,930	286,689

Impaired distressed debt assets classified as receivables by geographical area is analyzed as follows:

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
Area	Gross amount	%	Gross amount	%	Gross amount	%	Gross amount	%
Distressed debt assets classified as receivables								
Western Region	—	—	—	—	30,680	5.1	19,740	4.2
Bohai Rim	—	—	—	—	73,002	12.2	68,446	14.5
Central Region	—	—	—	—	143,130	24.0	80,000	16.9
Yangtze River Delta	—	—	73,100	100.0	304,786	51.1	304,786	64.4
Pearl River Delta	—	—	—	—	45,212	7.6	—	—
Total	—	—	73,100	100.0	596,810	100.0	472,972	100

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.1 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,			As at June 30,
	2010	2011	2012	2013
Neither past due nor impaired[(1)]	12,550,919	24,012,519	27,077,419	28,217,732
Past due but not impaired[(2)]	—	—	—	250,000
Impaired[(3)]	—	—	60,000	60,000
Subtotal	12,550,919	24,012,519	27,137,419	28,527,732
Allowance for impairment loss —individually assessed	—	—	(17,887)	(13,169)
Net carrying value	12,550,919	24,012,519	27,119,532	28,514,563

Company

	As at December 31,			As at June 30,
	2010	2011	2012	2013
Neither past due nor impaired[(1)]	210,000	470,000	229,468	234,509
Allowance for impairment loss —individually assessed	—	—	—	—
Net carrying value	210,000	470,000	229,468	234,509

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.1 Credit Risk—continued

(vii) Credit quality of investment products—continued

(1) Neither past due nor impaired debt instruments

Group

	As at December 31, 2010				
	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	583,254	3,121,442	2,829,628	—	6,534,324
Government bonds	—	—	—	—	—
Financial institution bonds	169,669	911,158	621,683	—	1,702,510
Corporate bonds	478,532	2,184,485	324,323	—	2,987,340
Certificate treasury bonds	—	—	—	—	—
Trust products	—	415,078	—	—	415,078
Wealth management products	4,667	437,000	—	—	441,667
Rights to trust assets	—	470,000	—	—	470,000
Others	—	—	—	—	—
Total	1,236,122	7,539,163	3,775,634	—	12,550,919

	As at December 31, 2011				
	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	800,808	4,025,901	4,319,705	—	9,146,414
Government bonds	200,005	—	—	—	200,005
Financial institution bonds	1,220,328	1,708,865	1,400,219	—	4,329,412
Corporate bonds	2,212,323	3,790,439	541,990	—	6,544,752
Certificate treasury bonds	—	—	—	292,700	292,700
Trust products	—	258,191	—	2,176,000	2,434,191
Wealth management products	197,044	8,001	—	—	205,045
Rights to trust assets	—	700,000	—	—	700,000
Others	—	160,000	—	—	160,000
Total	4,630,508	10,651,397	6,261,914	2,468,700	24,012,519

	As at December 31, 2012				
	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	760,153	3,229,605	4,460,953	—	8,450,711
Government bonds	—	—	—	—	—
Financial institution bonds	971,810	1,997,819	2,341,963	—	5,311,592
Corporate bonds	3,441,608	2,770,740	540,358	—	6,752,706
Certificate treasury bonds	—	—	—	292,700	292,700
Trust products	—	158,004	—	2,577,000	2,735,004
Wealth management products	1,246,869	980,000	—	—	2,226,869
Rights to trust assets	—	1,073,250	—	—	1,073,250
Others	19,468	—	—	215,119	234,587
Total	6,439,908	10,209,418	7,343,274	3,084,819	27,077,419

	As at June 30, 2013				
	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	1,168,027	3,774,753	4,534,874	—	9,477,654
Government bonds	—	—	—	—	—
Financial institution bonds	665,218	1,802,088	2,362,285	—	4,829,591
Corporate bonds	2,382,470	4,469,787	739,771	—	7,592,028
Certificate treasury bonds	—	—	—	142,700	142,700
Trust products	—	290,886	—	1,952,000	2,242,886
Wealth management products	1,037,035	1,648,079	—	—	2,685,114
Rights to trust assets	—	1,073,250	—	—	1,073,250
Others	24,509	—	—	150,000	174,509
Total	5,277,259	13,058,843	7,636,930	2,244,700	28,217,732

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.1 Credit Risk—continued

(vii) Credit quality of investment products—continued

(1) Neither past due nor impaired debt instruments—continued

Company

	As at December 31, 2010					As at December 31, 2011				
	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
Financial institution bonds	—	—	210,000	—	210,000	—	—	210,000	—	210,000
Trust products	—	—	—	—	—	—	100,000	—	—	100,000
Others	—	—	—	—	—	—	160,000	—	—	160,000
Total	—	—	210,000	—	210,000	—	260,000	210,000	—	470,000

	As at December 31, 2012					As at June 30, 2013				
	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
Financial institution bonds	—	—	210,000	—	210,000	—	—	210,000	—	210,000
Trust products	—	—	—	—	—	—	—	—	—	—
Others	19,468	—	—	—	19,468	24,509	—	—	—	24,509
Total	19,468	—	210,000	—	229,468	24,509	—	210,000	—	234,509

(2) Past due but not impaired financial assets classified as receivables

The past due but not impaired financial assets classified as receivables for the Group is a trust product with gross amount of RMB250.00 million as at June 30, 2013.

(3) Impaired financial assets classified as receivables

The impaired financial assets classified as receivables for the Group is a trust product with gross amount of RMB60.00 million and RMB60.00 million as at December 31, 2012 and June 30, 2013, respectively. The Group made an allowance for impairment loss of RMB17.89 million and RMB13.17 million as the trust plan payment was past due.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.1 Credit Risk—continued

(viii) Investment products analyzed by credit rating from reputable rating agencies

Group

	As at December 31, 2010						As at December 31, 2011						As at December 31, 2012						As at June 30, 2013					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Public sector and quasi-government bonds	542,841	—	—	—	5,991,483	6,534,324	604,472	—	—	—	8,541,942	9,146,414	793,353	—	—	—	7,657,358	8,450,711	1,117,834	—	—	—	8,359,820	9,477,654
Government bonds	—	—	—	—	—	—	—	—	—	—	200,005	200,005	—	—	—	—	—	—	—	—	—	—	—	—
Financial institution bonds	1,221,840	380,670	100,000	—	—	1,702,510	3,497,754	779,511	—	52,147	—	4,329,412	4,101,687	1,184,112	—	25,793	—	5,311,592	3,723,803	1,087,093	—	—	18,695	4,829,591
Corporate bonds	1,164,272	1,402,586	240,208	—	180,274	2,987,340	2,747,752	2,907,280	889,720	—	—	6,544,752	1,923,422	4,166,464	581,000	31,820	50,000	6,752,706	2,992,460	4,462,319	—	27,775	109,474	7,592,028
Certificate treasury bonds	—	—	—	—	—	—	—	—	—	—	292,700	292,700	—	—	—	—	292,700	292,700	—	—	—	—	142,700	142,700
Trust products	—	—	—	—	415,078	415,078	—	—	—	—	2,434,191	2,434,191	—	—	—	—	2,777,117	2,777,117	—	—	—	—	2,539,717	2,539,717
Wealth management products	—	—	—	—	441,667	441,667	—	—	—	—	205,045	205,045	—	—	—	—	2,226,869	2,226,869	—	—	—	—	2,685,114	2,685,114
Rights to trust assets	—	—	—	—	470,000	470,000	—	—	—	—	700,000	700,000	—	—	—	—	1,073,250	1,073,250	—	—	—	—	1,073,250	1,073,250
Others	—	—	—	—	—	—	—	—	—	—	160,000	160,000	—	—	—	—	234,587	234,587	—	—	—	—	174,509	174,509
Total	2,928,953	1,783,256	340,208	—	7,498,502	12,550,919	6,849,978	3,686,791	889,720	52,147	12,533,883	24,012,519	6,818,462	5,350,576	581,000	57,613	14,311,881	27,119,532	7,834,097	5,549,412	—	27,775	15,103,279	28,514,563

Company

	As at December 31, 2010						As at December 31, 2011						As at December 31, 2012						As at June 30, 2013					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Financial institution bonds	—	210,000	—	—	—	210,000	—	210,000	—	—	—	210,000	—	210,000	—	—	—	210,000	—	210,000	—	—	—	210,000
Trust products	—	—	—	—	—	—	—	—	—	—	100,000	100,000	—	—	—	—	—	—	—	—	—	—	—	—
Others	—	—	—	—	—	—	—	—	—	—	160,000	160,000	—	—	—	—	19,468	19,468	—	—	—	—	24,509	24,509
Total	—	210,000	—	—	—	210,000	—	210,000	—	—	260,000	470,000	—	210,000	—	—	19,468	229,468	—	210,000	—	—	24,509	234,509

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.2 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 flows changes due to interest rate changes are mainly related to the Group's fixed rates and floating rates 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.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.2 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 or maturity dates are as follows:

Group

	As at December 31, 2010						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	28,929,976	2,738,888	2,100,000	—	—	3,783	33,772,647
Clearing settlement funds	1,415,469	—	—	—	—	—	1,415,469
Deposits with exchanges	—	—	—	—	—	877,084	877,084
Financial assets at fair value through profit or loss	—	14,644	666,319	397,296	157,863	8,865,806	10,101,928
Financial assets held under resale agreements	369,309	—	—	—	—	—	369,309
Available-for-sale financial assets	1,213,147	30,548	587,520	1,323,780	4,039,247	54,961,528	62,155,770
Loans and advances to customers	1,549,485	65,000	649,384	174,064	—	70,503	2,508,436
Accounts receivables	22,256	33,584	2,050,792	3,099,743	—	1,211,815	6,418,190
Held-to-maturity investments	70,063	—	—	311,582	3,393,989	—	3,775,634
Other financial assets	140,999	2,236	314,663	—	—	235,287	693,185
Total financial assets	33,710,704	2,884,900	6,368,678	5,306,465	7,591,099	66,225,806	122,087,652
Borrowings from central bank	—	—	(5,382,736)	(11,081,865)	—	—	(16,464,601)
Accounts payable to brokerage clients	(12,125,010)	—	—	—	—	(1,552,474)	(13,677,484)
Financial assets sold under repurchase agreements	(879,510)	—	—	—	—	—	(879,510)
Borrowings	(220,108)	(765)	(7,261,698)	(338,370)	(5,250)	—	(7,826,191)
Accounts payable	—	—	(9,713,546)	(36,491,295)	—	(1,014,707)	(47,219,548)
Investment contract liabilities for policyholders	(2,697,322)	—	—	—	—	—	(2,697,322)
Other financial liabilities	—	—	—	(290,713)	—	(1,180,291)	(1,471,004)
Total financial liabilities	(15,921,950)	(765)	(22,357,980)	(48,202,243)	(5,250)	(3,747,472)	(90,235,660)
Interest rate gap	17,788,754	2,884,135	(15,989,302)	(42,895,778)	7,585,849	62,478,334	31,851,992

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.2 Market Risk—continued

Interest rate risk—continued

Group—continued

	As at December 31, 2011						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	18,966,535	3,313,517	3,673,074	930,000	300,000	4,064	27,187,190
Clearing settlement funds	1,286,317	—	—	—	—	—	1,286,317
Deposits with exchanges	—	—	—	—	—	778,879	778,879
Financial assets at fair value through profit or loss	80,447	246,882	901,041	2,066,511	1,335,627	8,771,557	13,402,065
Financial assets held under resale agreements	560,535	—	—	—	—	—	560,535
Available-for-sale financial assets	128,519	70,462	1,071,745	2,362,954	6,669,836	54,078,790	64,382,306
Financial assets classified as receivables	674,394	275,689	6,287,042	4,912,706	—	—	12,149,831
Loans and advances to customers	8,269,341	190,000	671,211	259,836	—	57,503	9,447,891
Accounts receivables	327,436	—	1,139,213	1,752,773	—	843,081	4,062,503
Held-to-maturity investments	70,055	—	100,962	911,552	5,179,345	—	6,261,914
Other financial assets	10,664	12,696	77,487	663,600	—	576,816	1,341,263
Total financial assets	30,374,243	4,109,246	13,921,775	13,859,932	13,484,808	65,110,690	140,860,694
Borrowings from central bank	—	—	(9,767,370)	(1,543,312)	—	—	(11,310,682)
Accounts payable to brokerage clients	(6,891,484)	—	—	—	—	(1,259,001)	(8,150,485)
Financial liabilities at fair value through profit or loss	—	—	—	—	—	(713)	(713)
Financial assets sold under repurchase agreements	(5,062,018)	(244,502)	(1,614,000)	—	—	—	(6,920,520)
Borrowings	(392,093)	(34,485)	(23,687,890)	(1,060,622)	(3,850)	—	(25,178,940)
Accounts payable	—	—	(9,713,546)	(37,270,262)	—	(1,011,086)	(47,994,894)
Investment contract liabilities for policyholders	(3,379,648)	—	—	—	—	(238,133)	(3,617,781)
Bonds issued	—	—	—	(495,000)	—	—	(495,000)
Other financial liabilities	—	—	—	(821,853)	—	(1,571,994)	(2,393,847)
Total financial liabilities	(15,725,243)	(278,987)	(44,782,806)	(41,191,049)	(3,850)	(4,080,927)	(106,062,862)
Interest rate gap	14,649,000	3,830,259	(30,861,031)	(27,331,117)	13,480,958	61,029,763	34,797,832

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.2 Market Risk—continued

Interest rate risk—continued

Group—continued

	As at December 31, 2012						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	37,150,779	993,527	1,738,000	2,840,000	—	3,982	42,726,288
Clearing settlement funds	1,525,844	—	—	—	—	—	1,525,844
Deposits with exchanges	—	—	—	—	—	907,226	907,226
Placements with banks	2,000,000	—	—	—	—	—	2,000,000
Financial assets at fair value through profit or loss	570,000	1,247,232	161,186	2,121,171	2,320,851	10,502,533	16,922,973
Financial assets held under resale agreements	49,701	—	7,531	—	—	—	57,232
Available-for-sale financial assets	319,914	—	1,613,704	2,086,880	6,188,920	54,167,147	64,376,565
Financial assets classified as receivables	2,151,695	2,342,993	19,218,012	27,362,420	120,000	—	51,195,120
Loans and advances to customers	17,756,864	57,655	2,774,534	4,406,212	—	46,253	25,041,518
Accounts receivable	82,478	—	2,445,375	1,619,892	—	1,109,548	5,257,293
Held-to-maturity investments	50,024	—	70,026	1,143,342	6,079,882	—	7,343,274
Other financial assets	5,238	20,480	279,785	493,600	—	951,602	1,750,705
Total financial assets	61,662,537	4,661,887	28,308,153	42,073,517	14,709,653	67,688,291	219,104,038
Borrowings from central bank	—	—	(1,868,909)	(5,184,533)	—	—	(7,053,442)
Accounts payable to brokerage clients	(5,221,911)	—	—	—	—	(1,407,614)	(6,629,525)
Financial liabilities at fair value through profit or loss	—	—	—	(49,845)	—	(3,555)	(53,400)
Financial assets sold under repurchase agreements	(6,371,746)	(112,500)	(4,817,900)	(691,500)	—	—	(11,993,646)
Borrowings	(10,546,484)	(7,306,990)	(35,254,136)	(22,989,100)	(2,450)	—	(76,099,160)
Accounts payable	—	(4,903,597)	(12,641,336)	(20,567,373)	—	(1,427,120)	(39,539,426)
Investment contract liabilities for policyholders	(3,053,034)	—	—	—	—	(160,092)	(3,213,126)
Bonds issued	—	—	—	(12,460,555)	—	(73,999)	(12,534,554)
Other financial liabilities	—	—	—	(2,352,444)	—	(3,785,059)	(6,137,503)
Total financial liabilities	(25,193,175)	(12,323,087)	(54,582,281)	(64,295,350)	(2,450)	(6,857,439)	(163,253,782)
Interest rate gap	36,469,362	(7,661,200)	(26,274,128)	(22,221,833)	14,707,203	60,830,852	55,850,256

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.2 Market Risk—continued

Interest rate risk—continued

Group—continued

	As at June 30, 2013						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	23,889,364	1,808,960	1,218,566	2,810,000	—	3,967	29,730,857
Clearing settlement funds	2,059,589	—	—	—	—	—	2,059,589
Deposits with exchanges and a financial institution	—	—	—	—	—	696,102	696,102
Financial assets at fair value through profit or loss	1,029,818	70,449	175,279	2,768,489	1,208,715	11,437,069	16,689,819
Financial assets held under resale agreements	879,995	32,098	96,011	—	—	—	1,008,104
Available-for-sale financial assets	767,919	709,609	1,234,033	3,001,423	7,027,365	49,932,738	62,673,087
Financial assets classified as receivables	3,306,333	4,519,728	27,826,258	44,777,401	—	—	80,429,720
Loans and advances to customers	22,041,721	374,325	2,398,308	7,162,730	—	—	31,977,084
Accounts receivable	368,282	—	1,925,807	3,471,914	—	3,130,247	8,896,250
Held-to-maturity investments	19,999	49,998	250,343	1,196,386	6,120,204	—	7,636,930
Other financial assets	17,850	42,661	737,423	632,475	—	1,441,426	2,871,835
Total financial assets	54,380,870	7,607,828	35,862,028	65,820,818	14,356,284	66,641,549	244,669,377
Borrowings from central bank	—	—	(1,643,050)	(5,229,633)	—	—	(6,872,683)
Accounts payable to brokerage clients	(5,292,148)	—	—	—	—	(1,481,636)	(6,773,784)
Financial liabilities at fair value through profit or loss	—	—	—	—	—	(3,701)	(3,701)
Financial assets sold under repurchase agreements	(2,962,939)	(1,585,433)	(1,500,000)	(186,667)	—	—	(6,235,039)
Placements from a bank and a financial institution	(950,000)	—	—	—	—	—	(950,000)
Borrowings	(15,808,601)	(7,504,615)	(52,171,301)	(28,616,250)	—	—	(104,100,767)
Accounts payable	—	(3,737,390)	(10,999,652)	(18,827,287)	—	(860,992)	(34,425,321)
Investment contract liabilities for policyholders	(3,002,914)	—	—	—	—	—	(3,002,914)
Bonds issued	—	—	—	(12,469,139)	—	(322,917)	(12,792,056)
Other financial liabilities	—	—	—	—	—	(9,518,028)	(9,518,028)
Total financial liabilities	(28,016,602)	(12,827,438)	(66,314,003)	(65,328,976)	—	(12,187,274)	(184,674,293)
Interest rate gap	26,364,268	(5,219,610)	(30,451,975)	491,842	14,356,284	54,454,275	59,995,084

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.2 Market Risk—continued

Interest rate risk—continued

Company

	As at December 31, 2010						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	9,795,764	1,500,000	2,100,000	—	—	673	13,396,437
Financial assets at fair value through profit or loss	—	—	—	—	—	8,029,922	8,029,922
Available-for-sale financial assets	—	—	—	—	—	49,546,421	49,546,421
Accounts receivable	—	—	2,050,792	3,099,743	—	361,370	5,511,905
Amounts due from subsidiaries	1,000,000	—	—	—	—	329,043	1,329,043
Held-to-maturity investments	—	—	—	—	210,000	—	210,000
Other financial assets	—	—	—	—	—	57,876	57,876
Total financial assets	10,795,764	1,500,000	4,150,792	3,099,743	210,000	58,325,305	78,081,604
Borrowings from central bank	—	—	(5,382,736)	(11,081,865)	—	—	(16,464,601)
Borrowings	(108)	(532)	(443,121)	—	—	—	(443,761)
Accounts payable	—	—	(9,713,546)	(36,491,295)	—	(15,163)	(46,220,004)
Other financial liabilities	—	—	—	—	—	(62,530)	(62,530)
Total financial liabilities	(108)	(532)	(15,539,403)	(47,573,160)	—	(77,693)	(63,190,896)
Interest rate gap	10,795,656	1,499,468	(11,388,611)	(44,473,417)	210,000	58,247,612	14,890,708

	As at December 31, 2011						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	6,014,799	700,000	3,177,989	—	—	908	9,893,696
Financial assets at fair value through profit or loss	—	—	—	—	—	7,918,457	7,918,457
Available-for-sale financial assets	—	—	—	—	—	49,007,080	49,007,080
Financial assets classified as receivables	674,394	275,689	6,017,042	2,714,006	—	—	9,681,131
Accounts receivable	207,757	—	1,139,213	1,752,773	—	308,700	3,408,443
Amounts due from subsidiaries	2,250,000	—	—	—	—	558,768	2,808,768
Held-to-maturity investments	—	—	—	—	210,000	—	210,000
Other financial assets	—	—	—	—	—	79,466	79,466
Total financial assets	9,146,950	975,689	10,334,244	4,466,779	210,000	57,873,379	83,007,041
Borrowings from central bank	—	—	(9,767,370)	(1,543,312)	—	—	(11,310,682)
Borrowings	(392,093)	(2,015)	(12,473,970)	(700,000)	—	—	(13,568,078)
Accounts payable	—	—	(9,713,546)	(37,270,262)	—	—	(46,983,808)
Other financial liabilities	—	—	—	—	—	(106,158)	(106,158)
Total financial liabilities	(392,093)	(2,015)	(31,954,886)	(39,513,574)	—	(106,158)	(71,968,726)
Interest rate gap	8,754,857	973,674	(21,620,642)	(35,046,795)	210,000	57,767,221	11,038,315

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.2 Market Risk—continued

Interest rate risk—continued

Company—continued

	As at December 31, 2012						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	17,595,089	204,565	700,000	—	—	675	18,500,329
Placements with banks	2,000,000	—	—	—	—	—	2,000,000
Financial assets at fair value through profit or loss	—	—	—	—	—	8,780,229	8,780,229
Available-for-sale financial assets	—	—	—	—	—	47,909,938	47,909,938
Financial assets classified as receivables	1,759,582	2,312,993	17,825,893	26,169,720	—	—	48,068,188
Accounts receivable	—	—	2,445,376	1,619,892	—	217,790	4,283,058
Amounts due from subsidiaries	1,000,000	—	250,000	—	—	1,485,193	2,735,193
Held to-maturity investments	—	—	—	—	210,000	—	210,000
Other financial assets	—	—	—	—	—	156,729	156,729
Total financial assets	22,354,671	2,517,558	21,221,269	27,789,612	210,000	58,550,554	132,643,664
Borrowings from central bank	—	—	(1,868,909)	(5,184,533)	—	—	(7,053,442)
Borrowings	(10,000,000)	(3,186,850)	(21,844,484)	(20,800,000)	—	—	(55,831,334)
Accounts payable	—	(4,903,597)	(12,641,336)	(20,567,372)	—	(33,782)	(38,146,087)
Bonds issued	—	—	—	(9,933,055)	—	(73,999)	(10,007,054)
Other financial liabilities	—	—	—	—	—	(191,769)	(191,769)
Total financial liabilities	(10,000,000)	(8,090,447)	(36,354,729)	(56,484,960)	—	(299,550)	(111,229,686)
Interest rate gap	12,354,671	(5,572,889)	(15,133,460)	(28,695,348)	210,000	58,251,004	21,413,978

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.2 Market Risk—continued

Interest rate risk—continued

Company—continued

	As at June 30, 2013						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	11,141,705	207,500	600,000	—	—	797	11,950,002
Placements with a financial institution	300,000	—	—	—	—	—	300,000
Financial assets at fair value through profit or loss	—	—	—	—	—	9,100,636	9,100,636
Financial assets held under resale agreements	200,000	—	—	—	—	—	200,000
Available-for-sale financial assets	—	—	—	—	—	43,732,151	43,732,151
Financial assets classified as receivables	2,749,502	4,430,809	27,323,176	43,384,702	—	—	77,888,189
Accounts receivable	300,000	—	1,925,807	3,471,914	—	1,177,578	6,875,299
Amounts due from subsidiaries	1,250,000	—	—	—	—	43,023	1,293,023
Held to-maturity investments	—	—	—	—	210,000	—	210,000
Other financial assets	—	—	—	—	—	442,985	442,985
Total financial assets	15,941,207	4,638,309	29,848,983	46,856,616	210,000	54,497,170	151,992,285
Borrowings from central bank	—	—	(1,643,050)	(5,229,633)	—	—	(6,872,683)
Borrowings	(10,000,000)	(3,822,331)	(41,247,000)	(25,200,000)	—	—	(80,269,331)
Accounts payable	—	(3,737,390)	(10,999,652)	(18,827,287)	—	(102,791)	(33,667,120)
Bonds issued	—	—	—	(9,941,639)	—	(295,890)	(10,237,529)
Other financial liabilities	—	—	—	—	—	(624,364)	(624,364)
Total financial liabilities	(10,000,000)	(7,559,721)	(53,889,702)	(59,198,559)	—	(1,023,045)	(131,671,027)
Interest rate gap	5,941,207	(2,921,412)	(24,040,719)	(12,341,943)	210,000	53,474,125	20,321,258

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.2 Market Risk—continued

Interest rate risk—continued

Company—continued

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in all financial instruments' yield rate on the Group's profit before tax and other comprehensive income, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of each reporting period.

Interest rate sensitivity analysis

Group

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
+ 100 basis points	134,550	(527,360)	56,576	(497,154)	187,127	(442,424)	94,966	(566,779)
- 100 basis points	(134,550)	577,814	(56,576)	540,515	(187,127)	482,336	(94,966)	617,509

Company

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income	Profit before tax	Other comprehensive income
+ 100 basis points	73,247	—	10,937	—	15,208	—	(57,561)	—
- 100 basis points	(73,247)	—	(10,937)	—	(15,208)	—	57,561	—

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.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.2 Market Risk—continued

Foreign exchange risk—continued

At the end of each reporting period, a breakdown of the assets and liabilities analyzed by currency is as follows:

Group

	As at December 31, 2010				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currency (RMB equivalent)	Total (RMB equivalent)
Cash and bank balances	33,223,600	269,148	279,391	508	33,772,647
Clearing settlement funds	1,356,556	27,203	31,710	—	1,415,469
Deposits with exchanges	874,020	1,788	1,276	—	877,084
Financial assets at fair value through profit or loss	9,951,654	150,274	—	—	10,101,928
Financial assets held under resale agreements	369,309	—	—	—	369,309
Available-for-sale financial assets	61,937,678	32,414	185,678	—	62,155,770
Loans and advances to customers	2,401,068	32,582	74,786	—	2,508,436
Accounts receivable	6,300,436	24,088	93,666	—	6,418,190
Held-to-maturity investments	3,775,634	—	—	—	3,775,634
Other financial assets	693,171	14	—	—	693,185
Total financial assets	120,883,126	537,511	666,507	508	122,087,652
Borrowings from central bank	(16,464,601)	—	—	—	(16,464,601)
Accounts payable to brokerage clients	(13,581,574)	(63,547)	(32,363)	—	(13,677,484)
Financial assets sold under repurchase agreements	(879,510)	—	—	—	(879,510)
Borrowings	(7,826,191)	—	—	—	(7,826,191)
Accounts payable	(47,151,391)	(9,933)	(57,667)	(557)	(47,219,548)
Investment contract liabilities for policyholders	(2,697,322)	—	—	—	(2,697,322)
Other financial liabilities	(1,470,995)	(5)	(4)	—	(1,471,004)
Total financial liabilities	(90,071,584)	(73,485)	(90,034)	(557)	(90,235,660)
Net exposure	30,811,542	464,026	576,473	(49)	31,851,992

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.2 Market Risk—continued

Foreign exchange risk—continued

Group—continued

	As at December 31, 2011				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currency (RMB equivalent)	Total (RMB equivalent)
Cash and bank balances	26,444,631	194,782	547,272	505	27,187,190
Clearing settlement funds	1,241,142	30,555	14,620	—	1,286,317
Deposits with exchanges	775,962	1,701	1,216	—	778,879
Financial assets at fair value through profit or loss	13,201,300	85,065	115,700	—	13,402,065
Financial assets held under resale agreements	560,535	—	—	—	560,535
Available-for-sale financial assets	64,237,855	19,019	125,432	—	64,382,306
Financial assets classified as receivables	12,149,831	—	—	—	12,149,831
Loans and advances to customers	9,199,068	172,699	76,124	—	9,447,891
Accounts receivable	4,019,705	10,225	32,573	—	4,062,503
Held-to-maturity investments	6,261,914	—	—	—	6,261,914
Other financial assets	1,335,493	1,081	4,689	—	1,341,263
Total financial assets	139,427,436	515,127	917,626	505	140,860,694
Borrowings from central bank	(11,310,682)	—	—	—	(11,310,682)
Accounts payable to brokerage clients	(8,062,978)	(56,673)	(30,834)	—	(8,150,485)
Financial liabilities at fair value through profit or loss	—	(713)	—	—	(713)
Financial assets sold under repurchase agreements	(6,920,520)	—	—	—	(6,920,520)
Borrowings	(24,501,333)	(157,470)	(520,137)	—	(25,178,940)
Accounts payable	(47,968,184)	(12,460)	(14,124)	(126)	(47,994,894)
Investment contract liabilities for policyholders	(3,617,781)	—	—	—	(3,617,781)
Bonds issued	(495,000)	—	—	—	(495,000)
Other financial liabilities	(2,393,841)	(3)	(3)	—	(2,393,847)
Total financial liabilities	(105,270,319)	(227,319)	(565,098)	(126)	(106,062,862)
Net exposure	34,157,117	287,808	352,528	379	34,797,832

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.2 Market Risk—continued

Foreign exchange risk—continued

Group—continued

	As at December 31, 2012				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currency (RMB equivalent)	Total (RMB equivalent)
Cash and bank balances	40,790,700	1,097,287	837,862	439	42,726,288
Clearing settlement funds	1,479,069	23,454	23,321	—	1,525,844
Deposits with exchanges	904,313	1,697	1,216	—	907,226
Placements with banks	2,000,000	—	—	—	2,000,000
Financial assets at fair value through profit or loss	16,506,192	42,238	374,543	—	16,922,973
Financial assets held under resale agreements	57,232	—	—	—	57,232
Available-for-sale financial assets	64,305,621	—	70,944	—	64,376,565
Financial assets classified as receivables	51,195,120	—	—	—	51,195,120
Loans and advances to customers	22,951,902	162,170	1,927,446	—	25,041,518
Accounts receivable	5,075,049	4,765	177,459	20	5,257,293
Held-to-maturity investments	7,343,274	—	—	—	7,343,274
Other financial assets	1,717,682	—	33,023	—	1,750,705
Total financial assets	214,326,154	1,331,611	3,445,814	459	219,104,038
Borrowings from central bank	(7,053,442)	—	—	—	(7,053,442)
Accounts payable to brokerage clients	(6,544,464)	(53,016)	(32,045)	—	(6,629,525)
Financial liabilities at fair value through profit or loss	(49,845)	—	(3,555)	—	(53,400)
Financial assets sold under repurchase agreements	(11,993,646)	—	—	—	(11,993,646)
Borrowings	(73,461,456)	—	(2,637,704)	—	(76,099,160)
Accounts payable	(39,412,304)	(4)	(127,118)	—	(39,539,426)
Investment contract liabilities for policyholders	(3,213,126)	—	—	—	(3,213,126)
Bonds issued	(12,534,554)	—	—	—	(12,534,554)
Other financial liabilities	(6,115,295)	(3,012)	(19,171)	(25)	(6,137,503)
Total financial liabilities	(160,378,132)	(56,032)	(2,819,593)	(25)	(163,253,782)
Net exposure	53,948,022	1,275,579	626,221	434	55,850,256

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.2 Market Risk—continued

Foreign exchange risk—continued

Group—continued

	As at June 30, 2013				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currency (RMB equivalent)	Total (RMB equivalent)
Cash and bank balances	27,588,024	1,742,010	400,177	646	29,730,857
Clearing settlement funds	2,014,457	21,617	23,515	—	2,059,589
Deposits with exchanges and a financial institution	688,729	6,178	1,195	—	696,102
Financial assets at fair value through profit or loss	16,412,476	32,363	244,980	—	16,689,819
Financial assets held under resale agreements	1,008,104	—	—	—	1,008,104
Available-for-sale financial assets	62,507,419	18,695	146,973	—	62,673,087
Financial assets classified as receivables	80,429,720	—	—	—	80,429,720
Loans and advances to customers	29,568,220	154,463	2,254,401	—	31,977,084
Accounts receivable	8,746,247	13,911	136,057	35	8,896,250
Held-to-maturity investments	7,636,930	—	—	—	7,636,930
Other financial assets	2,817,066	12,462	42,307	—	2,871,835
Total financial assets	239,417,392	2,001,699	3,249,605	681	244,669,377
Borrowings from central bank	(6,872,683)	—	—	—	(6,872,683)
Accounts payable to brokerage clients	(6,674,397)	(61,177)	(38,210)	—	(6,773,784)
Financial liabilities at fair value through profit or loss	—	(3,701)	—	—	(3,701)
Financial assets sold under repurchase agreements	(6,235,039)	—	—	—	(6,235,039)
Placement from a bank and a financial institution	(950,000)	—	—	—	(950,000)
Borrowings	(104,100,767)	—	—	—	(104,100,767)
Accounts payable	(34,291,992)	—	(133,329)	—	(34,425,321)
Investment contract liabilities for policyholders	(3,002,914)	—	—	—	(3,002,914)
Bonds issued	(12,792,056)	—	—	—	(12,792,056)
Other financial liabilities	(9,494,565)	(13,592)	(9,840)	(31)	(9,518,028)
Total financial liabilities	(184,414,413)	(78,470)	(181,379)	(31)	(184,674,293)
Net exposure	55,002,979	1,923,229	3,068,226	650	59,995,084

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 in the Financial Information.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.2 Market Risk—continued

Foreign exchange risk—continued

Foreign exchange rate sensitivity analysis

The tables below indicate the potential effect on profit before tax of a 5% appreciation or depreciation of RMB spot and forward exchange rate against all other currencies.

Group

	As at December 31,			As at June 30,
	2010	2011	2012	2013
5% appreciation	(52,023)	(32,036)	(95,112)	(249,605)
5% depreciation	52,023	32,036	95,112	249,605

Price risk

Certain financial assets such as held-for-trading financial assets and part of the available-for-sale financial assets are measured at their fair values at the end of each reporting periods. The Group is exposed to price risks that may cause losses to the Group as a result of changes in market prices.

The price risk of these financial assets may arise due to change in market price. This change may be caused by the factors relating to the financial instrument itself or the issuer, and it also may be caused by market factors.

The following tables illustrate the potential impact of an increase or decrease of 1 percent in price of financial assets at fair value through profit or loss and available-for-sale financial assets measured at fair value on the Group's and the Company's profit before tax and equity.

Group

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Profit before tax	Equity	Profit before tax	Equity	Profit before tax	Equity	Profit before tax	Equity
+1 percent	92,506	315,864	131,078	367,713	163,758	408,187	166,898	399,186
-1 percent	(92,506)	(315,864)	(131,078)	(367,713)	(163,758)	(408,187)	(166,898)	(399,186)

Company

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Profit before tax	Equity	Profit before tax	Equity	Profit before tax	Equity	Profit before tax	Equity
+1 percent	80,299	190,900	79,185	177,157	87,802	181,642	91,006	155,941
-1 percent	(80,299)	(190,900)	(79,185)	(177,157)	(87,802)	(181,642)	(91,006)	(155,941)

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.3 Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk by:

- optimizing assets and liabilities structure;
- implementing a centralized liquidity management system by pooling Group-wide funds and maintaining an efficient internal fund transfer mechanism within the Group; and
- regularly performing quantitative analysis.

The tables below present the cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturities at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

Group

	As at December 31, 2010							
	Past due/undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	—	28,095,614	850,308	2,770,575	2,138,938	—	—	33,855,435
Clearing settlement funds	—	1,627,940	—	—	—	—	—	1,627,940
Deposits with exchanges	877,084	—	—	—	—	—	—	877,084
Financial assets at fair value through profit or loss	8,865,806	—	2,918	22,260	322,920	669,074	473,145	10,356,123
Financial assets held under resale agreements	—	—	369,334	—	—	—	—	369,334
Available-for-sale financial assets	55,640,222	—	25,452	46,678	845,319	3,613,536	4,800,621	64,971,828
Loans and advances to customers	—	—	4,352	163,812	1,096,721	1,551,172	—	2,816,057
Accounts receivable	1,353,650	815,732	—	151,213	2,184,380	3,309,804	—	7,814,779
Held-to-maturity investments	—	—	8,442	24,873	141,013	1,031,657	4,957,201	6,163,186
Other financial assets	6,487	1,199	143,420	2,488	326,507	—	—	480,101
Total financial assets	66,743,249	30,540,485	1,404,226	3,181,899	7,055,798	10,175,243	10,230,967	129,331,867
Borrowings from central bank	—	—	—	—	(5,460,492)	(11,448,414)	—	(16,908,906)
Accounts payable to brokerage clients	—	(13,678,661)	—	—	—	—	—	(13,678,661)
Financial assets sold under repurchase agreements	—	—	(880,812)	—	—	—	—	(880,812)
Borrowings	—	—	(305)	(236,108)	(2,453,280)	(5,911,293)	(225,250)	(8,826,236)
Accounts payable	—	(933,928)	—	(65,616)	(9,713,546)	(38,854,184)	—	(49,567,274)
Investment contract liabilities for policyholders	—	—	(9,047)	(18,185)	(82,525)	(470,317)	(3,451,179)	(4,031,253)
Other financial liabilities	—	(518,002)	—	—	(24,618)	(891,813)	—	(1,434,433)
Total financial liabilities	—	(15,130,591)	(890,164)	(319,909)	(17,734,461)	(57,576,021)	(3,676,429)	(95,327,575)
Net position	66,743,249	15,409,894	514,062	2,861,990	(10,678,663)	(47,400,778)	6,554,538	34,004,292

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.3 Liquidity risk—continued

Group—continued

	As at December 31, 2011							
	Past due/undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	—	17,104,704	1,866,849	3,333,534	3,838,103	1,189,759	405,300	27,738,249
Clearing settlement funds	—	1,508,689	—	—	—	—	—	1,508,689
Deposits with exchanges	778,879	—	—	—	—	—	—	778,879
Financial assets at fair value through profit or loss	8,771,557	—	30,821	253,987	1,077,767	2,546,572	1,678,478	14,359,182
Financial assets held under resale agreements	—	—	560,912	—	—	—	—	560,912
Available-for-sale financial assets	54,623,706	—	23,692	133,160	1,433,802	4,016,890	8,221,470	68,452,720
Financial assets classified as receivables	606,820	—	14,712	297,207	7,492,910	5,895,722	—	14,307,371
Loans and advances to customers	70,000	—	250,298	745,778	2,866,886	6,916,862	183,952	11,033,776
Accounts receivable	973,891	410,341	207,757	115,246	1,585,388	1,777,421	—	5,070,044
Held-to-maturity investments	—	—	8,442	64,368	338,579	2,043,721	6,912,957	9,368,067
Other financial assets	43,137	42,100	10,958	18,217	46,198	742,541	—	903,151
Total financial assets	65,867,990	19,065,834	2,974,441	4,961,497	18,679,633	25,129,488	17,402,157	154,081,040
Borrowings from central bank	—	—	—	—	(9,945,379)	(1,590,039)	—	(11,535,418)
Accounts payable to brokerage clients	—	(8,151,647)	—	—	—	—	—	(8,151,647)
Financial liabilities at fair value through profit or loss	(713)	—	—	—	—	—	—	(713)
Financial assets sold under repurchase agreements	—	—	(5,075,544)	(274,907)	(1,686,769)	—	—	(7,037,220)
Borrowings	—	(242,261)	(37,076)	(417,674)	(18,997,277)	(6,186,216)	(1,043,701)	(26,924,205)
Accounts payable	(9,713,546)	(987,033)	—	(24,053)	(9,713,546)	(29,140,638)	—	(49,578,816)
Investment contract liabilities for policyholders	—	(238,133)	(12,595)	(25,329)	(115,037)	(659,847)	(4,509,906)	(5,560,847)
Bonds issued	—	—	—	—	(35,640)	(637,560)	—	(673,200)
Other financial liabilities	—	(674,761)	—	—	(44,290)	(1,331,590)	(250,008)	(2,300,649)
Total financial liabilities	(9,714,259)	(10,293,835)	(5,125,215)	(741,963)	(40,537,938)	(39,545,890)	(5,803,615)	(111,762,715)
Net position	56,153,731	8,771,999	(2,150,774)	4,219,534	(21,858,305)	(14,416,402)	11,598,542	42,318,325

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.3 Liquidity risk—continued

Group—continued

	As at December 31, 2012							
	Past due/undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	—	34,480,221	4,300,887	1,000,235	1,867,457	3,582,280	—	45,231,080
Clearing settlement funds	—	1,526,410	—	—	—	—	—	1,526,410
Deposits with exchanges	907,226	—	—	—	—	—	—	907,226
Placements with banks	—	—	2,003,453	—	—	—	—	2,003,453
Financial assets at fair value through profit or loss	10,502,533	—	571,178	1,246,217	208,618	2,884,149	2,666,598	18,079,293
Financial assets held under resale agreements	—	—	49,716	—	7,761	—	—	57,477
Available-for-sale financial assets	58,048,906	—	291,206	21,709	1,886,916	4,433,453	6,955,114	71,637,304
Financial assets classified as receivables	1,540,210	126,024	859,566	2,459,014	21,552,427	35,063,848	128,466	61,729,555
Loans and advances to customers	81,395	—	615,179	1,430,471	7,374,579	18,468,272	598,272	28,568,168
Accounts receivable	332,063	940,321	5,300	9,859	2,500,616	2,213,027	—	6,001,186
Held-to-maturity investments	—	—	8,442	63,638	386,158	2,439,911	8,371,885	11,270,034
Other financial assets	73,197	77,957	5,238	22,680	224,382	563,306	—	966,760
Total financial assets	71,485,530	37,150,933	8,710,165	6,253,823	36,008,914	69,648,246	18,720,335	247,977,946
Borrowings from central bank	—	—	—	—	(1,900,162)	(5,357,777)	—	(7,257,939)
Accounts payable to brokerage clients	—	(6,630,059)	—	—	—	—	—	(6,630,059)
Financial liabilities at fair value through profit or loss	(3,555)	—	—	—	—	(49,845)	—	(53,400)
Financial assets sold under repurchase agreements	—	—	(2,276,201)	(4,285,920)	(4,970,417)	(731,360)	—	(12,263,898)
Borrowings	—	(562,337)	(566,368)	(4,756,501)	(35,785,016)	(39,850,529)	(865,712)	(82,386,463)
Accounts payable	(797)	(1,426,323)	—	(4,784,728)	(12,284,728)	(21,998,274)	—	(40,494,850)
Investment contract liabilities for policyholders	—	(160,092)	(6,387)	(12,814)	(57,961)	(321,906)	(3,570,257)	(4,129,417)
Bonds issued	—	—	—	—	(490,024)	(13,999,420)	—	(14,489,444)
Other financial liabilities	—	(881,588)	—	—	(340,448)	(4,643,317)	(12,572)	(5,877,925)
Total financial liabilities	(4,352)	(9,660,399)	(2,848,956)	(13,839,963)	(55,828,756)	(86,952,428)	(4,448,541)	(173,583,395)
Net position	71,481,178	27,490,534	5,861,209	(7,586,140)	(19,819,842)	(17,304,182)	14,271,794	74,394,551

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.3 Liquidity risk—continued

Group—continued

	As at June 30, 2013							
	Past due/undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	—	22,173,143	2,986,598	565,143	1,304,424	3,532,025	—	30,561,333
Clearing settlement funds	—	2,059,589	—	—	—	—	—	2,059,589
Deposits with exchanges and a financial institution	696,102	—	—	—	—	—	—	696,102
Financial assets at fair value through profit or loss	11,437,068	814,434	187,304	20,145	365,364	3,515,394	1,364,992	17,704,701
Financial assets held under resale agreements	—	—	880,787	32,709	100,673	—	—	1,014,169
Available-for-sale financial assets	57,079,771	169,279	520,035	261,387	454,374	5,491,927	8,802,900	72,779,673
Financial assets classified as receivables	2,089,171	—	1,407,929	4,641,208	30,883,010	56,799,594	128,350	95,949,262
Loans and advances to customers	1,126,798	245,261	695,299	2,051,208	9,184,167	23,763,766	608,311	37,674,810
Accounts receivable	1,099,621	2,139,849	300,700	1,300	1,994,545	4,095,519	—	9,631,534
Held-to-maturity investments	—	—	42,001	130,946	510,044	2,507,810	8,284,067	11,474,868
Other financial assets	447	195,618	19,000	47,236	804,262	714,617	—	1,781,180
Total financial assets	73,528,978	27,797,173	7,039,653	7,751,282	45,600,863	100,420,652	19,188,620	281,327,221
Borrowings from central bank	—	—	—	—	(1,656,787)	(5,357,777)	—	(7,014,564)
Accounts payable to brokerage clients	—	(6,773,784)	—	—	—	—	—	(6,773,784)
Financial liabilities at fair value through profit or loss	—	(3,701)	—	—	—	—	—	(3,701)
Financial assets sold under repurchase agreements	—	—	(2,635,496)	(862,960)	(2,361,483)	(545,797)	—	(6,405,736)
Placement from a bank and a financial institution	—	—	(951,960)	—	—	—	—	(951,960)
Borrowings	—	(520,557)	(1,291,592)	(5,871,605)	(46,002,984)	(63,898,548)	(863,650)	(118,448,936)
Accounts payable	(454)	(670,680)	(170,805)	(4,612,204)	(11,384,634)	(21,096,694)	—	(37,935,471)
Investment contract liabilities for policyholders	(1,844)	(95,323)	(9,550)	(19,194)	(87,074)	(495,045)	(3,740,130)	(4,448,160)
Bonds issued	—	—	—	(35,640)	(450,000)	(13,999,420)	—	(14,485,060)
Other financial liabilities	(215,164)	(7,725,556)	—	—	(1,108,070)	—	—	(9,048,790)
Total financial liabilities	(217,462)	(15,789,601)	(5,059,403)	(11,401,603)	(63,051,032)	(105,393,281)	(4,603,780)	(205,516,162)
Net position	73,311,516	12,007,572	1,980,250	(3,650,321)	(17,450,169)	(4,972,629)	14,584,840	75,811,059

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.3 Liquidity risk—continued

Company

	As at December 31, 2010							
	Past due/undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	—	9,796,437	—	1,518,851	2,138,938	—	—	13,454,226
Financial assets at fair value through profit or loss	8,029,922	—	—	—	—	—	—	8,029,922
Available-for-sale financial assets	50,097,345	—	—	—	—	—	—	50,097,345
Accounts receivable	1,311,455	169,378	—	—	2,175,808	3,209,642	—	6,866,283
Amounts due from subsidiaries	—	1,329,043	—	—	—	—	—	1,329,043
Held-to-maturity investments	—	—	—	—	11,760	47,040	268,800	327,600
Total financial assets	59,438,722	11,294,858	—	1,518,851	4,326,506	3,256,682	268,800	80,104,419
Borrowings from central bank	—	—	—	—	(5,460,492)	(11,448,414)	—	(16,908,906)
Borrowings	—	—	(305)	(6,443)	(263,814)	(195,730)	—	(466,292)
Accounts payable	—	—	—	—	(9,713,546)	(38,854,184)	—	(48,567,730)
Other financial liabilities	—	(62,530)	—	—	—	—	—	(62,530)
Total financial liabilities	—	(62,530)	(305)	(6,443)	(15,437,852)	(50,498,328)	—	(66,005,458)
Net position	59,438,722	11,232,328	(305)	1,512,408	(11,111,346)	(47,241,646)	268,800	14,098,961

	As at December 31, 2011							
	Past due/undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	—	5,315,707	700,613	705,878	3,332,518	—	—	10,054,716
Financial assets at fair value through profit or loss	7,918,457	—	—	—	—	—	—	7,918,457
Available-for-sale financial assets	49,494,396	—	—	—	172,400	—	—	49,666,796
Financial assets classified as receivables	606,820	—	14,568	282,047	6,882,712	3,485,348	—	11,271,495
Accounts receivable	973,891	164,940	207,757	—	1,287,853	1,777,421	—	4,411,862
Amounts due from subsidiaries	—	2,511,234	—	—	297,534	—	—	2,808,768
Held-to-maturity investments	—	—	—	—	11,760	47,040	257,040	315,840
Other financial assets	—	38,000	—	—	—	—	—	38,000
Total financial assets	58,993,564	8,029,881	922,938	987,925	11,984,777	5,309,809	257,040	86,485,934
Borrowings from central bank	—	—	—	—	(9,945,379)	(1,590,039)	—	(11,535,418)
Borrowings	—	—	(14,155)	(260,785)	(13,175,124)	(1,047,962)	—	(14,498,026)
Accounts payable	(9,713,546)	—	—	—	(9,713,546)	(29,140,638)	—	(48,567,730)
Other financial liabilities	—	(58,426)	—	—	—	—	—	(58,426)
Total financial liabilities	(9,713,546)	(58,426)	(14,155)	(260,785)	(32,834,049)	(31,778,639)	—	(74,659,600)
Net position	49,280,018	7,971,455	908,783	727,140	(20,849,272)	(26,468,830)	257,040	11,826,334

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.3 Liquidity risk—continued

Company—continued

	As at December 31, 2012							
	Past due/undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	—	14,621,724	3,050,936	206,039	740,600	—	—	18,619,299
Placements with banks	—	—	2,003,453	—	—	—	—	2,003,453
Financial assets at fair value through profit or loss	8,780,229	—	—	—	—	—	—	8,780,229
Available-for-sale financial assets	51,661,223	—	—	—	—	—	—	51,661,223
Financial assets classified as receivables	1,480,210	—	505,251	2,456,818	20,099,792	33,720,836	—	58,262,907
Accounts receivable	260,073	30,989	5,300	9,859	2,500,616	2,213,027	—	5,019,864
Amounts due from subsidiaries	—	1,485,193	1,000,000	—	250,000	—	—	2,735,193
Held-to-maturity investments	—	—	—	—	11,760	47,040	245,280	304,080
Other financial assets	—	76,957	—	—	—	—	—	76,957
Total financial assets	62,181,735	16,214,863	6,564,940	2,672,716	23,602,768	35,980,903	245,280	147,463,205
Borrowings from central bank	—	—	—	—	(1,900,162)	(5,357,777)	—	(7,257,939)
Borrowings	—	—	—	(2,224,172)	(24,026,213)	(34,149,396)	—	(60,399,781)
Accounts payable	—	(33,781)	—	(4,784,728)	(12,284,728)	(21,998,274)	—	(39,101,511)
Bonds issued	—	—	—	—	(450,000)	(11,365,000)	—	(11,815,000)
Other financial liabilities	—	(59,349)	—	—	—	—	—	(59,349)
Total financial liabilities	—	(93,130)	—	(7,008,900)	(38,661,103)	(72,870,447)	—	(118,633,580)
Net position	62,181,735	16,121,733	6,564,940	(4,336,184)	(15,058,335)	(36,889,544)	245,280	28,829,625

	As at June 30, 2013							
	Past due/undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	—	11,142,502	—	208,996	619,800	—	—	11,971,298
Placements with a financial institution	—	—	300,446	—	—	—	—	300,446
Financial assets at fair value through profit or loss	9,100,636	—	—	—	—	—	—	9,100,636
Financial assets held under resale agreements	—	—	200,782	—	—	—	—	200,782
Available-for-sale financial assets	49,747,344	—	—	—	—	100,000	—	49,847,344
Financial assets classified as receivables	1,779,171	—	1,203,973	4,614,122	30,212,126	55,121,059	—	92,930,451
Accounts receivable	1,058,812	165,878	300,000	—	1,990,375	4,095,519	—	7,610,584
Amounts due from subsidiaries	—	1,293,023	—	—	—	—	—	1,293,023
Held-to-maturity investments	—	—	—	—	11,760	47,040	245,280	304,080
Other financial assets	—	193,604	—	—	—	—	—	193,604
Total financial assets	61,685,963	12,795,007	2,005,201	4,823,118	32,834,061	59,363,618	245,280	173,752,248
Borrowings from central bank	—	—	—	—	(1,656,787)	(5,357,777)	—	(7,014,564)
Borrowings	—	—	(410)	(2,225,644)	(34,172,536)	(50,568,327)	—	(86,966,917)
Accounts payable	—	(670,072)	—	(3,856,260)	(11,356,260)	(21,069,806)	—	(36,952,398)
Bonds issued	—	—	—	—	(450,000)	(11,365,000)	—	(11,815,000)
Other financial liabilities	—	(57,082)	—	—	—	—	—	(57,082)
Total financial liabilities	—	(727,154)	(410)	(6,081,904)	(47,635,583)	(88,360,910)	—	(142,805,961)
Net position	61,685,963	12,067,853	2,004,791	(1,258,786)	(14,801,522)	(28,997,292)	245,280	30,946,287

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.3 Liquidity risk—continued

Analysis of the remaining maturity of the financial assets and financial liabilities

Group

	As at December 31, 2010							
	Past due/undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	—	28,083,457	850,302	2,738,888	2,100,000	—	—	33,772,647
Clearing settlement funds	—	1,415,469	—	—	—	—	—	1,415,469
Deposits with exchanges	877,084	—	—	—	—	—	—	877,084
Financial assets at fair value through profit or loss	8,865,806	—	—	14,644	279,840	527,567	414,071	10,101,928
Financial assets held under resale agreements	—	—	369,309	—	—	—	—	369,309
Available-for-sale financial assets	54,961,528	—	—	30,548	567,669	2,536,928	4,059,097	62,155,770
Loans and advances to customers	—	—	3,790	112,989	996,873	1,394,784	—	2,508,436
Accounts receivable	192,000	815,224	—	151,213	2,059,855	3,199,898	—	6,418,190
Held-to-maturity investments	—	—	—	—	—	352,824	3,422,810	3,775,634
Other financial assets	6,527	1,310	144,961	137,119	403,268	—	—	693,185
Total financial assets	64,902,945	30,315,460	1,368,362	3,185,401	6,407,505	8,012,001	7,895,978	122,087,652
Borrowings from central bank	—	—	—	—	(5,382,736)	(11,081,865)	—	(16,464,601)
Accounts payable to brokerage clients	—	(13,677,484)	—	—	—	—	—	(13,677,484)
Financial assets sold under repurchase agreements	—	—	(879,510)	—	—	—	—	(879,510)
Borrowings	—	—	(108)	(119,205)	(2,087,458)	(5,394,170)	(225,250)	(7,826,191)
Accounts payable	—	(933,928)	—	(65,616)	(9,567,664)	(36,652,340)	—	(47,219,548)
Investment contract liabilities for policyholders	—	—	—	—	—	—	(2,697,322)	(2,697,322)
Other financial liabilities	—	(519,481)	(39)	(33,941)	(25,729)	(891,814)	—	(1,471,004)
Total financial liabilities	—	(15,130,893)	(879,657)	(218,762)	(17,063,587)	(54,020,189)	(2,922,572)	(90,235,660)
Net position	64,902,945	15,184,567	488,705	2,966,639	(10,656,082)	(46,008,188)	4,973,406	31,851,992

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.3 Liquidity risk—continued

Analysis of the remaining maturity of the financial assets and financial liabilities—continued

Group—continued

	As at December 31, 2011							
	Past due/undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	—	17,187,015	1,783,584	3,313,517	3,673,074	930,000	300,000	27,187,190
Clearing settlement funds	—	1,286,317	—	—	—	—	—	1,286,317
Deposits with exchanges	778,879	—	—	—	—	—	—	778,879
Financial assets at fair value through profit or loss	8,771,557	—	29,982	246,882	901,041	2,066,511	1,386,092	13,402,065
Financial assets held under resale agreements	—	—	560,535	—	—	—	—	560,535
Available-for-sale financial assets	53,918,790	—	3,749	70,462	1,015,983	2,430,393	6,942,929	64,382,306
Financial assets classified as receivables	606,820	—	14,474	285,381	6,330,450	4,912,706	—	12,149,831
Loans and advances to customers	70,000	—	203,854	605,476	1,761,839	6,686,787	119,935	9,447,891
Accounts receivable	53,761	387,260	207,757	115,246	1,545,706	1,752,773	—	4,062,503
Held-to-maturity investments	—	—	—	19,984	100,962	961,624	5,179,344	6,261,914
Other financial assets	52,181	42,376	33,861	242,233	271,979	698,486	147	1,341,263
Total financial assets	64,251,988	18,902,968	2,837,796	4,899,181	15,601,034	20,439,280	13,928,447	140,860,694
Borrowings from central bank	—	—	—	—	(9,767,370)	(1,543,312)	—	(11,310,682)
Accounts payable to brokerage clients	—	(8,150,485)	—	—	—	—	—	(8,150,485)
Financial liabilities at fair value through profit or loss	(713)	—	—	—	—	—	—	(713)
Financial assets sold under repurchase agreements	—	—	(5,062,018)	(244,502)	(1,614,000)	—	—	(6,920,520)
Borrowings	—	(242,261)	(592)	(34,485)	(18,147,526)	(5,820,997)	(933,079)	(25,178,940)
Accounts payable	(8,934,104)	(987,033)	—	(24,052)	(9,084,815)	(28,964,890)	—	(47,994,894)
Investment contract liabilities for policyholders	—	(238,133)	—	—	—	—	(3,379,648)	(3,617,781)
Bonds issued	—	—	—	—	—	(495,000)	—	(495,000)
Other financial liabilities	—	(674,761)	(3,155)	(51,204)	(83,129)	(1,331,590)	(250,008)	(2,393,847)
Total financial liabilities	(8,934,817)	(10,292,673)	(5,065,765)	(354,243)	(38,696,840)	(38,155,789)	(4,562,735)	(106,062,862)
Net position	55,317,171	8,610,295	(2,227,969)	4,544,938	(23,095,806)	(17,716,509)	9,365,712	34,797,832

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.3 Liquidity risk—continued

Analysis of the remaining maturity of the financial assets and financial liabilities—continued

Group—continued

	As at December 31, 2012							
	Past due/undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	—	32,944,909	4,209,852	993,527	1,738,000	2,840,000	—	42,726,288
Clearing settlement funds	—	1,525,844	—	—	—	—	—	1,525,844
Deposits with exchanges	907,226	—	—	—	—	—	—	907,226
Placements with banks	—	—	2,000,000	—	—	—	—	2,000,000
Financial assets at fair value through profit or loss	10,502,533	—	570,000	1,196,682	161,186	2,121,171	2,371,401	16,922,973
Financial assets held under resale agreements	—	—	49,701	—	7,531	—	—	57,232
Available-for-sale financial assets	54,167,147	—	280,000	—	1,439,443	2,096,869	6,393,106	64,376,565
Financial assets classified as receivables	1,325,068	95,119	826,626	2,312,993	18,982,597	27,532,717	120,000	51,195,120
Loans and advances to customers	65,359	—	511,412	1,050,697	6,389,937	16,550,691	473,422	25,041,518
Accounts receivable	251,951	933,235	5,300	—	2,446,915	1,619,892	—	5,257,293
Held-to-maturity investments	—	—	—	—	120,050	1,143,342	6,079,882	7,343,274
Other financial assets	72,765	168,271	60,388	633,204	253,400	562,677	—	1,750,705
Total financial assets	67,292,049	35,667,378	8,513,279	6,187,103	31,539,059	54,467,359	15,437,811	219,104,038
Borrowings from central bank	—	—	—	—	(1,868,909)	(5,184,533)	—	(7,053,442)
Accounts payable to brokerage clients	—	(6,629,525)	—	—	—	—	—	(6,629,525)
Financial liabilities at fair value through profit or loss	(3,555)	—	—	—	—	(49,845)	—	(53,400)
Financial assets sold under repurchase agreements	—	—	(2,265,083)	(4,219,163)	(4,817,900)	(691,500)	—	(11,993,646)
Borrowings	—	(562,337)	(546,483)	(3,746,477)	(32,913,248)	(37,585,476)	(745,139)	(76,099,160)
Accounts payable	(797)	(1,426,323)	—	(4,665,625)	(11,928,120)	(21,518,561)	—	(39,539,426)
Investment contract liabilities for policyholders	—	(160,091)	—	—	—	—	(3,053,035)	(3,213,126)
Bonds issued	—	—	—	—	(73,999)	(12,460,555)	—	(12,534,554)
Other financial liabilities	—	(881,588)	(159)	(116,499)	(483,368)	(4,643,317)	(12,572)	(6,137,503)
Total financial liabilities	(4,352)	(9,659,864)	(2,811,725)	(12,747,764)	(52,085,544)	(82,133,787)	(3,810,746)	(163,253,782)
Net position	67,287,697	26,007,514	5,701,554	(6,560,661)	(20,546,485)	(27,666,428)	11,627,065	55,850,256

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.3 Liquidity risk—continued

Analysis of the remaining maturity of the financial assets and financial liabilities—continued

Group—continued

	As at June 30, 2013							
	Past due/undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	—	22,171,543	2,973,355	558,959	1,217,000	2,810,000	—	29,730,857
Clearing settlement funds	—	2,059,589	—	—	—	—	—	2,059,589
Deposits with exchanges and a financial institution	696,102	—	—	—	—	—	—	696,102
Financial assets at fair value through profit or loss	11,437,068	814,434	185,000	10,377	175,279	2,828,561	1,239,100	16,689,819
Financial assets held under resale agreements	—	—	879,995	32,098	96,011	—	—	1,008,104
Available-for-sale financial assets	50,771,423	169,279	479,000	140,313	44,940	3,471,371	7,596,761	62,673,087
Financial assets classified as receivables	1,862,250	—	1,384,083	4,429,728	27,694,650	44,939,009	120,000	80,429,720
Loans and advances to customers	867,956	245,261	564,897	1,622,967	7,293,318	20,866,719	515,966	31,977,084
Accounts receivable	1,019,510	2,139,849	300,700	1,300	1,963,216	3,471,675	—	8,896,250
Held-to-maturity investments	—	—	19,999	49,998	250,343	1,196,386	6,120,204	7,636,930
Other financial assets	128,031	197,204	150,167	325,026	1,237,799	833,608	—	2,871,835
Total financial assets	66,782,340	27,797,159	6,937,196	7,170,766	39,972,556	80,417,329	15,592,031	244,669,377
Borrowings from central bank	—	—	—	—	(1,643,050)	(5,229,633)	—	(6,872,683)
Accounts payable to brokerage clients	—	(6,773,784)	—	—	—	—	—	(6,773,784)
Financial liabilities at fair value through profit or loss	—	(3,701)	—	—	—	—	—	(3,701)
Financial assets sold under repurchase agreements	—	—	(2,626,240)	(844,666)	(2,239,900)	(524,233)	—	(6,235,039)
Placement from a bank and a financial institution	—	—	(950,000)	—	—	—	—	(950,000)
Borrowings	—	(520,557)	(1,149,470)	(4,381,332)	(41,765,129)	(55,521,069)	(763,210)	(104,100,767)
Accounts payable	(304)	(102,909)	(133,328)	(4,356,017)	(11,005,614)	(18,827,149)	—	(34,425,321)
Investment contract liabilities for policyholders	(1,844)	(95,323)	—	—	—	—	(2,905,747)	(3,002,914)
Bonds issued	—	—	—	(27,027)	(295,890)	(12,469,139)	—	(12,792,056)
Other financial liabilities	(215,314)	(7,970,411)	(37,477)	(137,318)	(1,130,481)	(27,027)	—	(9,518,028)
Total financial liabilities	(217,462)	(15,466,685)	(4,896,515)	(9,746,360)	(58,080,064)	(92,598,250)	(3,668,957)	(184,674,293)
Net position	66,564,878	12,330,474	2,040,681	(2,575,594)	(18,107,508)	(12,180,921)	11,923,074	59,995,084

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.3 Liquidity risk—continued

Analysis of the remaining maturity of the financial assets and financial liabilities—continued

Company

	As at December 31, 2010							
	Past due/undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	—	9,796,437	—	1,500,000	2,100,000	—	—	13,396,437
Financial assets at fair value through profit or loss	8,029,922	—	—	—	—	—	—	8,029,922
Available-for-sale financial assets	49,546,421	—	—	—	—	—	—	49,546,421
Accounts receivable	192,000	169,378	—	—	2,050,792	3,099,735	—	5,511,905
Amounts due from subsidiaries	—	1,329,043	—	—	—	—	—	1,329,043
Held-to-maturity investments	—	—	—	—	—	—	210,000	210,000
Other financial assets	—	—	—	57,876	—	—	—	57,876
Total financial assets	57,768,343	11,294,858	—	1,557,876	4,150,792	3,099,735	210,000	78,081,604
Borrowings from central bank	—	—	—	—	(5,382,736)	(11,081,865)	—	(16,464,601)
Borrowings	—	—	(108)	(532)	(254,121)	(189,000)	—	(443,761)
Accounts payable	—	—	—	—	(9,567,664)	(36,652,340)	—	(46,220,004)
Other financial liabilities	—	(62,530)	—	—	—	—	—	(62,530)
Total financial liabilities	—	(62,530)	(108)	(532)	(15,204,521)	(47,923,205)	—	(63,190,896)
Net position	57,768,343	11,232,328	(108)	1,557,344	(11,053,729)	(44,823,470)	210,000	14,890,708

	As at December 31, 2011							
	Past due/undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	—	5,315,707	700,000	700,000	3,177,989	—	—	9,893,696
Financial assets at fair value through profit or loss	7,918,457	—	—	—	—	—	—	7,918,457
Available-for-sale financial assets	48,847,080	—	—	—	160,000	—	—	49,007,080
Financial assets classified as receivables	606,820	—	14,474	285,381	6,060,450	2,714,006	—	9,681,131
Accounts receivable	53,761	164,940	207,757	—	1,229,212	1,752,773	—	3,408,443
Amounts due from subsidiaries	—	2,511,234	—	—	297,534	—	—	2,808,768
Held-to-maturity investments	—	—	—	—	—	—	210,000	210,000
Other financial assets	—	38,000	—	41,466	—	—	—	79,466
Total financial assets	57,426,118	8,029,881	922,231	1,026,847	10,925,185	4,466,779	210,000	83,007,041
Borrowings from central bank	—	—	—	—	(9,767,370)	(1,543,312)	—	(11,310,682)
Borrowings	—	—	(592)	(2,015)	(12,585,039)	(980,432)	—	(13,568,078)
Accounts payable	(8,934,104)	—	—	—	(9,084,815)	(28,964,889)	—	(46,983,808)
Other financial liabilities	—	(58,426)	—	(47,732)	—	—	—	(106,158)
Total financial liabilities	(8,934,104)	(58,426)	(592)	(49,747)	(31,437,224)	(31,488,633)	—	(71,968,726)
Net position	48,492,014	7,971,455	921,639	977,100	(20,512,039)	(27,021,854)	210,000	11,038,315

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.3 Liquidity risk—continued

Analysis of the remaining maturity of the financial assets and financial liabilities—continued

Company—continued

	As at December 31, 2012							
	Past due/undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	—	15,621,725	1,974,040	204,564	700,000	—	—	18,500,329
Placements with banks	—	—	2,000,000	—	—	—	—	2,000,000
Financial assets at fair value through profit or loss	8,780,229	—	—	—	—	—	—	8,780,229
Available-for-sale financial assets	47,909,938	—	—	—	—	—	—	47,909,938
Financial assets classified as receivables	1,282,955	—	476,626	2,312,993	17,685,597	26,310,017	—	48,068,188
Accounts receivable	179,962	30,989	5,300	—	2,446,915	1,619,892	—	4,283,058
Amounts due from subsidiaries	—	1,485,193	1,000,000	—	250,000	—	—	2,735,193
Held-to-maturity investments	—	—	—	—	—	—	210,000	210,000
Other financial assets	—	76,957	—	79,772	—	—	—	156,729
Total financial assets	58,153,084	17,214,864	5,455,966	2,597,329	21,082,512	27,929,909	210,000	132,643,664
Borrowings from central bank	—	—	—	—	(1,868,909)	(5,184,533)	—	(7,053,442)
Borrowings	—	—	—	(1,514,518)	(21,864,484)	(32,452,332)	—	(55,831,334)
Accounts payable	—	(33,781)	—	(4,665,625)	(11,928,120)	(21,518,561)	—	(38,146,087)
Bonds issued	—	—	—	—	(73,999)	(9,933,055)	—	(10,007,054)
Other financial liabilities	—	(59,349)	—	—	(132,420)	—	—	(191,769)
Total financial liabilities	—	(93,130)	—	(6,180,143)	(35,867,932)	(69,088,481)	—	(111,229,686)
Net position	58,153,084	17,121,734	5,455,966	(3,582,814)	(14,785,420)	(41,158,572)	210,000	21,413,978

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.3 Liquidity risk—continued

Analysis of the remaining maturity of the financial assets and financial liabilities—continued

Company—continued

	As at June 30, 2013							
	Past due/undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	—	11,142,502	—	207,500	600,000	—	—	11,950,002
Placements with a financial institution	—	—	300,000	—	—	—	—	300,000
Financial assets at fair value through profit or loss	9,100,636	—	—	—	—	—	—	9,100,636
Financial assets held under resale agreements	—	—	200,000	—	—	—	—	200,000
Available-for-sale financial assets	43,632,151	—	—	—	—	100,000	—	43,732,151
Financial assets classified as receivables	1,565,419	—	1,184,083	4,430,809	27,158,926	43,548,952	—	77,888,189
Accounts receivable	978,700	165,878	300,000	—	1,959,046	3,471,675	—	6,875,299
Amounts due from subsidiaries	—	1,293,023	—	—	—	—	—	1,293,023
Held-to-maturity investments	—	—	—	—	—	—	210,000	210,000
Other financial assets	132,449	193,604	846	10,062	106,024	—	—	442,985
Total financial assets	55,409,355	12,795,007	1,984,929	4,648,371	29,823,996	47,120,627	210,000	151,992,285
Borrowings from central bank	—	—	—	—	(1,643,050)	(5,229,633)	—	(6,872,683)
Borrowings	—	—	—	(1,160,000)	(31,372,331)	(47,737,000)	—	(80,269,331)
Accounts payable	—	(102,790)	—	(3,737,390)	(10,999,652)	(18,827,288)	—	(33,667,120)
Bonds issued	—	—	—	—	(295,890)	(9,941,639)	—	(10,237,529)
Other financial liabilities	—	(624,364)	—	—	—	—	—	(624,364)
Total financial liabilities	—	(727,154)	—	(4,897,390)	(44,310,923)	(81,735,560)	—	(131,671,027)
Net position	55,409,355	12,067,853	1,984,929	(249,019)	(14,486,927)	(34,614,933)	210,000	20,321,258

68.4 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 value.

The Group's risk of distressed assets arise from distressed debts which the Group initially classified as financial assets at fair value through profit or loss, financial assets classified as receivables or equity instruments which the Group classified as available-for-sale financial assets.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.4 Risk management of distressed assets—continued

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.

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 including future cash flows, collection period, discount rate, and disposal cost, etc. The 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), collaterals 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.

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. The 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 are 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 event to ensure immediate recovery action be taken when certain risk elements emerge.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.4 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 a customer or counterparty's failure to meet its obligation. Characters of the credit risk management system of the Group include:

- Application of centralized policy and procedures throughout the Group;
- Enforce strict management system on the credential of authorized supervisor;
- 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.

The 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 collaterals which fully cover the credit exposure.

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.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.4 Risk management of distressed assets—continued

4. Determination of fair value

The Group determines the fair value of distressed debt assets designated 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.

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. 68.1 to section A.

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 investees.

68.5 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 that 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.

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).

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.5 Insurance risk—continued

1. Types of insurance risks—continued

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.

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 inappropriate standard or method was used. Measures the Group takes to minimize the risk include:

- Calculate insurance reserves 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.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.5 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 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 reinsurer 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 operations of the Group are located in the PRC. There are no significant differences among the regions where the Group underwrites insurance contracts.

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

	Year ended December 31,						Six months ended June 30,			
	2010		2011		2012		2012		2013	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Life insurance	4,491,440	92.8	5,045,976	80.6	5,707,059	70.4	3,248,876	77.5	2,406,181	60.9
Motor vehicles insurance contract	261,865	5.4	1,014,953	16.2	1,996,249	24.6	771,874	18.4	1,273,159	32.2
General property insurance	54,313	1.1	90,434	1.4	130,578	1.6	68,228	1.6	114,007	2.9
Others	34,612	0.7	107,223	1.8	267,563	3.4	100,517	2.5	159,475	4.0
Total	4,842,230	100.0	6,258,586	100.0	8,101,449	100.0	4,189,495	100.0	3,952,822	100.0

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

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
Life insurance	7,271,340	95.3	11,333,927	92.1	15,764,894	89.6	17,431,178	88.6
Motor vehicle commercial insurance	202,397	2.7	702,946	5.7	1,331,495	7.6	1,636,790	8.3
Health insurance contract	62,107	0.8	78,987	0.6	112,541	0.6	139,811	0.7
Others	96,661	1.2	185,006	1.6	376,738	2.2	466,096	2.4
Total	7,632,505	100.0	12,300,866	100.0	17,585,668	100.0	19,673,875	100.0

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.5 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 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,						As at June 30,	
		2010		2011		2012		2013	
Item	Change in %	Profit before tax	Equity	Profit before tax	Equity	Profit before tax	Equity	Profit before tax	Equity
Claim ratios . . .	+1%	(566)	(566)	(4,674)	(4,674)	(9,985)	(9,985)	(8,009)	(8,009)
Claim ratios . . .	-1%	566	566	4,674	4,674	9,985	9,985	8,009	8,009

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.

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 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,						As at June 30,	
		2010		2011		2012		2013	
Item	Change in discount rates	Profit before tax	Equity	Profit before tax	Equity	Profit before tax	Equity	Profit before tax	Equity
Policyholder's reserve	+10bps	10,640	10,640	11,380	11,380	16,993	16,993	17,951	17,951
Policyholder's reserve	-10bps	(11,443)	(11,443)	(11,575)	(11,575)	(17,365)	(17,365)	(18,303)	(18,303)

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

68. Financial risk management—continued

68.5 Insurance risk—continued

3. Key assumptions and sensitivity analysis—continued

3.2 Long-term life and health insurance contract—continued

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,						As at June 30,	
		2010		2011		2012		2013	
Item	Change in expense rates	Profit before tax	Equity	Profit before tax	Equity	Profit before tax	Equity	Profit before tax	Equity
Policyholder's reserve . .	+10%	(17,922)	(17,922)	(26,126)	(26,126)	(33,912)	(33,912)	(38,421)	(38,421)
Policyholder's reserve . .	-10%	17,316	17,316	26,126	26,126	33,912	33,912	38,421	38,421

68.6 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 taken into account of the percentage of shareholding, after making deduction as required by relevant rules and regulations. The Group is required to meet this minimum capital requirement stipulated by the CBRC.

In accordance with the requirements of Off-site Supervision Reporting Index System on Financial Asset Management Companies (Provisional) (Yinjianbanfa [2012] No. 153), issued by the CBRC in 2012, the Company is required to maintain a minimum Capital Adequacy Ratio ("CAR") at 12.5%. CAR is calculated by dividing the qualified capital of the Company by its risk-weighted assets. As at December 31, 2011 and 2012 and June 30, 2013, the Company complied with the regulatory requirements on the minimum CAR.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

69. Fair value of financial instruments

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

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments; and
- the fair value of derivative instrument is calculated using quoted prices. Where such prices are not available, discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for non-option type of derivatives, and option pricing model is used for option type of derivatives.

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

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

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

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

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

69. Fair value of financial instruments—continued

69.1 Fair value of financial assets and financial liabilities that are not measured on a recurring basis (but fair value disclosures are required)

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 Financial Information approximate their fair values.

Group

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets								
Financial assets classified as receivables	—	—	12,149,831	12,365,280	51,195,120	52,164,951	80,429,720	82,009,821
Loans and advances to customers	2,508,436	2,565,131	9,447,891	9,492,855	25,041,518	25,208,935	31,977,084	31,988,325
Accounts receivable	6,418,190	6,407,411	4,062,503	4,062,503	5,257,293	5,572,436	8,896,250	9,147,777
Held-to-maturity investments	3,775,634	3,735,215	6,261,914	6,310,533	7,343,274	7,245,484	7,636,930	7,612,582
Total	12,702,260	12,707,757	31,922,139	32,231,171	88,837,205	90,191,806	128,939,984	130,758,505
Financial liabilities								
Borrowings	(7,826,191)	(7,826,972)	(25,178,940)	(25,195,480)	(76,099,160)	(75,900,938)	(104,100,767)	(103,917,600)
Bonds issued	—	—	(495,000)	(533,216)	(12,534,554)	(12,592,348)	(12,792,056)	(12,508,015)
Total	(7,826,191)	(7,826,972)	(25,673,940)	(25,728,696)	(88,633,714)	(88,493,286)	(116,892,823)	(116,425,615)

Company

	As at December 31,						As at June 30,	
	2010		2011		2012		2013	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets								
Financial assets classified as receivables	—	—	9,681,131	9,869,758	48,068,188	48,978,330	77,888,189	79,187,581
Accounts receivables	5,511,905	5,501,126	3,408,443	3,408,443	4,283,058	4,598,201	6,875,299	7,126,826
Held-to-maturity investments	210,000	191,288	210,000	183,426	210,000	204,766	210,000	209,476
Total	5,721,905	5,692,414	13,299,574	13,461,627	52,561,246	53,781,297	84,973,488	86,523,883
Financial liabilities								
Borrowings	(443,761)	(444,542)	(13,568,078)	(13,584,617)	(55,831,334)	(55,635,070)	(80,269,331)	(80,086,164)
Bonds issued	—	—	—	—	(10,007,054)	(10,015,110)	(10,237,529)	(9,980,515)
Total	(443,761)	(444,542)	(13,568,078)	(13,584,617)	(65,838,388)	(65,650,180)	(90,506,860)	(90,066,679)

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

69. Fair value of financial instruments—continued

69.2 Fair value of the Group's 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 each 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, 2010	2011	2012	Fair value as at June 30, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
1) Held-for-trading financial assets	**2,583,626**	**4,291,231**	**6,367,430**	**6,225,458**				
Debt securities	1,011,512	3,205,324	4,154,802	3,512,394				
—Public sector and quasi-government bonds traded in inter-bank market	583,254	800,808	760,153	1,168,027	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
—Government bonds traded in inter-bank market	—	200,005	—	—	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
—Financial institution bonds traded in stock exchange	—	52,147	25,793	—	Level 1	• Quoted bid prices in an active market.	N/A	N/A

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

69. Fair value of financial instruments—continued

69.2 Fair value of the Group's 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, 2010	2011	2012	Fair value as at June 30, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
—Financial institution bonds traded in inter-bank market	100,000	—	—	—	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
—Corporate bonds traded in stock exchange	99,049	96,810	908,548	1,094,950	Level 1	• Quoted bid prices in an active market.	N/A	N/A
—Corporate bonds traded in inter-bank market	229,209	2,055,554	2,460,308	1,249,417	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
Equity instruments listed in HK and outside HK	685,786	333,101	813,105	813,458	Level 1	• Quoted bid prices in an active market.	N/A	N/A
—Manufacturing	340,330	95,098	430,958	406,917				
—Finance	157,244	12,874	15,820	27,399				
—Mining	34,268	40,075	172,165	104,952				
—Production and supply of power, heat, gas and water	430	46,624	86,946	34,317				
—Real estate	59,457	42,276	26,486	47,152				

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

69. Fair value of financial instruments—continued

69.2 Fair value of the Group's 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, 2010	2011	2012	Fair value as at June 30, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
—Information transmission, software and information technology services	55,703	40,953	50,465	92,869				
—others	38,354	55,201	30,265	99,852				
Fund	886,328	752,806	1,380,055	1,875,097	Level 1	• Quoted bid prices in an active market.	N/A	N/A
—Listed outside HK	858,792	497,398	1,252,505	962,683				
—Unlisted	27,536	255,408	127,550	912,414				
Derivatives	—	—	19,468	24,509	Level 3	• Note (1)	Note (1)	Note (1)
2) Financial assets designated as at fair value through profit or loss	**7,518,302**	**9,110,834**	**10,555,543**	**10,464,361**				
Acquired distressed debt assets	7,293,692	7,415,411	7,960,200	8,371,611	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. • Expected recovery date.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

69. Fair value of financial instruments—continued

69.2 Fair value of the Group's 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, 2010	Fair value as at December 31, 2011	Fair value as at December 31, 2012	Fair value as at June 30, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
							• Discount rates that correspond to the expected risk level.	• The lower the discount rates, the higher the fair value.
Debt securities	219,943	1,228,140	1,018,769	703,321				
—Financial institution convertible bonds traded in stock exchange	69,669	1,168,181	946,017	665,218	Level 1	• Quoted bid prices in an active market.	N/A	N/A
—Corporate convertible bonds traded in stock exchange	—	59,959	72,752	38,103	Level 1	• Quoted bid prices in an active market.	N/A	N/A
—Corporate convertible bonds not traded in active market	150,274	—	—	—	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 higher the risk-free rate, the higher the fair value.
							• Volatility rates that are in line with those of similar products.	• The higher the volatility rate, the higher the fair value.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

69. Fair value of financial instruments—continued

69.2 Fair value of the Group's 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, 2010	2011	2012	Fair value as at June 30, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Wealth management products issued by banks or other financial institutions	4,667	197,044	1,246,869	1,037,035	Level 2	• Calculated based on the quoted prices of bonds, equity instruments on which the wealth management products invested in.	N/A	N/A
Equity instruments	—	270,239	329,705	352,394				
—Unlisted equity investment with a lock-up period to convert into listed equity investment	—	270,239	—	—	Level 3	• Quoted bid price of the listed equity that would be converted into, and with Black-Scholes option pricing model for the discount of the lock-up period.	• Future price of the associated equity investment. • Risk-free rates that are specific to the market. • Volatility rates that are in line with those of similar products.	• The higher the future price, the higher the fair value. • The higher the risk-free rate, the lower the fair value. • The higher the volatility rates, the higher the fair value.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

69. Fair value of financial instruments—continued

69.2 Fair value of the Group's 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, 2010	2011	2012	Fair value as at June 30, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
—Equity investments in unlisted companies	—	—	191,141	337,041	Level 3	• The Group acquired the investment within one year as at the respective period end. Fair value was determined by reference to the transaction price of the equity instruments.	N/A	N/A
—Beneficiary rights associated with equity instruments	—	—	138,564	15,353	Level 2	• Calculated based on the expected disposal price of listed shares.	N/A	N/A
3) Available-for-sale financial asset	**22,488,827**	**23,870,531**	**24,150,756**	**23,228,817**				
Debt securities	6,217,085	9,525,205	7,998,164	10,046,628				
—Public sector and quasi-government bonds traded in inter-bank market	3,121,442	4,025,901	3,229,605	3,774,753	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
—Financial institution bonds traded in stock exchange	162,036	19,019	19,026	18,695	Level 1	• Quoted bid prices in an active market.	N/A	N/A

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

69. Fair value of financial instruments—continued

69.2 Fair value of the Group's 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,			Fair value as at June 30,	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
	2010	2011	2012	2013				
—Financial institution bonds traded in inter-bank market	749,122	1,689,846	1,978,793	1,783,393	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
—Corporate bonds traded in stock exchange	543,446	914,574	1,588,706	2,778,633	Level 1	• Quoted bid prices in an active market.	N/A	N/A
—Corporate bonds traded in inter-bank market	1,641,039	2,875,865	1,182,034	1,691,154	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
Listed equity instruments listed in HK and outside HK	13,633,203	11,511,335	11,312,849	8,278,554	Level 1	• Quoted bid prices in an active market.	N/A	N/A
—Mining	8,595,683	7,503,801	7,256,013	4,626,030				
—Manufacturing	2,532,377	2,530,838	2,734,205	2,295,041				
—Other industries	2,505,143	1,476,696	1,322,631	1,357,483				

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

69. Fair value of financial instruments—continued

69.2 Fair value of the Group's 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, 2010	2011	2012	Fair value as at June 30, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Funds	1,316,461	1,702,098	2,620,928	1,881,487	Level 1	• Quoted bid prices in an active market.	N/A	N/A
—Listed outside HK	1,064,690	1,407,247	1,719,846	704,777				
—Unlisted	251,771	294,851	901,082	1,176,710				
Trust products	415,078	258,191	158,004	290,886				
—Trust products investing in listed shares	365,078	208,191	52,141	65,023	Level 2	• Calculated based on the quoted prices of equity instruments on which the trust products invested in.	N/A	N/A
—Other trust products	50,000	50,000	105,863	225,863	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.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

69. Fair value of financial instruments—continued

69.2 Fair value of the Group's 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,			Fair value as at June 30,	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
	2010	2011	2012	2013				
Wealth management products	437,000	8,001	980,000	1,648,079				
—Issued by banks or other financial institutions	437,000	8,001	280,000	948,079	Level 2	• Calculated based on the quoted prices of bonds, equity instruments on which the wealth management products invested in.	N/A	N/A
—Issued by banks or other financial institutions	—	—	700,000	700,000	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • 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.
Rights to trust assets	470,000	700,000	1,073,250	1,073,250	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.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

69. Fair value of financial instruments—continued

69.2 Fair value of the Group's 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, 2010	2011	2012	Fair value as at June 30, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
							• Discount rates that correspond to the expected risk level.	The lower the discount rate, the higher the fair value.
Others	—	165,701	7,561	9,933				
—Rights to proceeds from disposal of assets held by third party	—	160,000	—	—	Level 3	• The Group acquired the investment towards the end of 2011. Fair value was determined by reference to the transaction price of the rights.	N/A	N/A
—Others	—	5,701	7,561	9,933	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
4) Financial liabilities at fair value through profit or loss	**—**	**(713)**	**(53,400)**	**(3,701)**				
Share option of listed companies	—	(713)	(3,555)	(3,701)	Level 1	• Quoted bid prices in an active market.	N/A	N/A
Income guarantee and repurchase commitment	—	—	(49,845)	—	Level 3	• Note (1)	Note (1)	Note (1)

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

69. Fair value of financial instruments—continued

69.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis—continued

Company

Financial assets	Fair value as at December 31, 2010	2011	2012	Fair value as at June 30, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
1) Held-for-trading financial assets	**—**	**—**	**19,468**	**24,509**				
Derivatives	—	—	19,468	24,509	Level 3	• Note (1)	• Note (1)	• Note (1)
2) Financial assets designated as at fair value through profit or loss	**8,029,922**	**7,918,457**	**8,760,761**	**9,076,127**				
Acquired distressed debt assets	8,029,922	7,918,457	8,022,197	8,468,887	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts.	• The higher the recoverable amounts, the higher the fair value.
							• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
							• Discount rates that correspond to the expected risk level.	• The lower the discount rates, the higher the fair value.
Equity instruments-beneficiary rights associated with equity instruments	—	—	138,564	15,353	Level 2	• Calculated based on the expected disposal price of listed shares.	N/A	N/A

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

69. Fair value of financial instruments—continued

69.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis—continued

Company—continued

Financial assets	Fair value as at December 31, 2010	2011	2012	Fair value as at June 30, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Investment fund	—	—	600,000	591,887	Level 3	• The Company acquired the investment fund within one year of the respective period end. The fair value was determined by reference to the transaction price of the investment.	N/A	N/A
3) Available-for-sale financial asset	**10,764,805**	**9,563,557**	**9,152,044**	**6,493,493**				
Equity instruments listed outside HK	10,764,805	9,303,557	9,152,044	6,493,493	Level 1	• Quoted bid prices in an active market.	N/A	N/A
—Mining	8,521,038	7,439,164	7,195,654	4,605,518				
—Manufacturing	690,222	968,970	1,142,788	1,286,218			N/A	N/A
—Other industries	1,553,545	895,423	813,602	601,757			N/A	N/A
Trust products—Trust products investing the listed share	—	100,000	—	—	Level 2	• Calculated based on the quoted prices of equity instruments on which the trust products invested in.	N/A	N/A
Others—Rights to proceeds from disposal of assets held by third party	—	160,000	—	—	Level 3	• The Company acquired the investment towards the end of 2011. Fair value was determined by reference to the transaction price of the rights.	N/A	N/A

Note:

(1) The amount of derivatives and financial liabilities at fair value through profit or loss are insignificant to the Group. 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.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

69. Fair value of financial instruments—continued

69.2 Fair value of the Group's 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, 2010			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	1,740,832	917,130	7,443,966	10,101,928
Available-for-sale financial assets	15,655,147	6,313,680	520,000	22,488,827
Total assets	17,395,979	7,230,810	7,963,966	32,590,755

	As at December 31, 2011			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	2,463,004	3,253,411	7,685,650	13,402,065
Available-for-sale financial assets	14,147,026	8,813,505	910,000	23,870,531
Total assets	16,610,030	12,066,916	8,595,650	37,272,596
Financial liabilities at fair value through profit or loss	(713)	—	—	(713)
Total liabilities	(713)	—	—	(713)

	As at December 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	4,146,270	4,605,894	8,170,809	16,922,973
Available-for-sale financial assets	15,541,509	6,730,134	1,879,113	24,150,756
Total assets	19,687,779	11,336,028	10,049,922	41,073,729
Financial liabilities at fair value through profit or loss	(3,555)	—	(49,845)	(53,400)
Total liabilities	(3,555)	—	(49,845)	(53,400)

	As at June 30, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	4,486,826	3,469,832	8,733,161	16,689,819
Available-for-sale financial assets	12,957,369	8,272,335	1,999,113	23,228,817
Total assets	17,444,195	11,742,167	10,732,274	39,918,636
Financial liabilities at fair value through profit or loss	(3,701)	—	—	(3,701)
Total liabilities	(3,701)	—	—	(3,701)

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

69. Fair value of financial instruments—continued

69.2 Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis—continued

Company

	As at December 31, 2010			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	—	—	8,029,922	8,029,922
Available-for-sale financial assets	10,764,805	—	—	10,764,805
Total assets	10,764,805	—	8,029,922	18,794,727

	As at December 31, 2011			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	—	—	7,918,457	7,918,457
Available-for-sale financial assets	9,303,557	100,000	160,000	9,563,557
Total assets	9,303,557	100,000	8,078,457	17,482,014

	As at December 31, 2012			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	—	138,564	8,641,665	8,780,229
Available-for-sale financial assets	9,152,044	—	—	9,152,044
Total assets	9,152,044	138,564	8,641,665	17,932,273

	As at June 30, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	—	15,353	9,085,283	9,100,636
Available-for-sale financial assets	6,493,493	—	—	6,493,493
Total assets	6,493,493	15,353	9,085,283	15,594,129

There were no transfers between Level 1 and 2 during the Relevant Periods.

The fair values of the financial assets and financial liabilities included in the level 2 category 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.

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

69. Fair value of financial instruments—continued

69.3 Reconciliation of Level 3 fair value measurements

Group

	Financial assets at FVTPL	Available-for-sale financial assets
As at January 1, 2010	7,627,238	—
Recognized in profit or loss	586,794	—
Purchases	3,681,535	930,000
Settlements/disposals	(4,451,601)	(410,000)
As at December 31, 2010	7,443,966	520,000
Total gain for the year for assets/liabilities held as at December 31, 2010		
—included in profit or loss	586,794	—

	Financial assets at FVTPL	Available-for-sale financial assets
As at January 1, 2011	7,443,966	520,000
Recognized in profit or loss	231,937	—
Purchases	3,163,925	330,375
Settlements/disposals	(3,010,054)	59,625
Transfers out of Level 3	(144,124)	—
As at December 31, 2011	7,685,650	910,000
Total gain for the year for assets/liabilities held as at December 31, 2011		
—included in profit or loss	231,937	—

	Financial assets at FVTPL	Available-for-sale financial assets	Financial liabilities at FVTPL
As at January 1, 2012	7,685,650	910,000	—
Recognized in profit or loss	317,018	—	(49,845)
Purchases	3,337,519	1,179,113	—
Settlements/disposals	(3,169,378)	(210,000)	—
As at December 31, 2012	8,170,809	1,879,113	(49,845)
Total gain/(loss) for the year for assets/liabilities held as at December 31, 2012			
—included in profit or loss	317,018	—	(49,845)

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

69. Fair value of financial instruments—continued

69.3 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, 2013	8,170,809	1,879,113	(49,845)
Recognized in profit or loss	417,911	—	—
Purchases	2,259,017	120,000	—
Settlements/disposals	(2,114,576)	—	49,845
As at June 30, 2013	8,733,161	1,999,113	—
Total gain for the period for assets/ liabilities held as at June 30, 2013 —included in profit or loss	417,911	—	—

Company

	Financial assets at FVTPL
As at January 1, 2010	8,643,071
Recognized in profit or loss	115,869
Purchases	3,531,796
Settlements/disposals	(4,260,814)
As at December 31, 2010	8,029,922
Total gain for the year for assets/liabilities held as at December 31, 2010 —included in profit or loss	115,869

	Financial assets at FVTPL	Available-for-sale financial assets
As at January 1, 2011	8,029,922	—
Recognized in profit or loss	211,111	—
Purchases	2,866,719	160,000
Settlements/disposals	(3,189,295)	—
As at December 31, 2011	7,918,457	160,000
Total gain for the year for assets/liabilities held as at December 31, 2011 —included in profit or loss	211,111	—

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

69. Fair value of financial instruments—continued

69.3 Reconciliation of Level 3 fair value measurements—continued

Company—continued

	Financial assets at FVTPL	Available-for-sale financial assets
As at January 1, 2012	7,918,457	160,000
Recognized in profit or loss	387,451	—
Purchases	3,541,642	—
Settlements/disposals	(3,205,885)	(160,000)
As at December 31, 2012	8,641,665	—
Total gain for the year for assets/liabilities held as at December 31, 2012		
—included in profit or loss	387,451	—

	Financial assets at FVTPL
As at January 1, 2013	8,641,665
Recognized in profit or loss	420,732
Purchases	2,113,117
Settlements/disposals	(2,090,231)
As at June 30, 2013	9,085,283
Total gain for the period for assets/liabilities held as at June 30, 2013	
—included in profit or loss	420,732

The total net gains of the Group for the year/period included an unrealized gain of RMB586.79 million, RMB231.94 million, RMB267.17 million and RMB417.91 million relating to financial assets that were measured at fair value for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. Such unrealized gains or losses are included in fair value changes on distressed debt assets, or fair value changes on other financial assets.

The total gains of the Company for the year/period included an unrealized gain of RMB115.87 million, RMB211.11 million, RMB387.45 million and RMB 420.73 million relating to financial assets that were measured at fair value for the years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, respectively. Such unrealized gains are included in fair value changes on distressed debt assets or fair value changes on other financial assets.

A. FINANCIAL INFORMATION (continued)

(Amounts in thousands of RMB, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

70. Acquisition of subsidiaries

The Group completed a number of acquisitions during the Relevant Periods. None of these acquisitions were individually significant. They are therefore presented as an aggregate in the following tables:

Consideration transferred:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Cash	16,508	—	—	—	—
Settlement of debts	182,082	—	—	—	—
Total	198,590	—	—	—	—

Identifiable assets acquired and liabilities assumed at those dates of acquisitions are as follows:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Cash and bank balances	122,843	—	192,258	—	—
Property and equipment	6,302	—	11,092	—	—
Investment properties	18,478	—	—	—	—
Available-for-sale financial assets	341,998		—	—	—
Accounts receivable	132,607	—	11,518	—	—
Others assets	27,652	—	537,012	—	—
Accounts payable	(179,186)	—	(273,357)	—	—
Other liabilities	(122,871)	—	(129,668)	—	—
Net assets	347,823	—	348,855	—	—

Net cash flows for acquisition of subsidiaries:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Cash consideration paid	(16,508)	—	—	—	—
Less: cash and cash equivalent balances acquired	122,843	—	192,258	—	—
Net cash flows	106,335	—	192,258	—	—

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

70. Acquisition of subsidiaries—continued

Goodwill arising on acquisition of certain subsidiaries are detailed as follow:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Consideration transferred	54,122	—	—	—	—
Plus: non-controlling interests	(25,559)	—	—	—	—
Less: net liabilities assumed	52,655	—	—	—	—
Goodwill arising on acquisition	81,218	—	—	—	—

During 2012, with the agreement of other shareholders, the Group gained control over Anhui Jishi Real Estate Co., Ltd. that was previously accounted for as an associate, by obtaining majority voting rights to the board of directors of this company. Therefore, the Group has a business combination achieved in stages without any consideration transferred.

71. Disposal of subsidiaries

During the Relevant Periods, the Group disposed of a number of subsidiaries. These subsidiaries of the Group mainly operate in the real estate and property management industry.

None of these disposals were individually significant. Their aggregated information is set out below:

Consideration received:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Cash received	2,649	71,830	1,932,070	208,426	—
Deferred cash consideration	—	25,039	2,801	—	266,530
	2,649	96,869	1,934,871	208,426	266,530

Analysis of assets and liabilities over which control was lost:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Current assets	7,346	255,230	3,041,190	10,403	78,088
Non-current assets	—	64,753	264,315	247,377	51,040
Current liabilities	(4,628)	(246,127)	(2,502,262)	(127,573)	(13,946)

A. FINANCIAL INFORMATION (continued)

(Amounts in millions of Renminbi, unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS—continued

71. Disposal of subsidiaries—continued

Net cash flows arising on disposal of subsidiaries:

	Year ended December 31,			Six months ended June 30,	
	2010	2011	2012	2012	2013
				(Unaudited)	
Cash consideration received	2,649	71,830	1,932,070	208,426	—
Less: cash and cash equivalent balances disposed of	(5,985)	(13,321)	(68,902)	(5,180)	(446)
Net cash flows	(3,336)	58,509	1,863,168	203,246	(446)

B. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the resolution of the first extraordinary general meeting for 2013 held on May 30, 2013, the shareholders approved the proposal on financial bond issuance of RMB20.00 billion in inter-bank bond market in Mainland China. As of the date of this report, the proposed bond issue is still pending for regulatory approval.

Pursuant to the resolution of the second extraordinary general meeting for 2013 held on August 5, 2013, the shareholders approved the proposal on dividend distribution before its proposed initial public offering in which a cash dividend in respect of the period from the date immediately after the Relevant Periods to the last day of the month immediately prior to the completion of its initial public offering (the "Special Dividend Date") will be declared to shareholders on the Company's register of members as of the Special Dividend Date in an amount equal to the audited net profit of the Company for the period from the date immediately after the Relevant Periods to the Special Dividend Date, after the required appropriations to the statutory reserve and the reserve for general risk ("Distributable Profits"). The Company's Distributable Profits are determined in accordance with PRC GAAP and IFRSs, whichever is lower.

On August 9, 2013, CINDA Real Estate Co., Ltd., a subsidiary of the Company announced the bond issuance plan that it will issue corporate bond up to RMB2.80 billion in inter-bank bond market in Mainland China.

On August 21, 2013, Cinda International Holdings Limited, a subsidiary of the Company, announced the bond issuance plan that it will issue non-secured, non-guaranteed, fixed interest corporate bonds up to a maximum aggregate principal amount of HK$200 million to independent third parties. As of the date of this report, bonds amounting to HK$24 million have been issued.

C. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group, the Company or any of its subsidiaries have been prepared in respect of any period subsequent to June 30, 2013.

Yours faithfully

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(A) UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of our unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders is prepared based on audited consolidated net tangible assets of the Group attributable to equity holders of the Company at June 30, 2013, adjusted as described below. The unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders have been prepared for illustrative purposes only and, because of their nature, they may not give a true picture of our consolidated financial position as at June 30, 2013 or any future date following the Global Offering.

The statement of unaudited pro forma adjusted consolidated net tangible assets attributable to Shareholders has been prepared to show the effect on our audited consolidated net tangible assets attributable to equity holders of the Company as at June 30, 2013 as if the Global Offering had occurred on June 30, 2013. The unaudited pro forma adjusted consolidated net tangible assets of the Group attributable to Shareholders per share is calculated in accordance with Listing Rules 4.29.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company at June 30, 2013(1)	Estimated net proceeds from the Global Offering(2)	Our unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company	Our unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per share	
	(in millions of RMB)			(RMB)(3)	(HK$)(4)
Based on the Offer Price of HK$3.00 per Offer Share	55,872.0	12,234.4	68,106.4	1.92	2.43
Based on the Offer Price of HK$3.58 per Offer Share	55,872.0	14,613.0	70,485.0	1.99	2.51

(1) Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at June 30, 2013 is derived from the Accountants' Report set out in Appendix I to the prospectus, which is based on audited consolidated net assets attributable to equity holders of the Company as at June 30, 2013 of approximately RMB56,362.6 million with an adjustment for goodwill and other intangible assets in an aggregate amount of approximately RMB490.6 million as at June 30, 2013.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$3.00 per share and HK$3.58 per share, after deduction of the underwriting fees and other related expenses payable by us and takes no account of any shares which may be issued upon the exercise of the Over-allotment Option for the Global Offering.

(3) Our unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company per share is calculated after the adjustments referred to in note (2) above and on the basis that 35,458,864,035 shares are issued following the completion of the Global Offering and assuming that the Over-allotment Option for the Global Offering is not exercised.

(4) The translation between Renminbi and Hong Kong dollars has been made at the rate of RMB0.7913 to HK$1.00, the exchange rate set by the PBOC prevailing at November 15, 2013. No representation is made that the Hong Kong dollar amounts have been, could have been or could be converted into Renminbi, or vice versa, at that rate, or at any other rate or at all.

(5) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets attributable to the owners of the Company to reflect any trading results or other transactions entered into by us subsequent to June 30, 2013.

(B) REPORT FROM THE REPORTING ACCOUNTANTS ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report, prepared for the purpose of incorporation in this prospectus, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

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

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Cinda Asset Management Co., Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The pro forma financial information consists of the pro forma statement of adjusted consolidated net tangible assets attributable to the owners of the Company as at June 30, 2013 and related notes as set out on page II-1 of Appendix II to the prospectus issued by the Company dated November 28, 2013 (the "prospectus"). The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are described on page II-1 of Appendix II to the prospectus.

The pro forma financial information has been compiled by the Directors to illustrate the impact of the proposed placing and public offer on the Group's financial position as at June 30, 2013 as if the event had taken place at June 30, 2013. As part of this process, information about the Group's financial position has been extracted by the Directors from the Group's financial information for the three years ended December 31, 2012 and the six months ended June 30, 2013, on which an accountants' report set out in Appendix I to the prospectus has been published.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial

Information Included in a Prospectus issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at June 30, 2013 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

Opinion

In our opinion:

(a) the pro forma financial information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong, November 28, 2013

The following is the text of a letter prepared for the purpose of incorporation in this prospectus received from American Appraisal China Limited, an independent valuation specialist, in connection with the calculated value of June 30, 2013 of our top 20 Unlisted DES Assets ranked by book value at June 30, 2013.

We have no reason to believe that the information presented in this section is false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. The information has not been independently verified by our Company, the Joint Sponsors, the Joint Global Coordinators, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering and no representation is given as to its accuracy.

The calculated value presented in this section is not fair value appraised in accordance with IFRS. See "Risk Factors - The calculated value of the equity interests we hold in certain Unlisted DES Companies in this prospectus was appraised by the independent valuation specialist. Since such value is not fair value appraised in accordance with IFRS, you should not unduly rely on such calculated value".

American Appraisal China Limited
1506 Dah Sing Financial Centre
108 Gloucester Road / Wanchai / Hong Kong
美國評值有限公司
香港灣仔告士打道108號大新金融中心1506室
Tel +852 2511 5200 / Fax +852 2511 9626

Leading / Thinking / Performing

American Appraisal

November 28, 2013

China Cinda Asset Management Co., Ltd.
Block 1, No.9 Nao Shi Kou Da Jie
Xicheng District
Beijing, the PRC

Dear Sirs,

CALCULATION OF ATTRIBUTABLE EQUITY INTERESTS IN 20 INVESTMENT PORTFOLIO COMPANIES

Pursuant to the terms and conditions, and for the purpose of the engagement agreement dated August 21, 2013 ("Engagement Agreement") between China Cinda Asset Management Co., Ltd. ("Company") and American Appraisal China Limited ("American Appraisal"), we have performed certain calculation procedures (the "Calculation") to derive the values of the non-controlling equity interests in 20 investment portfolio companies (the "Investment Portfolio Companies") as of June 30, 2013 ("Measurement Date").

This calculation engagement was conducted in accordance with the Statement on Standards for Valuation Services No. 1 ("SSVS No.1") issued by the American Institute of Certified Public Accountants ("AICPA"). The Calculation is prepared based on the agreed upon procedures, approaches and methods as stated in the section headed "SCOPE OF WORK AND KEY ASSUMPTIONS" in this letter. A calculation engagement does not include all of the procedures required in a valuation engagement. Given the non-controlling nature of the Company's interests in its unlisted available for sale equity investee entities without involvement in such entities' management and operation, it is currently not practical to obtain forecasts of such entities and their consents to disclose the forecast for the application of income approach. Under these circumstances, the Company and we agree to use market approach to calculate the value of the unlisted available for sale equity investee. Therefore, the calculation engagement does not include income approach related procedures, including review of financial forecast and prospective information, unlimited access to the management and information of Investment Portfolio Companies, and determination of discount rate for discounted cash flow analysis, that would be required in valuation engagement. Had a valuation engagement been performed, the results might have been different. The calculated values of the equity interests in the Investment Portfolio Companies are subject to numerous assumptions. To the extent that any of these assumptions or facts change, the result of our calculated value may be different.

The Company may, with our consent, disclose this letter in any prospectus and to The Stock Exchange of Hong Kong Limited ("Stock Exchange") in accordance with the requirements of the Rules Governing the Listing of Securities on Stock Exchange ("Listing Rules").

This letter identifies the equity investments calculated, describes the scope of work, states the basis of calculated value, specifies key inputs and assumptions, explains the calculation engagement methodology utilized, and presents our result of the calculated value. The depth of discussion contained in this letter is specific to the needs of the Company and for the intended use as stated below. Supporting documentation concerning these matters has been retained in our work papers and by the Company. No third party shall entitle to rely upon on this letter and neither receipt nor possession of this letter by any third party shall create any express or implied third-party beneficiary rights.

PURPOSE OF CALCULATION

The Company intends to offer shares for subscription to the public ("Proposed Transaction"). With the Company 's instructions and approval and as stipulated by the Engagement Agreement, in the absence of the prospective information of the Investment Portfolio Companies, latest independent technical assessment of the mineral reserve and resources ("Technical Report") and other critical information, we have relied upon accuracy of operational and financial information provided by the Company and Investment Portfolio Companies in calculating values of the non-controlling equity interests in the Investment Portfolio Companies attributable to the Company.

The intended use of the Calculation is to assist the Company with regard to Listing Rules compliance and voluntary disclosure obligations that are appropriate in relation to the Proposed Transaction. The ultimate offer price of the Proposed Transaction would be the results of market supply and demand of the share subscription. The results of our calculation should not be construed to be a fairness opinion, or an investment recommendation. It is inappropriate to use our report for purpose other than its intended use or by third parties. Third parties should conduct their own investigation and independent assessment of the financial projections and underlying assumptions.

STANDARD AND DEFINITION OF CALCULATED VALUE

The result of the calculation is presented as the calculated value, defined under SSVS No.1 issued by AICPA as "an estimate as to the value of a business, business ownership, security, or intangible assets, arrived at by applying calculation engagement procedures agreed upon with the client and using professional judgment as to the value or range of values based on those procedures".

The Calculation of equity values of the Investment Portfolio Companies was performed by using the information provided by the management of the Company and Investment Portfolio Companies ("Management") and publicly available market data, and other reasonable assumptions in line with general practices of the investment community. American Appraisal has not been asked to and will not provide any opinion, analysis or consideration of the relative reasonableness, accuracy or appropriateness of the operational and financial information provided by the Management. We have not performed an audit, review or compilation of financial statements in the capacity of certified public accountants. Our work cannot be relied upon to discover errors, irregularities, or illegal acts.

The Management have reviewed these relevant information used by us in the Calculation and have represented to us that, to their best knowledge and belief, the information does not contain any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

Calculated values of business enterprises of the Investment Portfolio Companies represent the combination of all tangible assets (buildings, machinery and equipment), long-term investment, net working capital and intangible assets of a continuing business. Alternatively, the business enterprise is equivalent to the invested capital of the business, that is, the combination of the value of shareholders' equity, shareholders' loans, interest-bearing debt and minority interests. Value of equity interest is calculated as business enterprise value less net interest-bearing debt less minority interests.

DESCRIPTION OF SUBJECT EQUITY INVESTMENTS

American Appraisal was instructed to perform the Calculation of the Investment Portfolio Companies which represented the top 20 investments and approximately 80.5% book value of total unlisted equity investments acquired by the Company through debt-to-equity-swaps as of June 30, 2013. The Investment Portfolio Companies covered in this Calculation, percentage of their equity interest held by the Company as of the Measurement Date and their principal business activities are summarized in the table below:

No.	Name of Investment Portfolio Company	% equity interest held by the Company as of the Measurement Date	Principal business activities
1	Shenhua Group Zhungeer Energy Co., Ltd.	42.24%	Coal production and power generation
2	Datong Coal Mine Group Co., Ltd.	30.12%	Coal production and power generation
3	Huainan Mining Industry (Group) Co., Ltd.	24.84%	Coal production and power generation
4	Xishan Coal and Electricity Group Co., Ltd.	35.47%	Coal production and power generation
5	Yangquan Coal Industry (Group) Co., Ltd.	40.42%	Coal production and power generation
6	Wengfu (Group) Co., Ltd.	47.16%	Sale and production of phosphate compound and fertilizer
7	Shanxi Jincheng Anthracite Mining Group Co., Ltd.	16.45%	Coal production and power generation
8	Tiefa Coal Industry (Group) Co., Ltd.	30.46%	Coal production and power generation
9	Huozhou Coal Electricity Group Co., Ltd.	36.97%	Coal production and power generation
10	Shanxi Fenxi Mining Industry (Group) Co., Ltd.	36.02%	Coal production and power generation
11	China National Materials Co., Ltd.	8.96%	Provision of cement equipment and engineering services, production and sales of cement
12	Shandong Zhongxing Energy Co., Ltd	20.74%	Coal production and power generation
13	Ningxia Ningdong Railway Corporation Limited	25.90%	Construction and management of railway
14	Baiyin Nonferrous Metal Group Co., Ltd.	5.97%	Sale and production of non ferrous metal
15	Ningxia Lingxin Coal Industry Co., Ltd	52.46%	Coal production and power generation
16	Tianjin Pipe (Group) Corporation	6.11%	Sale and production of steel pipe
17	Shanghai Coking & Chemical Corporation	26.58%	Sale and production of coking chemical
18	China Nuclear Engineering Corporation Limited	14.85%	Engineering and construction of nuclear power plants
19	Guizhou Shuicheng Mining Co., Ltd.	20.23%	Coal production and power generation
20.	Huaibei Mining Co., Ltd.	6.79%	Coal production and power generation

ECONOMIC OUTLOOK

A sound appraisal of a business or business interest must consider current and prospective national economic conditions. The major variables reviewed in order to evaluate the overall state of the national economy include the current level of and changes in the gross domestic product (GDP), exchange rate, and inflation rate. An overview of the national economy of China was essential to develop this outlook. The following economic discussion was extracted from Economic Intelligence Unit ("EIU") "Country View Update" July 2013.

Economic Growth

Real GDP grew by 7.7% year on year in January-March, but the economy lost momentum compared with the previous quarter (when output rose by 7.9%). Given the prospects of a tougher approach to credit issuance in the coming months, EIU has lowered its forecast for GDP growth in 2013 to 7.5%, from 7.8% previously. The surprisingly strong expansion in investment in 2012 is unlikely to be repeated this year, with depressed business confidence serving to dampen real investment growth. Another factor limiting real GDP expansion in 2013 will be the government's campaign against extravagant public spending. This is likely to have a knock-on effect on private consumption, which is expected to grow by 8% (the same rate as in 2012) but would otherwise have been stronger, given the easing in inflation.

Inflation

The average rate of consumer price inflation slowed to 2.6% in 2012, and is forecast to remain tame in 2013, at 2.7%. Soft global commodity prices will help to contain imported inflation again this year, and the excess capacity created by relatively weak economic expansion will limit supply-side pressures. We expect annual inflation to average 3.9% in 2014-17, but this is subject to unexpected changes in food and oil prices.

Exchange Rates

China's trade surplus as a proportion of GDP is forecast to fall to modest levels in the next five years, while the current account will move into deficit in 2016. The country will therefore be in a strong position to resist external pressure to allow a faster rate of currency appreciation. The renminbi is now probably close to a market-determined level, with the consequence that greater volatility in its value, including bouts of depreciation, is likely in the next five years. The renminbi's daily trading band against the US dollar is likely to be widened further, but to little practical effect. The PBC will continue to intervene to smooth volatility.

INDUSTRY OVERVIEW

China Coal Production and Power Generation Industry

The industry discussion below was extracted from "China Mining Report" by Business Monitor International ("BMI") in April 2013.

Considerable efforts by the Chinese government to develop domestic coal reserves, coupled with the heavy reliance on coal for electricity generation, will ensure the healthy growth of coal production in China over the coming years. Despite the planned closure of 3,000 small coal mines under the country's 12th Five-Year Plan, the efficiency gains that come about with bigger, more integrated mining companies will offset small output losses over the long run.

BMI expects coal mine production in China to reach 4.4bn tonnes (bnt) by 2017, increasing at an annual average rate of 4.2% from 2011 levels. While this will mark a significant slowdown from the previous decade, during which annual production growth averaged 10.9%, the sheer size of the country's current coal output means that even slow growth will dwarf developments in the rest of the world. BMI expects China to remain the largest coal producer in the world, having accounted for more than 44% of global output in 2011.

BMI expects China's mining sector to undergo continual restructuring over the coming years as part of the country's 12th Five-Year Plan (2011-2015). China is in the middle of a radical restructuring of its coal mining industry, closing down smaller mines and combining key state-owned coal companies with power, rail and shipping companies to form giant 'coal-rail-power' hubs. China aims to produce 14 such hubs in key economic regions with each hub having a minimum production capacity of 100mn tonnes per annum (mntpa). The government envisions approximately half of China's coal being produced at these major coal power base sites, which will be controlled by state-owned enterprises and the central government.

The Chinese government has been undertaking serious efforts to develop domestic coal reserves in the west and centre of the country, both relatively untapped areas. The government is looking for companies to invest in deposits in Xinjiang and Ningxia provinces, highlighting the potential for a further boost in coal production over the coming years. Furthermore, the scheduled release of several key mining projects, notably the expansion of output by Shenhua Group at Haerwusu, in Inner Mongolia, will continue to drive coal production growth in the years ahead.

BMI believes coal will remain the dominant form of fuel for electricity generation given its price and the ready availability of the material. BMI forecasts coal to account for more than 75% of China's total electricity generation by 2020, a decrease of only 2% from 2010 levels. This continued dependence on coal should encourage further production in China, the world's largest coal consumer at 46% of global consumption. While China import demand will not grow at the pace seen in recent years, it will remain large. China's coal imports in 2012 reached 235mnt, up 22% year-on-year. BMI expects China to remain heavily dependent on coal imports given the domestic shortfall in production, which reached approximately 300mnt in 2011.

China Phosphate Compound and Fertilizer Industry

The industry discussion below was extracted from "Fertilizer in China" by MARKET LINE ("Market Line") in June 2013.

The Chinese fertilizer market has been growing at a strong but decelerating rate in both value and volume terms. A moderate increase in value is expected going forward while volume growth should remain low.

The Chinese fertilizer market had total revenues of $95.3bn in 2012, representing a compound annual growth rate (CAGR) of 9.5% between 2008 and 2012. In comparison, the Japanese and Indian markets declined with compound annual rates of change (CARCs) of -7.8% and -3.0% respectively, over the same period, to reach respective values of $2.3bn and $10.4bn in 2012.

Fertilizers are highly volatile commodities. Volume and price of consumption can be affected by many factors, including weather conditions, accessibility, politics and regulations. High price volatility has been a key feature since 2007 and it is expected to continue in the medium term.

Market consumption volume increased with a CAGR of 5.2% between 2008 and 2012, to reach a total of 61.5 million tons in 2012. The market's volume is expected to rise to 66.2 million tons by the end of 2017, representing a CAGR of 1.5% for the 2012-2017 period.

Volume of fertilizer consumption was relatively flat globally through 2012, which impacted sales activity and saw prices put under pressure. The slowdown has been attributed to uncertain economic conditions, exchange rate fluctuations and unfavorable weather that has affected crop planting.

The nitrogen (N) segment was the market's most lucrative in 2012, with total revenues of $51.3bn, equivalent to 53.8% of the market's overall value. The phosphate (P2O5) segment contributed revenues of $33.2bn in 2012, equating to 34.8% of the market's aggregate value.

The performance of the market is forecast to decelerate, with an anticipated CAGR of 5.5% for the five-year period 2012 – 2017, which is expected to drive the market to a value of $124.5bn by the end of 2017. Comparatively, the Japanese market will decline with a CARC of -0.5%, and the Indian market will increase with a CAGR of 7.2%, over the same period, to reach respective values of $2.3bn and $14.7bn in 2017.

The medium-term agricultural outlook is for stimulated fertilizer demand but high volatility could result in significant year-on-year variations. Contrary to historical trends, Asia's importance in regard to global growth is declining. Demand is anticipated to rise firmly in regions with recovering agriculture, such as Central Asia and Oceania.

China Construction Material Industry

The industry discussion below was extracted from "Construction Material in China" by Market Line in September 2012.

The Chinese construction materials market has experienced very strong, double-digit growth in recent years. Double-digit growth, with the exception of 2014, is expected over the forecast period to 2016.

The Chinese construction materials market had total revenues of $310.9 billion in 2011, representing a compound annual growth rate (CAGR) of 12.7% between 2007 and 2011. In comparison, the Japanese market declined with a compound annual rate of change (CARC) of -6.7%, and the Indian market increased with a CAGR of 9.1%, over the same period, to reach respective values of $23.5 billion and $51.6 billion in 2011.

The cement segment was the market's most lucrative in 2011, with total revenues of $123.8 billion, equivalent to 39.8% of the market's overall value. The sand, gravel, other aggregates segment contributed revenues of $110 billion in 2011, equating to 35.4% of the market's aggregate value.

The performance of the market is forecast to decelerate, with an anticipated CAGR of 10.9% for the five-year period 2011 – 2016, which is expected to drive the market to a value of $522.2 billion by the end of 2016. Comparatively, the Japanese and Indian markets will grow with CAGRs of 4.1% and 13.3% respectively, over the same period, to reach respective values of $28.6 billion and $96.3 billion in 2016.

China Road and Railway Industry

The industry discussion below was extracted from "Road & Rail in China" by Market Line in March 2013.

The Chinese road & rail industry has been growing at a strong, double digit rate. This trend is expected to continue in the forecast period.

The Chinese road & rail industry is expected to generate total revenues of $225.9bn in 2012, representing a compound annual growth rate (CAGR) of 12.3% between 2008 and 2012. In comparison, the Japanese industry will decline with a compound annual rate of change (CARC) of -4.9%, and the Indian industry will increase with a CAGR of 14.3%, over the same period, to reach respective values of $120.0bn and $137.9bn in 2012.

Industry consumption volume is forecast to increase with a CAGR of 8.6% between 2008-2012, to reach a total of 5,689.5 billion FTK in 2012. The industry's volume is expected to rise to 8,296.7 billion FTK by the end of 2017, representing a CAGR of 7.8% for the 2012-2017 period.

The road freight segment is expected to be the industry's most lucrative in 2012, with total revenues of $194.4bn, equivalent to 86.0% of the industry's overall value. The rail freight segment will contribute revenues of $31.5bn in 2012, equating to 14.0% of the industry's aggregate value.

The performance of the industry is forecast to decelerate, with an anticipated CAGR of 11.7% for the five-year period 2012 – 2017, which is expected to drive the industry to a value of $393.1bn by the end of 2017. Comparatively, the Japanese and Indian industries will grow with compound annual growth rates (CAGRs) of 3.2% and 15.9% respectively, over the same period, to reach respective values of $140.6bn and $287.8bn in 2017.

China Non Ferrous Metal Industry

The industry discussion below was extracted from "China Mining Report" by Business Monitor International ("BMI") in April 2013.

Copper—A steady stream of copper projects scheduled to come online over the coming years will ensure the healthy growth of copper mine production in China. Jinchuan's Xietongmen and Dexing mines will provide a significant boost to output growth and BMI notes considerable growth potential from copper mines in China's western region. BMI forecasts copper production to reach 2.0mn tonnes by 2017, increasing at an annual average rate of 5.1% from 2012 levels.

Zinc—Zinc production in China will reach 5.8mn tonnes by 2017, with annual average growth of 3.3% from 2012 levels. Market oversupply and weak end-user demand will continue to weigh on zinc prices and provide little impetus to output growth.

BMI believes zinc production in China is set to experience a slowdown over the coming years and expects output to grow at an annual average rate of 3.3% from 2012 levels, to reach 5.8mn tonnes (mnt) by 2017. This will mark a significant slowdown from the previous decade, during which annual growth averaged 12%. Nevertheless, BMI expects China to remain the most important player in the global zinc mining industry and retain its position as the world's largest zinc producer. The country produced approximately 4.31mnt of zinc in 2011, accounting for 34% of global mined output.

China Steel Pipe Industry

The industry discussion below was extracted from "China Petroleum & Natural Gas Drilling and Transmission Steel Pipe Market Report 2012-2015" by Research In China in December 2012.

Presently, China has forged the oil/natural gas supply pattern of "West-East petroleum transmission", "North-South petroleum transmission", "West-East natural gas transmission", "North-South natural gas transmission" and "offshore natural gas landing", presenting a rational layout in general across the nation in terms of production, supply and demand, and consumption of petroleum and natural gas. As of 2011, China had completed oil/natural gas transmission pipeline stretching 82,000 km including 43,000 km of natural gas pipeline, 22,000 km of crude oil pipeline and 17,000 km of product oil pipeline. However, the oil/natural gas pipeline network construction of China lags far behind the US whose natural gas pipeline mileage totaled 800,000 km in 2000. During the 12th Five-Year Plan period, China will commit to develop oil/natural gas transmission pipeline industry. The 12th Five-year Plan development planning outlined that China would strive to build the second phase of Sino-Kazakhstan crude oil pipeline, the domestic section of Sino-Burma petroleum/ natural gas pipeline, the second phase of trans-Asia gas pipeline as well as line 3 and line 4 of West-East natural gas transmission projects, etc. It is estimated that the total length of petroleum/natural gas transmission pipeline of China will approximate 150,000 km by 2015, a sharp increase of 90% compared to 2010, with average annual rise of 14,000 km, equivalent to one fifth of existing length in 2010. Therefore, the 12th Five-Year period marks an intensive construction of oil/natural gas transmission pipeline for China.

Pipes, including welded pipe and seamless steel pipe, especially SSAW and LSAW, are essential for the construction of oil/natural gas transmission pipeline network. And the seamless steel pipe is transmission pipeline that largely applied in a few high-pressure environments.

China currently has seven oil/natural gas transmission trunk pipelines under construction which started in 2012-2015. During the period, China will also engage in the construction of ten regional natural gas supporting pipeline networks took charge by CNPC and CNOOC. And this is expected to bring a total of 11.38 million tons of demand for SSAW and LSAW, with the respective proportion of 70% and 30%.

China Chemicals Industry

The industry discussion below was extracted from "Chemicals in China" by Market Line in February 2013.

After experiencing exceptional growth through the 2007 – 2011 period, the Chinese chemicals market is forecast to continue its strong growth, albeit at a decelerated rate, during 2011 – 2016.

The Chinese chemicals market had total revenues of $1,022.3 billion in 2011, representing a compound annual growth rate (CAGR) of 22.3% between 2007 and 2011. In comparison, the Japanese and Indian markets grew with CAGRs of 6.6% and 12.8% respectively, over the same period, to reach respective values of $243.9 billion and $85.1 billion in 2011.

The commodity chemicals segment was the market's most lucrative in 2011, with total revenues of $770.7 billion, equivalent to 75.4% of the market's overall value. The agricultural chemicals segment contributed revenues of $78 billion in 2011, equating to 7.6% of the market's aggregate value.

The performance of the market is forecast to decelerate, with an anticipated CAGR of 13.4% for the five-year period 2011 – 2016, which is expected to drive the market to a value of $1,920.6 billion by the end of 2016. Comparatively, the Japanese markets will decline with a compound annual rate of change (CARC) of -4%, and the Indian market will increase with a CAGR of 12.4%, over the same period, to reach respective values of $198.7 billion and $152.5 billion in 2016.

China Nuclear Power Industry

The industry discussion below was extracted from "Nuclear Power in China" by World Nuclear Association in August 2013.

Prior to 2008, the government had planned to increase nuclear generating capacity to 40 GWe by 2020 (out of a total 1000 GWe planned), with a further 18 GWe nuclear being under construction then. However, projections for nuclear power then increased to 70-80 GWe by 2020, 200 GWe by 2030 and 400-500 GWe by 2050. Following the Fukushima accident and consequent pause in approvals for new plants, the target adopted by the State Council in October 2012 is now 60 GWe by 2020, with 30 GWe under construction. National policy has moved from 'moderate development' of nuclear power to 'positive development' in 2004, and in 2011-2012 to "steady development with safety".

In December 2011 the National Energy Administration ("NEA") said that China will make nuclear energy the foundation of its power-generation system in the next "10 to 20 years", adding as much as 300 GWe of nuclear capacity over that period. Two weeks earlier the National Development and Reform Commission ("NDRC") vice-director said that China would not swerve from its goal of greater reliance on nuclear power.

An early 2013 report from NDRC said that 3240 MW nuclear capacity would be added in 2013.

SCOPE OF WORK AND KEY ASSUMPTIONS

We have limited access to the management of the Investment Portfolio Companies given the non-controlling ownership of the Company in the Investment Portfolio Companies and were unable to obtain prospective financial information of Investment Portfolio Companies or recent technical reports. In the Calculation of the equity values of the Investment Portfolio Companies, we used publicly available information, and relied on financial and operational information internally prepared by those Investment Portfolio Companies and provided to us through the Company.

Our investigation based upon the agreed procedures in preparing the Calculation included discussions with the Management with regard to the history, operations, current status and outlook of the Investment Portfolio Companies, an overview of certain financial data, an analysis of the industry and competitive environment, an analysis of comparable companies/transactions, and a review of prior sales transactions, operating statistics and other relevant documents. We made reference to or reviewed the following major documents and data:

- financial statements prepared under China Accounting Standards for the fiscal years ended December 31, 2010, December 31, 2011 and December 31, 2012;
- onshore bond offering disclosure documents, quarterly financial statements to the public and credit analysis of those Investment Portfolio Companies who have issued onshore domestic bonds;

- unaudited financial information for 6 months ended June 30, 2013;
- a copy of the asset purchase agreement of prior share transactions or for those investments to be disposed shortly after the Measurement Date;
- historical financial information and the breakdown of major revenue/cost of sales/ operating expenses of major business units prepared by the Management;
- annual reports of public listed subsidiaries or parent companies of the Investment Portfolio Companies;
- extractive reserve and quantity of mines owned by the Investment Portfolio Companies;
- production volume data prepared by the management of the Investment Portfolio Companies;
- copies of mining licenses of Investment Portfolio Companies in coal production and electricity generation sectors; and
- annual reports of public listed companies comparable with the Investment Portfolio Companies.

We assumed that the data we obtained in the course of the calculation engagement, along with the opinions and representations provided to us by the Company are true and accurate and accepted them without independent verification except as expressly described herein. Based upon publicly available information and our limited research sourced from what we believe to be reliable sources, we have no reason to suspect that any material facts have been omitted, nor are we aware of any facts or circumstances, which would render the information, opinions and representations provided or made to us to be untrue, inaccurate or misleading. In arriving at our resulting calculated values, we have considered the following principal factors:

- the stage of development of the Investment Portfolio Companies;
- the historical costs and current financial conditions of the Investment Portfolio Companies;
- the economic outlook for China and specific competitive environments affecting the industries in which the Investment Portfolio Companies operate;
- the legal and regulatory issues of the industries in which the Investment Portfolio Companies operate and other specific legal opinions relevant to the Investment Portfolio Companies;
- the transaction prices of comparable companies;
- the risks of the Investment Portfolio Companies; and
- the experience of the management team of the Investment Portfolio Companies.

Due to the changing environments in which the Investment Portfolio Companies are operating, a number of assumptions have to be made in arriving at our calculated value. The key assumptions adopted in this calculation engagement are:

- no major changes are expected in the political, legal and economic conditions in China;
- the regulatory environment and market conditions for industries in which the Investment Portfolio Companies operate will develop according to prevailing market expectations;

- there will be no major changes in the current taxation law in China;
- the Investment Portfolio Companies will not be constrained by the availability of financing;
- the future movement of exchange rates and interest rates will not differ materially from prevailing market expectations; and
- the Investment Portfolio Companies will retain competent management, key personnel and technical staff to support their ongoing operations.

METHODOLOGY OVERVIEW

In the calculation of equity value, or the net assets, of a business, there are three basic approaches, namely: cost approach, income approach and market approach.

Cost approach establishes value based on the cost of reproducing or replacing the property less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable. This approach might be considered the most consistently reliable indication of value for assets without a known secondary market or separately identifiable cash flows attributable to assets appraised.

Income approach is the conversion of expected periodic benefits of ownership into an indication of value. It is based on the principle that an informed buyer would pay no more for the property than an amount equal to the present worth of anticipated future benefits (income) from the same or equivalent property with similar risk.

Market approach considers prices recently paid for similar assets, with adjustments made to the indicated market prices to reflect condition and utility of the appraised assets relative to the market comparable. Assets for which there is an established secondary market may be appraised by this approach.

The cost approach is not considered applicable in this calculation engagement as it does not capture the future earning potential of a business. Because we have limited access to the management of the Investment Portfolio Companies given the non controlling ownership of the Company in the unlisted Investment Portfolio Companies and we were unable to obtain prospective financial information and latest reserve reports, we did not utilize the income approach in the Calculation. In this engagement, we employed the market approach as the primary method and, if feasible, prior recent transaction prices of the subject equity investments to derive the calculated values.

CALCULATION OF EQUITY VALUE OF 20 INVESTMENT PORTFOLIO COMPANIES BY MARKET APPROACH

Market approach: Guideline Company Method

One methodology employed in the market approach is the Guideline Company Method ("GCM"), where financial and operational ratios of comparable companies are analyzed to determine a value for the subject property. This method also employs market price data of stocks of corporations engaged in the same or a similar line of business as that of the subject property. Stocks of these corporations are actively traded in a public, free, and open market, either on an exchange or over-the-counter.

To describe the selected comparable companies, ranges of price multiples, major parameters used in the calculation and ranges of calculated values, we grouped the Investment Portfolio Companies into two groups based on their principal business activities as follows: (1) 13 entities in the coal production for trade and power generation ("13 Coal Companies"); and (2) 7 entities in other industries ("7 Non-Coal Companies").

For disclosure of the selected price multiples, we divided the 7 Non-Coal Companies into the three sub-group by broad industries of (i) chemical; (ii) construction material; and (iii) infrastructure, which are subject to similar macro-economic factors and market forces, e.g. non-coal material downstream processing technology requirement, construction industry cycle and government public spending.

Coal Production for Trade and Power Generation

We have identified and selected the comparable companies in the coal production for trade and power generation based on the following criteria:

- Principal business activities of the selected comparable companies should be coal mining for trade and/or for power generation;
- Principal place of operation or market of the selected comparable companies should be in China;
- Size of net asset values of the selected comparable should be comparable to those of the Investment Portfolio Companies.

The selected comparable companies are described below:

Comparable companies	Bloomberg code	Market capitalization as of June 30, 2013 or trading day closest	
China Shenhua Energy Co., Ltd	1088 HK	RMB Mn	332,660
China Coal Energy Co., Ltd	1898 HK	RMB Mn	57,955
Yanzhou Coal Mining Co., Ltd.	1171 HK	RMB Mn	36,445
Shanxi Lu'An Environmental Energy Development Co., Ltd.	601699 CH	RMB Mn	27,521
Shanxi Xishan Coal and Electricity Power Co., Ltd.	000983 CH	RMB Mn	25,714
Yangquan Coal Industry (Group) Co., Ltd	600348 CH	RMB Mn	21,741
Jizhong Energy Resources Co., Ltd.	000937 CH	RMB Mn	20,423
Guizhou Panjiang Refined Coal Co., Ltd.	600395 CH	RMB Mn	15,144
DaTong Coal Industry Co., Ltd.	601001 CH	RMB Mn	9,590
Huolinhe Opencut Coal Industry Corp Ltd.	002128 CH	RMB Mn	11,595
Shougang Fushan Resources Group Limited	639 HK	HKD Mn	15,959
Mongolian Mining Corporation	975 HK	USD Mn	688
Hidili Industrial International Development Ltd.	1393 HK	RMB Mn	2,282
Inner Mongolian Yitai Coal Co., Ltd.	3948 HK	RMB Mn	47,840

As presented in below table, we calculated enterprise value ("EV") to earnings before interest, tax, depreciation and amortization ("EBITDA"), EV/Invested Capital and EV/Production Volume multiples of the above 14 comparable companies in the coal production for trade and power generation. In general extractive industry practices, EV/Reserves is also common value indicator especially for the early stage mines. As only 7 of those comparable companies disclose its latest mineral properties and the disclosed reserves data were prepared under different reporting standards, we used EV/ EBITDA , EV/ Invested Capital and EV/ Production Volume as primary method in the Calculation and considered EV/Reserves multiple for reasonableness check.

The EV of the comparable companies as numerator of the price multiples were calculated based on the sum of market capitalization as of the Measurement Date and book value of net debt and minority interest as of the latest available interim closing. The denominators of EBITDA and production volume multiples are based on the annual total for the latest 2012 financial year. The denominators of invested capital multiples are based closing balance as of June 30, 2013 in order to match with the balance of the net debt and minority interest of the Investment Portfolio Companies which would deduce the resulting enterprise value to devise the calculated equity value.

We selected appropriate price multiples based on specific criteria to deduce the range of EV for each subject company. The sum of the mid-point of the EV value of each subject company represents the conclusion of the calculated value of EV of the 13 Coal Companies. In the selection of appropriate price multiples, we ranked the comparable companies by the specific criteria of (i) historical 3-year average return on total assets; and (ii) EBITDA contribution per unit raw coal production ("Performance Measures") which are correlated with the corresponding price multiples as indicated by regression analysis.

We applied different price multiples appropriate to determine the EV for each of the 13 Coal Companies based on the corresponding group with similar level on the Performance Measures as follows:

Price Multiples	Guideline companies in the coal production for trade and power generation industry				Ranges of selected multiples for 13 Coal Companies (and the implied weighted average multiple for the entire portfolio)
	Max	Min	Median	Average	
EV/ 2012 EBITDA	24.51	3.97	5.98	7.72	5.29 – 10.43 (weighted average at 7.55)
EV/ June 30, 2013 Invested Capital	2.00	0.67	1.19	1.26	0.97 – 1.17 (weighted average at 0.98)
EV/ 2012 Production Volume	4,243	311	1,040	1,340	681.68 – 1,691.17 (weighted average at 1,125)

According to the instruction of the Company, the calculated value of each of the 13 Coal Companies is not disclosed in this report. Based on the above analytical procedures, the aggregate calculated value of EV for the 13 Coal Companies is concluded at RMB 576,100 million based on the aggregate mid-point of EV of each subject company.

In addition, we applied the three weighted average price multiples to the aggregate financial performance and operating performance for full year 2012 and closing balance as of June 30, 2013 of 13 Coal Companies as the entire portfolio for reasonableness check as below:

	(a) Aggregate amount of 13 Coal Companies	(b) Implied weighted average multiples	Product of (a) financial and operating data (b) implied weighted average multiples (In RMB million)
2012 Annual EBITDA	RMB 70,513 million	7.553	532,600
Invested Capital as of June 30, 2013	RMB 595,644 million	0.9841	586,200
2012 Annual Production Volume	534.37 million tons	1,124.9 RMB/ton	601,100

The concluded calculated enterprise values for 13 Coal Companies at RMB 576.1 billion can be reconciled with the above EV so indicated by the three blended price multiples and suggests the EV / Reserves of RMB 16.4/ton based 35.1 billion tons of extractive coal reserves provided by the Management and falls within the long term industry range as observed.

For 13 Coal Companies, the aggregate of the calculated equity value attributable to the Company is concluded as below:

Aggregate of the mid-point calculated enterprise values devised by different price multiples	RMB 576,100 million
Total book value of net debt liabilities	RMB 320,100 million
Total calculated value of minority shareholder's interest	RMB 75,300 million
Aggregate of calculated equity values on 100% basis	RMB 180,700 million
Aggregate of calculated equity values attributable to the Company	RMB 52,700 million

Other Industries

The 7 Non-Coal Companies are engaged in (i) sale and production of phosphate compounds and fertilizer; (ii) provision of cement equipment and engineering services, production and sales of cement; (iii) railway construction and management; (iv) sale and production of non ferrous metals; (v) sale and production of steel pipes; (vi) sale and production of coking chemicals; and (vii) engineering and construction of nuclear power plants and other infrastructure projects, respectively. We have identified and selected the comparable companies in the sub-group of other industries based on the following criteria:

- Principal business activities of the selected comparable companies should be similar to those of the Investment Portfolio Companies;
- Principal place of operation or market of the selected comparable companies should be China. For railway management and construction industry, because of lack of publicly listed China railway freight sector, we extended the criteria to publicly listed railway freight companies in other countries.

The selected comparable companies are described below:

Comparable companies	Bloomberg code	Market capitalization as of June 30, 2013 or trading day closest	
(i) Sale and production of phosphate compounds and fertilizer			
Jiangsu Chengxing Phosph-Chemicals Co., Ltd	600078 CG	RMB Mn	3,903
Hubei Xingfa Chemicals Group Co., Ltd	600141 CG	RMB Mn	4,876
Anhui Liuguo Chemical Co., Ltd	600470 CG	RMB Mn	3,051
Shandong Kingenta Ecological Engineering Co., Ltd.	002470 CH	RMB Mn	9,856
Hubei Yihua Chemical Industry Co., Ltd	000422 CS	RMB Mn	6,061
Sichuan Lutianhua Co., Ltd	000912 CS	RMB Mn	2,381
Shenzhen Batian Ecotypic Engineering Co., Ltd	002170 CS	RMB Mn	4,590
Luxi Chemical Group Co., Ltd.	000830 CH	RMB Mn	5,347
(ii) Provision of cement equipment and engineering services, production and sales of cement			
Anhui Conch Cement Co., Ltd	914 HK	RMB Mn	75,122
Asia Cement China Holdings Corp	743 HK	RMB Mn	3,916
China Shanshui Cement Group Ltd	691 HK	RMB Mn	7,776
West China Cement Ltd	2233 HK	RMB Mn	4,138
Dongwu Cement International Ltd	695 HK	RMB Mn	478
TCC International Holdings Ltd	1136 HK	HKD Mn	6,031
China Resources Cement Holdings Ltd	1313 HK	HKD Mn	25,425
China Tianrui Group Cement Co., Ltd.	1252 HK	RMB Mn	4,274
China National Building Material Co., Ltd.	3323 HK	RMB Mn	29,691
China National Material Co., Ltd.	1893 HK	RMB Mn	4,069
(iii) Railway construction and management			
Daqin Railway Co., Ltd	601006 CH	RMB Mn	88,309
China Railway Tielong Container Logistics Co., Ltd.	600125 CH	RMB Mn	6,919
Aurizon Holdings Ltd	AZJ AU	AUD Mn	8,891
Asciano Ltd	AIO AU	AUD Mn	4,896
CSX Corp	CSX US	USD Mn	23,699
Genesee & Wyoming Inc.	GWR US	USD Mn	4,517
Norfolk Southern Corp.	NSC US	USD Mn	22,891
Canadian Pacific Railway Ltd	CP US	CAD Mn	22,336
Canadian National Railway Ltd	CNR CN	CAD Mn	43,393
Union Pacific Corporation	UNP US	USD Mn	72,015
Kansas City Southern	KSU US	USD Mn	11,675
Providence and Worcester Railroad Co	PWX US	USD Mn	77
(iv) Sale and production of non ferrous metals			
Jiangxi Copper Co., Ltd.	358 HK	RMB Mn	47,100
Xinjiang Xinxin Mining Industry Co., Ltd	3833 HK	RMB Mn	2,221
MMG Ltd.	1208 HK	USD Mn	1,384
China Nonferrous Mining Corp. Ltd.	1258 HK	USD Mn	1,228
China Daye Non-ferrous Metals Mining Ltd	661 HK	HKD Mn	3,431
Yunnan Copper Industry Co., Ltd.	000878 CH	RMB Mn	13,739
Shengda Mining Co., Ltd.	000603 CH	RMB Mn	6,454
Tongling Nonferrous Metals Group Co., Ltd.	000630 CH	RMB Mn	15,325
Sichuan Western Resources Holdings Co., Ltd.	600139 CH	RMB Mn	3,978
Western Mining Co., Ltd.	601168 CH	RMB Mn	12,892
(v) Sale and production of steel pipes			
Shandong Molong Petroleum Machinery Co., Ltd.	568 HK	RMB Mn	4,940
Zhejiang Jiuli Hi-Tech Metals Co., Ltd.	002318 CH	RMB Mn	5,345
Zhejiang Kingland Pipeline and Technologies Co., Ltd.	002443 CH	RMB Mn	2,881
Jiangsu Changbao Steel Tube Co., Ltd.	002478 CH	RMB Mn	3,341

Comparable companies	Bloomberg code	Market capitalization as of June 30, 2013 or trading day closest	
Inner Mongolian Baotou Steel Union Co., Ltd	600010 CH	RMB Mn	32,811
Chu Kong Petroleum & Natural Gas Steel Pipe Holding Ltd.	1938 HK	RMB Mn	1,760
Shengli Oil & Gas Pipe Holdings Ltd.	1080 HK	RMB Mn	1,609
Anhui Tianda Oil Pipe Co., Ltd.	839 HK	RMB Mn	981
(vi) Sale and production of coking chemicals			
Shanxi Coking Co., Ltd	600740 CS	RMB Mn	4,487
Taiyuan Coal Gasification Co., Ltd.	000968 CS	RMB Mn	3,740
Inner Mongolia Yuan Xing Energy Co., Ltd.	000683 CS	RMB Mn	3,494
Huscoke Resources Holdings Limited	704 HK	RMB Mn	475
Qitaihe Baotailong Coal & Coal Chemicals Public Co., Ltd.	601011 CG	RMB Mn	2,844
(vii) Engineering and construction of nuclear power plants and other infrastructure projects			
China Communication Construction Co., Ltd	1800 HK	RMB Mn	68,851
Sinohydro Group Ltd	601669 CH	RMB Mn	27,648
China Railway Group Ltd	390 HK	RMB Mn	53,633
China Railway Construction Corp Ltd	1186 HK	RMB Mn	54,179
China National Chemical Engineering Co., Ltd.	601117 CH	RMB Mn	46,962
China Gezhouba Group Co., Ltd.	600068 CH	RMB Mn	13,741
China State Construction Engineering Corporation Ltd.	601668 CH	RMB Mn	98,100

As presented in below table, we calculated EV/EBITDA and EV/ Invested Capital of comparable companies in 7 industries. The EV of the comparable companies as numerator of the price multiples were calculated based on the sum of market capitalization as of the Measurement date and book value of net debt and minority interest as of the latest available interim closing. The denominators for EV/EBITDA multiples are based on the annual total for the latest 2012 financial year and for EV/Invested Capital are based on June 2013 closing balance.

With similar consideration of historical 3-year return on assets as discussed in the sub-group of the 13 Coal Companies, we selected appropriate price multiples based on specific criteria to deduce the range of EV for each subject company. The sum of the mid-point of the EV value of each subject company represents the conclusion of the calculated value of EV of the 7 Non-Coal Companies.

We applied different price multiples appropriate to determine the EV for each of the 7 Non-Coal Companies by the three sub-groups as follows:

	Price multiples of comparable companies		
	(i) Sale and production of phosphate compounds and fertilizer	(vi) Sale and production of coking chemicals	Selected multiples for 2 Non-Coal Companies in chemical industry
EV / 2012 EBITDA			13.02 - 16.38
Max	30.03	278.64	
Min	7.33	11.18	
Median	13.91	13.02	
Average	16.96	71.15	
EV / June 30, 2013 Invested Capital			1.01 - 1.28
Max	4.18	1.34	
Min	0.98	0.49	
Median	1.15	1.10	
Average	1.66	1.04	

	Price multiples of comparable companies			
	(ii) Provision of cement equipment and engineering services, production and sales of cement	(iv) Sale and production of non ferrous metals	(v) Sale and production of steel pipes	Selected multiples for 3 Non-Coal Companies in construction material industry
EV / 2012 EBITDA				5.20 - 10.69
Max	13.02	45.03	17.59	
Min	5.36	3.47	3.82	
Median	7.46	13.20	14.47	
Average	7.97	16.28	13.37	
EV / June 30, 2013 Invested Capital				0.88 - 1.09
Max	1.60	60.15	2.82	
Min	0.64	0.52	0.36	
Median	0.93	1.15	1.31	
Average	0.99	6.61	1.29	

	Price multiples of comparable companies		
	(iii) Railway construction and management	(vii) Engineering and construction of nuclear power plants and other infrastructure projects	Selected multiples for 2 Non-Coal Companies in infrastructure industry
EV / 2012 EBITDA			5.20 - 10.69
Max	22.55	9.84	
Min	5.36	4.81	
Median	9.83	7.21	
Average	11.24	7.50	
EV / June 30, 2013 Invested Capital			0.91 - 1.84
Max	2.81	13.20	
Min	1.02	0.84	
Median	1.68	0.95	
Average	1.85	2.68	

According to the instruction of the Company, the calculated value of each of the 7 Non-Coal Companies is not disclosed in this report. Based on the above analytical procedures, the aggregate calculated value of EV for the 7 Non-Coal Companies is concluded at RMB 148,500 million based on the aggregate mid-point of EV of each subject company.

In addition, we applied the two weighted average price multiples to the aggregate financial performance and statue for full year 2012 and closing balance as of June 30, 2013 of 7 Non-Coal Company as the entire portfolio for reasonableness check as below:

	(a) Aggregate amount of 7 Non-Coal Companies	**(b) Implied weighted average multiples**	**Product of (a) financial and operating data (b) implied weighted average multiples**
			(In RMB million)
2012 Annual EBITDA	RMB 14,248 million	10.27	146,300
Invested Capital as of June 30, 2013	RMB 143,532 million	1.049	150,600

The concluded calculated enterprise values for 7 Non-Coal Companies at RMB 148,500 million can be reconciled with the above EV so indicated by the two blended price multiples.

For 7 Non-Coal Companies, the aggregate of the calculated equity value attributable to the Company is concluded as below:

Aggregate of the mid-point calculated enterprise values devised by different price multiples	RMB 148,500 million
Total book value of net debt liabilities	RMB 72,400 million
Total calculated value of minority shareholder's interest	RMB 22,900 million
Aggregate of calculated equity values on 100% basis	RMB 53,200 million
Aggregate of calculated equity values attributable to the Company	RMB 9,600 million

RESULT OF CALCULATED VALUE

Based on our calculations, as described in this report, which are based solely on the procedures agreed upon as referred to above, the mid-point of the range of aggregate calculated values of equity interests of the Investment Portfolio Companies attributable to the Company as of the June 30, 2013 is RENMINBI SIXTY TWO BILLION THREE HUNDRED MILLION rounding to nearest hundred million (RMB 62,300 Million).

This resulting calculated value was based on the agreed calculation engagement procedures, limited information and calculation engagement methods that rely extensively on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We have no obligation to update this report nor our calculation of value for information that comes to our attention after the date of this report.

We do not provide assurance on the achievability of any financial results estimated by the Company because events and circumstances frequently do not occur as expected; differences between actual and expected results may be material; and achievement of the forecasted results is dependent on actions, plans, and assumptions of Management.

We have not investigated the title to or any liabilities against the property calculated.

We hereby certify that we have neither present nor prospective interests in the Company or the value reported.

Yours faithfully,
For and on behalf of
AMERICAN APPRAISAL CHINA LIMITED

Mr. Kevin K.Y. Leung	Mr. Ricky S.O. Lee
Vice President	Senior Vice President and Director

Note: Mr. Lee has been involved in business valuation over fifteen years and mineral property valuation over ten years for the purposes of joint venture, merger & acquisition and public listing. He is a fellow member of the Association of Chartered Certified Accountants, accredited senior appraiser of the American Society of Appraisers and charter holder of the Chartered Financial Analyst.

Mr. Leung has been involved in business valuation over ten years for asset management companies and state-owned enterprises for the purposes of accounting, joint venture and public disclosure. He is a fellow member of the Association of Chartered Certificated Accountants, member of Hong Kong Certificated Public Accountants and charter holder of the Chartered Financial Analyst.

This calculation engagement was prepared under the supervision of Mr. Lee and Mr. Leung as project-in-charge with significant professional assistance from the team of 10-20 consultants.

TAXATION

The following is a summary of certain PRC and Hong Kong tax consequences to investors relating to their subscription to H Shares under the Global Offering and their holding as capital assets. This summary does not purport to address all material tax consequences of the ownership of H Shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special provisions. This summary is based on the tax laws of the PRC and Hong Kong in effect as of the Latest Practicable Date, all of which are subject to change (or changes in interpretation), possibly with retroactive effect.

This section in this prospectus does not address any aspect of Hong Kong and PRC taxation other than income tax, capital tax, stamp duty, business tax and estate duty. Prospective investors are urged to consult their tax advisors regarding the PRC, Hong Kong and other tax consequences of investing and disposing of H Shares.

PRC Taxation

Dividends

Individual investors

According to the Individual Income Tax Law of the PRC (《中華人民共和國個人所得稅法》) ("IIT Law"), as amended, and its implementation rules, dividends paid by PRC companies are generally subject to a PRC withholding tax levied at a flat rate of 20%.

Pursuant to the Notice on Questions Concerning the Collection of Individual Income Tax following the Repeal of Guo Shui Fa [1993] No. 045 (《國家稅務總局關於國稅發[1993] 045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) issued by the SAT on June 28, 2011, if a domestic non-foreign-invested enterprise issues its shares in Hong Kong, its non-PRC resident individual shareholders may be entitled to preferential tax treatments in accordance with the applicable tax treaties between the PRC and the countries in which they are tax residents and the applicable tax arrangements between the Mainland China and Hong Kong (Macau). In general, the distribution of dividends by a domestic non-foreign-invested enterprise whose shares are issued and listed in Hong Kong is subject to a withholding individual income tax of 10% and there is no need to apply to the tax authorities in the PRC to qualify for this rate. If the tax rate specified in the relevant tax treaty or arrangement is lower than 10%, an individual shareholder who receives dividends may apply for a refund of the excess amount withheld, subject to an approval of the competent tax authority. In accordance with the PRC laws, if an individual shareholder is a resident of a country which has entered into a tax treaty with the PRC and the agreed tax rate is higher than 10% but lower than 20%, his dividend will be subject to income tax at the agreed tax rate. If an individual shareholder is a resident of a country which has not entered into a tax treaty with the PRC, his dividend will be subject to income tax at a tax rate of 20%. The company will withhold tax from any dividend payment at an applicable tax rate (which can be higher than 10% if the relevant individual shareholders and the tax rate applicable to such shareholder can be identified by the company).

Enterprises

In accordance with the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) ("EIT Law"), and the Provisions of Implementation for the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法實施條例》), both effective on January 1, 2008, a non-resident enterprise is generally subject to a 10% enterprise income tax on the PRC-sourced income, if such non-resident enterprise does not have an organization or premises in the PRC or has an organization or premises in the PRC but the PRC-sourced income is not connected with such organization or premises in the PRC, subject to any applicable treaties for the avoidance of double taxation. The aforesaid income tax payable by the non-resident enterprises shall be withheld at source, for which the payer thereof shall be the withholding agent. When making such payment or when such payment becomes due and payable, the withholding agent shall withhold the income tax from the payment or the payment becoming due and payable.

Notice on the Issues Concerning Withholding Enterprise Income Tax on the Dividends Payable by PRC Resident Enterprises to Overseas Non-PRC Resident Enterprise H Share Holders (《國家稅務總局關於中國居民企業向境外 H 股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》, Guo Shui Han [2008] No. 897) issued by the SAT on November 6, 2008, further clarified that a PRC-resident enterprise must withhold enterprise income tax at a rate of 10% on dividends paid to Non-PRC Resident Enterprise shareholders of H Shares which are derived out of profit generated since January 1, 2008. 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. The Reply of the State Administration of Taxation on Imposition of Enterprise Income Tax on B-share and Other Dividends of Non-resident Enterprises (《國家稅務總局關於非居民企業取得 B 股等股票股息徵收企業所得稅問題的批復》, Guo Shui Han [2009] No. 394) issued by the SAT on July 24, 2009 further provides that any PRC-resident enterprise that is listed on overseas stock exchanges must withhold enterprise income tax at a rate of 10% on dividends that it distributes to Non-PRC Resident Enterprise shareholders. Such tax rate may be modified pursuant to the tax treaty or agreement that the PRC has concluded with a relevant jurisdiction, where applicable.

Pursuant to the Agreement of the Arrangement between the Mainland China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Tax on Income (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC Government may impose tax on dividends paid to a Hong Kong resident (including specified natural person and legal entity) by a PRC company, but such tax generally does not exceed 10% of the total amount of the dividends payable. If a Hong Kong resident directly holds 25% or more of equity interest in a PRC company, such tax generally does not exceed 5% of the total amount of dividends payable by that PRC company.

Tax Treaties

Non-PRC resident investors residing in countries which have entered into treaties for the avoidance of double taxation with the PRC or residing in Hong Kong or Macau may be entitled to a preferential treatment of such withholding tax in respect of dividends received from the PRC company. The PRC has entered into arrangements for the avoidance of double taxation with Hong Kong and Macau, and has entered into treaties for the avoidance of double taxation with certain other countries, including but not limited to Australia, Canada, France, Germany, Japan, Malaysia, Netherlands, Singapore, UK and US. A Non-PRC Resident Enterprise which is entitled to a preferential tax rate under a relevant income tax treaty of arrangement shall apply to the PRC tax authorities for a refund of the difference between the amount of tax withheld and the amount payable at an agreed rate, subject to the approval of the PRC tax authorities.

Taxes Related to Share Transfer

Individual investors

In accordance with the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. Under the Circular Declaring that Individual Income Tax Continues to Be Exempted over Individual Income from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui Zi [1998] No. 61) issued by the MOF and the SAT on March 30, 1998, from January 1, 1997, income of individuals from the transfer of shares of listed enterprises was exempted from individual income tax. After the latest amendment to the IIT Law on June 30, 2011 and its implementing rules amended on July 19, 2011 and implemented on September 1, 2011, the SAT has not explicitly stated whether it will continue to exempt individual income tax on income derived by individuals from the transfer of listed shares. However, on December 31, 2009, the MOF, the SAT and the CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167), which provides that individuals' income from transferring listed shares on certain domestic exchanges generally will continue to be exempted from the individual income tax, except for the shares of certain specified companies which are subject to sales limitations (as defined in the supplementary notice of such Circular issued on November 10, 2010). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges. To our knowledge, in practice, the PRC tax authorities have not levied income tax on non-PRC resident individuals on gains from the sale of shares of PRC resident enterprises listed on overseas stock exchanges. However, there is no assurance that the PRC tax authorities will not change these practices which could result in levying income tax on non-PRC resident individuals on gains from the sale of our H Share.

Enterprises

In accordance with the EIT Law and its implementation rules, a non-PRC resident enterprise is generally subject to enterprise income tax at a rate of 10% with respect to the PRC-sourced income, including gains derived from the disposal of equity interests in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or has an organization or premises in the PRC but the PRC-sourced income is not connected with such organization or premises in the PRC. Such tax may be reduced or eliminated under applicable tax treaties.

PRC stamp duty

Under the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) amended on January 8, 2011 and the Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》), effective on October 1, 1988, PRC stamp duty does not apply to acquisitions or dispositions of H Shares outside of the territory of the PRC, as the PRC stamp duty is imposed on documents that are legally binding in the PRC and protected by PRC laws.

Estate duty

The PRC does not collect estate duty so far.

Business tax

According to the PRC Provisional Regulations on Business Tax (《中華人民共和國營業稅暫行條例》) amended on November 10, 2008 and implemented on January 1, 2009, enterprises and individuals that provide labor services, transfer intangible assets or sell real estate within the territory of the PRC as specified by such regulations are subject to business tax. The business tax rate applicable to financial and insurance companies is 5%.

Pursuant to the Pilot Scheme for the Conversion of Business Tax to VAT (《營業稅改徵增值稅試點方案》 Cai Shui [2011] No.110) promulgated by the MOF and the SAT on November 16, 2011, since January 1, 2012 the State started to introduce taxation reform in certain service industries (namely transportation and certain modern service industries) which are subject to business tax in a gradual manner , whereby the collection of VAT in lieu of business tax items was implemented on a trial basis in certain regions including Shanghai and Beijing. The MOF and the SAT further notified that the aforesaid pilot scheme for the conversion of business tax to VAT will be implemented nationwide since August 1, 2013. However, as of the Latest Practicable Date, the financial and insurance industry has not yet been included into the pilot industries for the conversion of business tax to VAT.

FOREIGN EXCHANGE CONTROLS OF THE PRC

Renminbi is the lawful currency of the PRC, which is subject to foreign exchange controls. The SAFE, under the authorization of the PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

In accordance with the Notice on Deepening the Reform of the Foreign Exchange Administration System《關於進一步改革外滙管理體制的通知》(Guo Fa [1993] No.89) issued by the State Council, since January 1, 1994, current account items applied to the policy of conditional exchange of Renminbi . The official exchange rate and the market rate for Renminbi was unified. The unified Renminbi exchange rate applied to a single, controlled floating exchange rate system based on market demand and supply. The PBOC published the Renminbi to other main currencies exchange rate on daily basis by reference to the change of international foreign exchange market. Foreign exchange buying and selling between designated foreign exchange banks and their clients are allowed within the limit of floating exchange rates.

On January 29, 1996, the State Council promulgated the Regulations of the People's Republic of China for the Control of Foreign Exchange (《中華人民共和國外匯管理條例》) (the "Foreign Exchange Control Regulations") which became effective from April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current account items and capital account items. Most of the current account items are not subject to SAFE approval while capital account items are. The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 5, 2008. The latest amended Foreign Exchange Control Regulations clarifies that the State does not impose restrictions on international payments and transfers under the current account items.

On June 20, 1996, the PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (the "Settlement Regulations") which became effective on July 1, 1996. The Settlement Regulations abolish all other restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items.

On July 21, 2005, the PBOC announced that, effective on the same date, the PRC would implement a regulated and managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and with reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollar. The PBOC will publish the closing price of a foreign currency such as the US dollar traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each trading day, and will fix the central parity for Renminbi transaction on the following trading day.

On August 5, 2008, the State Council promulgated the revised Regulations of the People's Republic of China for the Control of Foreign Exchange (the "Revised Foreign Exchange Control Regulations"), which have made substantial changes to the foreign exchange regulatory system of the PRC. First, the Revised Foreign Exchange Control Regulations adopted an approach of balancing the inflow and outflow of foreign exchange fund. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administration authorities. Second, the Revised Foreign Exchange Control Regulations improved the mechanism for determining the Renminbi exchange rate based on market supply and demand. Third, the Revised Foreign Exchange Control Regulations enhanced the monitoring of cross-border foreign exchange fund flows. In the event that revenues and costs in connection with international transactions suffer or may suffer a material misbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Fourth, the Revised Foreign Exchange Control Regulations enhanced the supervision and administration of foreign exchange transactions and grant extensive authority to the SAFE to strengthen its supervisory and administrative ability.

Pursuant to relevant rules and regulations of the State, all foreign exchange income generated from current account transactions of the PRC enterprises may be either retained or sold to financial institutions engaging in the settlement or sale of foreign exchange. Foreign exchange income from loans issued by organizations outside the territory or from the issuance of bonds and shares (for example, foreign exchange income received by us from the sale of shares overseas) is not required to be sold to designated foreign exchange banks and can be deposited into foreign exchange accounts at the designated foreign exchange banks.

The PRC enterprises (including foreign-invested enterprises) which require foreign exchange for transactions relating to current account items, may, without the approval of the SAFE, effect payment from their foreign exchange accounts at the designated foreign exchange banks with the support of valid receipts and proof. Foreign-invested enterprises which need foreign exchange for the distribution of profits to their shareholders, and PRC enterprises (like us) which, in accordance with regulations, are required to pay dividends to shareholders in foreign exchange, may on the strength of board resolutions on the distribution of profits, effect payment from their foreign exchange accounts or convert and pay at the designated foreign exchange banks.

On January 28, 2013, SAFE issued the Notice on Relevant Issues Concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外滙管理有關問題的通知》) (the "SAFE Notice"), which came into effect on the day of issuance. Except that banks and insurance companies of which the repatriation and settlement of foreign exchange received from overseas listing are subject to other regulations, the foreign exchange of an overseas listed domestic financial institution shall be administrated in accordance with the SAFE Notice. The SAFE Notice provides that:

- a domestic issuer shall, within 15 working days after the completion of the initial offering of shares for its overseas listing, register overseas listing with the Foreign Exchange Bureau at the place of its incorporation. After overseas listing, a domestic shareholder intending to increase or reduce his holding of overseas shares shall register his shareholding with the local Foreign Exchange Bureau at the place where he resides.
- a domestic issuer shall present his certificate of overseas listing to open a special account with a local bank for its IPO (or refinancing) and repurchase respectively. A domestic holder of overseas shares of a domestic issuer shall present his overseas shareholding registration certificate to open a special account with a local bank respectively for the increase and reduction of his overseas shares.
- a domestic issuer that applies for foreign exchange settlement of the funds in its special domestic account for overseas listing shall get an approval document on foreign exchange settlement issued by the local Foreign Exchange Bureau , which shall be used by the domestic issuer for foreign exchange settlement with the relevant bank.

TAXATION IN HONG KONG

Taxation on Dividends

Under the current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by our Company.

Taxation on Capital Gains and Profits

No tax is imposed in Hong Kong in respect of capital gains from the sale of property such as the H Shares. However, trading gains from the sale of H Shares by persons carrying on a trade, profession or business in Hong Kong where such gains are derived from or arise in Hong Kong from such trade, profession or business will be chargeable to Hong Kong profits tax. Currently, a profits tax is imposed on corporations at the rate of 16.5% and on individuals at a maximum rate of 15.0%. Certain categories of taxpayers are likely to be regarded as deriving trading gains rather than capital gains (for examples, financial institutions, insurance companies and securities dealers) unless these taxpayers can prove that the investment securities are held for long-term investment. Trading gains from sales of the H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

Stamp Duty

Hong Kong stamp duty will be payable by the purchaser on every purchase, and by the seller on every sale, of H Shares. The duty is charged at the ad valorem rate of 0.1% of the consideration for, or (if greater) the market value of, the H Shares transferred on each of the seller and purchaser. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of H Shares. In addition, a fixed duty of HK$5 is charged on each instrument of transfer (if required). Where a sale or purchase of H Shares is effected by a person who is not a resident of Hong Kong and any stamp duty payable on the instrument of transfer is not paid, the relevant instrument of transfer (if any) shall be chargeable with such duty, together with the duty otherwise chargeable thereon, and the transferee shall be liable to pay such duty.

Estate Duty

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

This appendix contains a summary of laws and regulations on companies and securities in China, certain major differences between the PRC Company Law and the Companies Ordinance as well as the additional regulatory provisions of the Hong Kong Stock Exchange on joint stock limited companies of China. The principal objective of this summary is to provide potential investors with an overview of the principal laws and regulations applicable to us. This summary is with no intention to include all the information which may be important to the potential investors. For discussion of laws and regulations specifically governing the business of the Company, please see the section entitled "Regulatory Environment."

PRC LEGAL SYSTEM

The PRC legal system is based on the Constitution of the PRC (《中華人民共和國憲法》) (the "Constitution") and is made up of written laws, administrative regulations, local regulations, separate regulations, autonomous regulations, rules and regulations of departments, rules and regulations of local governments, international treaties of which the PRC Government is a signatory, and other regulatory documents. Court verdicts do not constitute binding precedents. However, they may be used as judicial reference and guidance.

According to the Constitution and the Legislation Law of the PRC (《中華人民共和國立法法》), the National People's Congress ("NPC") and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend basic laws governing civil and criminal matters, state organs and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during the adjournment of the NPC, provided that such supplements and amendments are not in conflict with the basic principles of such laws.

The State Council is the highest organ of the PRC administration and has the power to formulate administrative regulations based on the Constitution and laws.

The people's congresses of provinces, autonomous regions and municipalities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of their own respective administrative areas, provided that such local regulations do not contravene any provision of the Constitution, laws or administrative regulations.

The ministries and commissions, PBOC, NAO of the State Council, and institutions with administrative functions directly under the State Council may formulate department rules within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council.

The people's congresses of larger cities and their respective standing committees may formulate local regulations based on the specific circumstances and actual requirements of such cities, which will become enforceable after being reported to and approved by the standing committees of the people's congresses of the relevant provinces or autonomous regions but such local regulations shall conform with the Constitution, laws, administrative regulations, and the relevant local regulations of the relevant provinces or autonomous regions. People's congresses of national autonomous areas have the power to enact autonomous regulations and separate regulations in light of the political, economic and cultural characteristics of the nationality (nationalities) in the areas concerned.

The people's governments of the provinces, autonomous regions, and municipalities directly under the central government and the comparatively larger cities may enact rules, in accordance with laws, administrative regulations and the local regulations of their respective provinces, autonomous regions or municipalities.

The Constitution has supreme legal authority and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The authority of laws is greater than that of administrative regulations, local regulations and rules. The authority of administrative regulations is greater than that of local regulations and rules. The authority of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The authority of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the comparatively larger cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any administrative regulations that contravene the Constitution and laws, to annul any local regulations that contravene the Constitution, laws or administrative regulations, and to annul any autonomous regulations or local regulations which have been approved by the standing committees of the people's congresses of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congresses of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at a lower level.

According to the Constitution, the power to interpret laws is vested in the Standing Committee of the NPC. According to the Decision of the Standing Committee of the NPC Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加强法律解釋工作的決議》) passed on June 10, 1981, the Supreme People's Court has the power to give general interpretation on questions involving the specific application of laws and decrees in court trials. The State Council and its ministries and commissions are also vested with the power to give interpretation of the administrative regulations and department rules which they have promulgated. At the regional level, the power to give interpretations of the local laws and regulations as well as administrative rules is vested in the regional legislative and administrative organs which promulgate such laws, regulations and rules.

PRC JUDICIAL SYSTEM

Under the Constitution and the PRC Law on the Organization of the People's Courts (《中華人民共和國人民法院組織法》), the PRC judicial system is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts.

The local people's courts are comprised of the primary people's courts, the intermediate people's courts and the higher people's courts. The primary people's courts are organized into civil, criminal, administrative, supervision and enforcement divisions. The intermediate people's courts are organized into divisions similar to those of the primary people's courts, and are entitled to organize other courts as needed such as the intellectual property division.

The higher level people's courts supervise the primary and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of people's courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the judicial administration of the people's courts at all levels.

The people's courts apply a two-tier appellate system. A party may appeal against a judgment or order of a local people's court to the people's court at the next higher level. Second judgments or orders given at the next higher level are final. First judgments or orders of the Supreme People's Court are also final. However, if the Supreme People's Court or a people's court at a higher level finds an error in a judgment which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The PRC Civil Procedure Law (《中華人民共和國民事訴訟法》), which was adopted in 1991 and amended in 2007 and 2012, sets forth the criteria for instituting a civil action, the jurisdiction of the people's courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a judicial court where civil actions may be brought, provided that the judicial court is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the action, provided that the provisions of this law regarding the level of jurisdiction and exclusive jurisdiction shall not be violated.

A foreign national or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or ruling made by a people's court or an award made by an arbitration panel in the PRC, the other party may apply to the people's court for the enforcement of the same. There are time limits of two years imposed on the right to apply for such enforcement. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by either party, enforce the judgment in accordance with the law.

A party seeking to enforce a judgment or ruling of a people's court against a party who is not personally or whose property is not within the PRC may apply to a foreign court with jurisdiction over the case for recognition and enforcement of the judgment or ruling. A foreign judgment or ruling may also be recognized and enforced by the people's court according to PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination according to the principle of reciprocity, unless the people's court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or against social and public interest.

THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS

A joint stock limited company which is incorporated in the PRC and seeking a listing on the Hong Kong Stock Exchange is mainly subject to the following three laws and regulations in China:

- the Company Law of the People's Republic of China (the "PRC Company Law"), which was promulgated by the Standing Committee of the NPC on December 29, 1993, came into effect on July 1, 1994, revised as of December 25, 1999, August 28, 2004 and October 27, 2005 respectively and the latest revision of which was implemented on January 1, 2006;
- the Special Regulations, which were promulgated by the State Council on August 4, 1994 pursuant to Articles 85 and 155 of the PRC Company Law, and were applicable, to the overseas share subscription and listing of joint stock limited companies; and
- the Mandatory Provisions, which were jointly promulgated by the former Securities Committee of the State Council and the State Economic Restructuring Commission on August 27, 1994, and stated the mandatory provisions which must be incorporated into the articles of association of a joint stock limited company seeking an overseas listing. As such, the Mandatory Provisions are set out in the Articles of Association of the Company, the summary of which is set out in Appendix VI of this prospectus.

Set out below is a summary of the major provisions of the PRC Company Law, the Special Regulations and the Mandatory Provisions applicable to our Company.

General

A joint stock limited company refers to an enterprise legal person incorporated under the PRC Company Law with its registered capital divided into shares of equal par value. The liability of its shareholders is limited to the amount of shares held by them and the company is liable to its creditors for an amount equal to the total value of its assets.

A SOE that is reorganized into a joint stock limited company shall comply with the conditions and requirements specified by laws and administrative regulations for the modification of its operation mechanisms, the disposal and valuation of the company's assets and liabilities and the establishment of internal management organizations.

A joint stock limited company shall conduct its business in accordance with laws and professional ethics. It may invest in other limited liability companies and joint stock limited companies and its liabilities with respect to such invested companies are limited to the amount invested. Unless otherwise provided by law, the joint stock limited company may not be a contributor that undertakes joint and several liabilities for the debts of the invested companies.

Incorporation

A joint stock limited company may be incorporated by promotion or public subscription.

A joint stock limited company may be incorporated by a minimum of two but not more than 200 promoters, and at least half of the promoters must have residence within the PRC. According to the Special Regulations, SOEs or enterprises with the majority of their assets owned by the PRC Government may be restructured into joint stock limited companies which may issue shares to overseas investors in accordance with the relevant regulations. These companies, if incorporated by promotion, may have less than five promoters and may issue new shares once incorporated.

The minimum registered capital of a joint stock limited company shall be RMB5 million. According to the Securities Law, the total share capital of a company seeking to list its shares on a stock exchange shall be no less than RMB30 million.

The promoters must convene an inaugural meeting within 30 days after the issued shares have been fully paid up, and must give notice to all subscribers or make an announcement of the date of the inaugural meeting 15 days before the meeting. The inaugural meeting may be convened only with the presence of promoters or subscribers representing at least half of the shares in the company. At the inaugural meeting, matters including the adoption of articles of association and the election of members of the board of directors and members of the board of supervisors of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within 30 days after the conclusion of the inaugural meeting, the board of directors must apply to the registration authority for registration of the establishment of the joint stock limited company. A company is formally established, and has the status of a legal person, after the business license has been issued by the relevant registration authority. Joint stock limited companies established by the subscription method shall file the approval on the offering of shares issued by the securities administration department of the State Council with the company registration authority for record.

A joint stock limited company's promoters shall be liable for: (i) the payment of all expenses and debts incurred in the incorporation process jointly and severally if the company cannot be incorporated; (ii) the refund of subscription monies to the subscribers, together with interest, at bank rates for a deposit of the same term jointly and severally if the company cannot be incorporated; and (iii) damages suffered by the company as a result of the default of the promoters in the course of incorporation of the company. According to the Provisional Regulations on the Administration of Share Issuance and Trading (《股票發行與交易管理暫行條例》) promulgated by the State Council on April 22, 1993 (which is only applicable to the issuance and trading of shares in the PRC and their related activities), if a company is established by means of public subscription, the promoters of such company are required to sign on the prospectus to ensure that the prospectus does not contain any misrepresentation, serious misleading statements or material omissions, and assume joint and several responsibility for it.

Allotment and Issue of Shares

All issue of shares of a joint stock limited company shall be based on the principles of equality and fairness. The same class of shares must carry equal rights. Shares issued at the same time and within the same class must be issued on the same conditions and at the same price. It may issue shares at par value or at a premium, but it may not issue shares below the par value.

A company shall obtain the approval of the CSRC to offer its shares to the overseas public. Under the Special Regulations, shares issued to foreign investors by joint stock limited companies and listed overseas are known as "overseas listed and foreign invested shares". Shares issued to investors within the PRC by joint stock limited companies, which also issues overseas listed and foreign shares, are known as "domestic shares". Upon approval of the securities regulatory authority of the State Council, a company issuing overseas listed and foreign invested shares in total shares determined by the issuance program may agree with underwriters in the underwriting agreement to retain not more than 15% of the aggregate number of overseas listed and foreign invested shares outside the underwritten amount. The issuance of the retained shares is deemed to be a part of this issuance.

Registered Shares

Under the PRC Company Law, the shareholders may make capital contributions in cash, or alternatively may make capital contributions with such valuated non-monetary property as physical items, intellectual property rights, and land-use rights that may be valued in monetary term and may be transferred in accordance with the law. The amount of monetary contribution by all promoters may not be less than 30% of the registered capital of the company. Pursuant to the Special Regulations, overseas listed and foreign invested shares issued shall be in registered form, denominated in Renminbi and subscribed for in a foreign currency. Domestic shares issued shall be in registered form.

Under the PRC Company Law, when the company issues shares in registered form, it shall maintain a register of shareholders, stating the following matters:

- the name and domicile of each shareholder;
- the number of shares held by each shareholder;
- the serial numbers of shares held by each shareholder; and
- the date on which each shareholder acquired the shares.

Increase of Share Capital

According to the PRC Company Law, when the joint stock limited company issues new shares, resolutions shall be passed by a shareholders' general meeting, approving the class and number of the new shares, the issue price of the new shares, the commencement and end of the new share issuance and the class and amount of new shares to be issued to existing shareholders. When the company launches a public issuance of new shares with the approval of the securities regulatory authorities of the State Council, it shall publish a prospectus and financial and accounting reports, and prepare the share subscription form. After the new share issuance has been paid up, the change shall be registered with the company registration authorities and an announcement shall be made.

Reduction of Share Capital

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- it shall prepare a balance sheet and a property list;
- the reduction of registered capital shall be approved by a shareholders' general meeting;
- it shall inform its creditors of the reduction in capital within 10 days and publish an announcement of the reduction in the newspaper within 30 days after the resolution approving the reduction has been passed;

- creditors may within 30 days after receiving the notice, or within 45 days of the public announcement if no notice has been received, require the company to pay its debts or provide guarantees covering the debts;
- it shall apply to the relevant Industry and Commerce Administration the registration of the reduction in registered capital; and
- the reduced registered capital cannot be lower than the statutory minimum registered capital requirements.

Repurchase of Shares

According to the PRC Company Law, a joint stock limited company may not purchase its shares other than for one of the following purposes: (i) to reduce its registered capital; (ii) to merge with another company that holds its shares; (iii) to grant its shares to its employees as incentives; and (iv) to purchase its shares from shareholders who are against the resolution regarding the merger or division with other companies at a shareholders' general meeting.

The purchase of shares on the grounds set out in (i) to (iii) above shall require approval by way of a resolution passed by the shareholders' general meeting. Following the purchase of shares in accordance with the foregoing, such shares shall be canceled within 10 days from the date of purchase in the case of (i) above and transferred or canceled within six months in the case of (ii) or (iv) above. Shares acquired in accordance with (iii) above shall not exceed 5% of the total number of the company's issued shares. Such acquisition shall be financed by funds appropriated from the company's profit after taxation, and the shares so acquired shall be transferred to the company's employees within one year.

Transfer of Shares

Shares held by shareholders may be transferred in accordance with the relevant laws and regulations. Pursuant to the PRC Company Law, transfer of shares by shareholders shall be carried out at a legally established securities exchange or in other ways stipulated by the State Council. No modifications of registration in the share register caused by transfer of registered shares shall be carried out within 20 days prior to the convening of shareholder's general meeting or five days prior to the base date for determination of dividend distributions. However, where there are separate provisions by law on alternation of registration in the share register of listed companies, those provisions shall prevail. Pursuant to the Mandatory Provisions, no modifications of registration in the share register caused by transfer of shares shall be carried out within 30 days prior to convening of shareholder's general meeting or five days prior to any base date for determination of dividend distributions.

Under the PRC Company law, shares issued prior to the public issuance of shares shall not be transferred within one year from the date of the joint stock limited company's listing on a stock exchange. Directors, supervisors and the senior management shall declare to the company that their shareholdings in the company and any changes of such shareholdings. They shall not transfer more than 25% of all the shares they hold in the company annually during their tenure. They shall not transfer the shares they hold within one year from the date on which the company's shares are listed and commenced trading on a stock exchange, nor within six months after their resignation from their positions with the company.

Shareholders

Under the PRC Company Law and the Mandatory Provisions, the rights of holders of ordinary shares of a joint stock limited company include:

- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;
- the right to transfer shares in accordance with laws, administrative regulations and provisions of the articles of association;
- the right to inspect the company's articles of association, share register, counterfoil of company debentures, minutes of shareholder's general meetings, resolutions of meetings of the board of directors, resolutions of meetings of the board of supervisors and financial and accounting reports and to make proposals or enquires on the company's operations;
- the right to bring an action in the people's court to rescind resolutions passed by shareholder's general meetings and board of directors where the articles of association is violated by the above resolutions;
- the right to receive dividends and other types of interest distributed in proportion to the number of shares held;
- in the event of the termination or liquidation of the company, the right to participate in the distribution of residual properties of the company in proportion to the number of shares held; and
- other rights granted by laws, administrative regulations, other regulatory documents and the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription moneys in respect of the shares subscribed for and in accordance with the form of making capital contributions, to be liable for the company's debts and liabilities to the extent of the amount of his or her subscribed shares and any other shareholders' obligation specified in the company's articles of association.

Shareholders' General Meetings

The shareholders' general meeting is the organ of authority of the company, which exercises its powers in accordance with the PRC Company Law.

Under the PRC Company Law, the shareholders' general meeting exercises the following principal powers:

- to decide on the company's operational policies and investment plans;
- to elect or remove the directors and supervisors (other than the supervisor representative of the employees of the company) and to decide on matters relating to the remuneration of directors and supervisors;
- to examine and approve reports of the board of directors;
- to examine and approve reports of the board of supervisors;
- to examine and approve the company's proposed annual financial budget and final accounts;

- to examine and approve the company's proposals for profit distribution plans and losses recovery plans;
- to decide on any increase or reduction of the company's registered capital;
- to decide on the issue of bonds by the company;
- to decide on issues such as merger, division, dissolution and liquidation of the company and other matters;
- to amend the company's articles of association; and
- other powers as provided for in the articles of association.

Shareholders' annual general meetings are required to be held once every year. Under the PRC Company Law, an extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following:

- the number of directors is less than the number stipulated by the law or less than two-thirds of the number specified in the articles of association;
- the aggregate losses of the company which are not recovered reach one-third of the company's total paid-in share capital;
- when shareholders alone or in aggregate holding 10% or more of the company's shares request the convening of an extraordinary general meeting;
- whenever the board of directors deems necessary;
- when the board of supervisors so requests; or
- other circumstances as provided for in the articles of associations.

Under the PRC Company Law, shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. In the event that the chairman is incapable of performing or does not perform his duties, the meeting shall be presided over by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting.

Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the board of supervisors shall convene and preside over such meeting in a timely manner. In case the board of supervisors fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the company's shares for 90 days consecutively may unilaterally convene and preside over such meeting.

Under the PRC Company Law, notice of shareholders' general meeting shall state the time and venue of and matters to be considered at the meeting and shall be given to all shareholders 20 days before the meeting. Notice of our extraordinary shareholder's general meetings shall be given to all shareholders 15 days prior to the meeting. Under the Special Regulations and the Mandatory Provisions, such notice shall be delivered to all the registered shareholders 45 days in advance to the meeting, and the matters to be considered and time and venue of the meeting shall be specified. The written reply of shareholders planning to attend the meeting shall be delivered to the company 20 days in advance of the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. Pursuant to the Special Regulations and the Mandatory Provisions, shareholder's general meeting may be convened where the number of voting shares held by the shareholders present at the meeting reaches one-half or more of the company's total voting shares. If this is not attained, the company shall within five days notify the shareholders again of the matters to be considered and time and venue of the meeting to shareholders in the form of public announcement. The company may convene the shareholders' general meeting after such public announcement. Pursuant to the Mandatory Provisions, modification or abrogation of rights conferred to any class of shareholders shall be passed both by special resolution of shareholders' general meeting and by class meeting convened respectively by shareholders of the affected class.

Pursuant to the Special Regulations, where the company convenes annual shareholder's general meeting, shareholders holding more than 5% of voting shares have a right to submit to the company new proposals in writing, in which the matters falling within the scope of shareholder's general meeting shall be placed in the agenda of the meeting.

Under the PRC Company Law, shareholders present at shareholders' general meeting have one vote for each share they hold, save that shares held by the company are not entitled to any voting rights.

Pursuant to the provisions of the articles of association or a resolution of the shareholders' general meeting, the accumulative voting system may be adopted for the election of directors and supervisors at the shareholders' general meeting. Under the accumulative voting system, each share shall be entitled to votes equivalent to the number of director or supervisor to be elected at the shareholders' general meeting and shareholders may consolidate their voting rights when casting a vote.

Pursuant to the PRC Company Law and the Mandatory Provisions, resolutions of the shareholders' general meeting shall be adopted by more than half of the voting rights held by the shareholders present at the meeting. However, resolutions of the shareholders' general meeting regarding the following matters shall be adopted by more than two-third of the voting rights held by the shareholders present at the meeting: (i) amendments to the articles of association; (ii) the increase or decrease of registered capital; (iii) the issue of any types of shares, warrants or other similar securities; (iv) the issue of debentures; (v) the merger, division, dissolution, liquidation or change in the form of the company; (vi) other matters considered by the shareholders' general meeting, by way of an ordinary resolution, to be of a nature which may have a material impact on the company and should be adopted by a special resolution.

Under the PRC Company Law, meeting minutes shall be prepared in respect of decisions on matters discussed at the shareholders' general meeting. The chairman of the meeting and directors attending the meeting shall sign to endorse such minutes. The minutes shall be kept together with the shareholders' attendance register and the proxy forms.

Board

Under the PRC Company Law, a joint stock limited company shall have a board of directors, which shall consist of 5 to 19 members. Members of the board of directors may include representatives of the employees of the company, who shall be democratically elected by the company's staff at the staff representative assembly, general staff meeting or otherwise. The term of a director shall be stipulated in the articles of association, but no term of office shall last for more than three years. Directors may serve consecutive terms if re-elected. A director shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected director takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of directors results in the number of directors being less than the quorum.

Under the PRC Company Law, the board of directors mainly exercises the following powers:

- to convene the shareholders' general meetings and report on its work to the shareholders' general meetings;
- to implement the resolutions passed in shareholders' general meetings;
- to decide on the company's business plans and investment proposals;
- to formulate the company's proposed annual financial budget and final accounts;
- to formulate the company's profit distribution proposals and loss recovery proposals;
- to formulate proposals for the increase or reduction of the company's registered capital and the issuance of corporate bonds;
- to prepare plans for the merger, division, dissolution and change in the form of the company;
- to formulate the company's basic management system; and
- to exercise any other power under the articles of association.

Board Meetings

Under the PRC Company Law, meetings of the board of directors of a joint stock limited company shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors 10 days before the meeting. Interim board meetings may be proposed to be convened by shareholders representing more than 10% of voting rights, more than one-third of the directors or the supervisors. The chairman shall convene and preside over such meeting within 10 days after receiving such proposal. Meetings of the board of directors shall be held only if half or more of the directors are present. Resolutions of the board of directors shall be passed by more than half of all directors. Each director shall have one vote for resolutions to be approved by the board of directors. Directors shall attend board meetings in person. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf.

If a resolution of the board of directors violates the laws, administrative regulations or the articles of association, and as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proved that a director expressly objected to the resolution when the resolution was voted on, and that such objection was recorded in the minutes of the meeting, such director may be released from that liability.

Chairman of the Board

Under the PRC Company Law, the board of directors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman are elected with approval of more than half of all the directors. The chairman shall convene and preside over board meetings and examine the implementation of board resolutions. The vice chairman shall assist the work of the chairman. In the event that the chairman is incapable of performing or not performing his duties, the duties shall be performed by the vice chairman. In the event that the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of the directors shall perform his duties.

Qualification of Directors

The PRC Company Law provides that the following persons may not serve as a director:

- a person who is unable or has limited ability to undertake any civil liabilities;
- a person who has been convicted of an offense of bribery, corruption, embezzlement or misappropriation of property, or the destruction of socialist market economy order; or who has been deprived of his political rights due to his crimes, in each case where less than five years have elapsed since the date of completion of the sentence;
- a person who has been a former director, factory manager or manager of a company or an enterprise that has entered into insolvent liquidation and who was personally liable for the insolvency of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- a person who has been a legal representative of a company or an enterprise that has had its business license revoked due to violations of the law and has been ordered to close down by law and the person was personally responsible, where less than three years have elapsed since the date of such revocation; or
- a person who is liable for a relatively large amount of debts that are overdue.

Other circumstances under which a person is disqualified from acting as a director are set out in the Mandatory Provisions.

Board of Supervisors

A joint stock limited company shall have a board of supervisors composed of not less than three members. The board of supervisors is made up of representatives of the shareholders and an appropriate proportion of representatives of the employees of the company. The actual proportion shall be stipulated in the articles of association, provided that the proportion of representatives of the employees shall not be less than one third of the supervisors. Representatives of the employees of the company in the board of supervisors shall be democratically elected by the employees at the employees' representative assembly, employees' general meeting or otherwise.

The directors and senior management may not act concurrently as supervisors.

The board of supervisors shall appoint a chairman and may appoint a vice chairman. The chairman and the vice chairman of the board of supervisors are elected with approval of more than half of all the supervisors. The chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the chairman of the board of supervisors is incapable of performing or not performing his duties, the vice chairman of the board of supervisors shall convene and preside over the meetings of the board of supervisors. In the event that the vice chairman of the board of supervisors is incapable of performing or not performing his duties, a supervisor nominated by more than half of the supervisors shall convene and preside over the meetings of the board of supervisors.

Each term of office of a supervisor is three years and he or she may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a duly re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office, or if the resignation of supervisors results in the number of supervisors being less than the quorum.

The board of supervisors exercises the following powers:

- to review the company's financial position;
- to supervise the directors and senior management in their performance of their duties and to propose the removal of directors and senior management who have violated laws, regulations, the articles of association or the resolutions of shareholders' meeting;
- when the acts of directors and senior management are harmful to the company's interests, to require correction of those acts;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under this law;
- to initiate proposals for resolutions to shareholders' general meeting;
- to initiate proceedings against directors and senior management; and
- other powers specified in the articles of association.

Supervisors may attend board meetings and make enquiries or proposals in respect of board resolutions. The board of supervisors may initiate investigations into any irregularities identified in the operation of the company and, where necessary, may engage an accounting firm to assist their work at the company's expense.

Manager and Senior Management

Under the PRC Company Law, a company shall have a manager who shall be appointed or removed by the board of directors. The manager shall report to the board of directors and may exercise the following powers:

- to supervise the business and administration of the company and arrange for the implementation of resolutions of the board of directors;
- to arrange for the implementation of the company's annual business plans and investment proposals;
- to formulate the general administration system of the company;
- to formulate the company's detailed rules;
- to recommend the appointment and dismissal of deputy managers and person-in-charge of finance;

- to appoint or dismiss other administration officers (other than those required to be appointed or dismissed by the board of directors); and
- to other powers conferred by the board of directors or the articles of association.

The manager shall comply with other provisions of the articles of association concerning his/her powers. The manager shall attend board meetings.

According to the PRC Company Law, senior management shall mean the manager, deputy manager(s), person-in-charge of finance, board secretary (in case of a listed company) of a company and other personnel as stipulated in the articles of association.

Duties of Directors, Supervisors and Senior Management

Directors, supervisors and senior management of the company are required under the PRC Company Law to comply with the relevant laws, regulations and the articles of association, and have the fiduciary and diligent duties to the company. Directors, supervisors and senior management are prohibited from abusing their powers to accept bribes or other unlawful income and from misappropriating of the company's properties. Directors and senior management are prohibited from:

- misappropriation of the company's capital;
- depositing the company's capital into accounts under his own name or the name of other individuals;
- loaning company funds to others or providing guarantees in favor of others supported by the company's assets in violation of the articles of association or without prior approval of the shareholders' general meeting or board of directors;
- entering into contracts or deals with the company in violation of the articles of association or without prior approval of the shareholders' general meeting;
- using their position and powers to procure business opportunities for themselves or others that should have otherwise been available to the company or operating for their own benefits or managing on behalf of others businesses similar to that of the company without prior approval of the shareholders' general meeting;
- accept and possess commissions paid by a third party for transactions conducted with the company;
- unauthorized divulgence of confidential business information of the company; or
- other acts in violation of their duty of loyalty to the company.

A director, supervisor or senior management who contravenes any law, regulation or the company's articles of association in the performance of his duties resulting in any loss to the company shall be personally liable to the company.

Finance and Accounting

Under the PRC Company Law, a company shall establish financial and accounting systems according to laws, administrative regulations and the regulations of the financial department of the State Council and shall at the end of each financial year prepare a financial and accounting report which shall be audited by an accounting firm as required by law. The company's financial and accounting report shall be prepared in accordance with provisions of the laws, administrative regulations and the regulations of the financial department of the State Council.

Pursuant to the PRC Company Law, the company shall deliver its financial and accounting reports to all shareholders within the time limit stipulated in the articles of association and make its financial and accounting reports available at the company for inspection by the shareholders at least 20 days before the convening of an annual general meeting of shareholders. It must also publish its financial and accounting reports.

When distributing each year's after-tax profits, it shall set aside 10% of its after-tax profits into a statutory reserve fund (except where the fund has reached 50% of its registered capital).

If its statutory reserve fund is not sufficient to make up losses of the previous year, profits of the current year shall be applied to make up losses before allocation is made to the statutory reserve fund pursuant to the above provisions.

After allocation of the statutory reserve fund from after-tax profits, it may, upon a resolution passed at the shareholders' general meeting, allocate discretionary reserve fund from after-tax profits.

The remaining after-tax profits after making up losses and allocation of reserve fund shall be distributed in proportion to the number of shares held by the shareholders, unless otherwise stipulated in the articles of association.

Shares held by the company shall not be entitled to any distribution of profit.

The premium received through issuance of shares at prices above par value and other incomes required by the financial department of the State Council to be allocated to the capital reserve fund shall be allocated to the company's capital reserve fund.

The company's reserve fund shall be applied to make up losses of the company, expand its business operations or be converted to increase the registered capital of the company. However, the capital reserve fund may not be applied to make up the company's losses. Upon the conversion of statutory reserve fund into capital, the balance of the statutory reserve fund shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. Its assets shall not be deposited in any accounts opened in the name of any individual.

Appointment and Retirement of Accounting Firms

Pursuant to the PRC Company Law, the appointment or dismissal of accounting firms responsible for the auditing of the company shall be determined by shareholders' general meeting or board of directors in accordance with provisions of articles of association. The accounting firm should be allowed to make representations when the shareholders' general meeting or board of directors conducts a vote on the dismissal of the accounting firm. The company should provide true and complete accounting evidences, books, financial and accounting reports and other accounting data to the accounting firm it employs without any refusal, withholding and misrepresentation.

The Special Regulations provide that a company shall employ an independent accounting firm complying with the relevant regulations of the State to audit its annual report and review and check other financial reports of the company. The accounting firm's term of office shall commence from their appointment at a shareholders' annual general meeting to the end of the next shareholders' annual general meeting.

Distribution of Profits

According to the PRC Company Law, a company shall not distribute profits before losses are covered and the statutory common reserve is drawn. Under the Mandatory Provisions, a company shall appoint receiving agents on behalf of holders of the overseas listed and foreign invested shares to receive on behalf of such shareholders dividends and other distributions payable in respect of their overseas listed and foreign invested shares.

Dissolution and Liquidation

According to the PRC Company Law, a company shall be dissolved by reason of the following: (i) the term of its operations set down in the articles of association has expired or other events of dissolution specified in the articles of association have occurred; (ii) the shareholders' general meeting have resolved to dissolve the company; (iii) the company is dissolved by reason of merger or division; (iv) the business license is revoked; the company is ordered to close down or be dissolved; or (v) the company is dissolved by the people's court in response to the request of shareholders holding shares that represent more than 10% of the voting rights of all its shareholders, on the grounds that the company suffers significant hardships in its operation and management that cannot be resolved through other means, and the ongoing existence of the company would bring significant losses for shareholders.

In the event of (i) above, it may carry on its existence by amending its articles of association. The amendment of the articles of association in accordance with provisions set out above shall require approval of more than two thirds of voting rights of shareholders attending a shareholders' general meeting.

Where the company is dissolved in the circumstances described in subparagraphs (i), (ii), (iv), or (v) above, a liquidation group shall be established and the liquidation process shall commence within 15 days after the occurrence of an event of dissolution.

The members of the company's liquidation group shall be composed of its directors or the personnel appointed by the shareholders' general meeting. If a liquidation group is not established within the stipulated period, creditors may apply to the people's court, requesting the court to appoint relevant personnel to form the liquidation group. The people's court should accept such application and form a liquidation group to conduct a liquidation in a timely manner.

The liquidation group shall exercise the following powers during the liquidation period:

- to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- to notify creditors through notice or public announcement;
- to deal with the company's outstanding businesses related to liquidation;

- to pay any tax overdue as well as tax amounts arising from the process of liquidation;
- to claim credits and pay off debts;
- to handle the company's remaining assets after its debts have been paid off; and
- to represent the company in civil lawsuits.

The liquidation group shall notify the company's creditors within 10 days after its establishment, and issue public notices in newspapers within 60 days. A creditor shall lodge his claim with the liquidation group within 30 days after receiving notification, or within 45 days of the public notice if he did not receive any notification. A creditor shall state all matters relevant to his creditor rights in making his claim and furnish evidence. The liquidation group shall register such creditor rights. The liquidation group shall not make any debt settlement to creditors during the period of claim.

Upon liquidation of properties and the preparation of the balance sheet and inventory of assets, the liquidation group shall draw up a liquidation plan to be submitted to the shareholders' general meeting or people's court for confirmation.

The company's remaining assets after payment of liquidation expenses, wages, social insurance expenses and statutory compensation, outstanding taxes and debt shall be distributed to shareholders according to their shareholding proportion. It shall continue to exist during the liquidation period, although it can only engage in any operating activities that are related to the liquidation. The company's properties shall not be distributed to the shareholders before repayments are made in accordance to the foregoing provisions.

Upon liquidation of the company's properties and the preparation of the balance sheet and inventory of assets, if the liquidation group becomes aware that the company does not have sufficient assets to meet its liabilities, it must apply to the people's court for a declaration for bankruptcy.

Following such declaration, the liquidation group shall hand over all matters relating to the liquidation to the people's court.

Upon completion of the liquidation, the liquidation group shall submit a liquidation report to the shareholders' general meeting or the people's court for verification. Thereafter, the report shall be submitted to the registration authority of the company in order to cancel the company's registration, and a public notice of its termination shall be issued. Members of the liquidation group are required to discharge their duties honestly and in compliance with the relevant laws. Members of the liquidation group shall be prohibited from abuse of their powers to accept bribes or other unlawful income and from misappropriating the company's properties.

A member of the liquidation group is liable to indemnify the company and its creditors in respect of any loss arising from his intentional or gross negligence.

Overseas Listing

According to the Special Regulations, a company shall obtain the approval of the CSRC to list its shares overseas. A company's plan to issue overseas listed and foreign invested shares and domestic shares which has been approved by the CSRC may be implemented by the board of directors of the company by way of separate issue within 15 months after approval is obtained from the CSRC.

Loss of Share Certificates

If a registered share certificate in is lost, stolen or destroyed, the respective shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court for a declaration that such certificate will no longer be valid. After the people's court declares the invalidity of such certificate, the shareholder may apply to the company for a replacement share certificate. A separate procedure regarding the loss of overseas listed and foreign invested share certificates is provided for in the Mandatory Provisions.

SECURITIES LAW AND REGULATIONS

The PRC has promulgated a number of regulations that relate to the issue and trading of shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee is responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities-related institutions in the PRC and administering the CSRC. The CSRC is the regulatory arm of the Securities Committee and is responsible for the drafting of regulatory provisions of securities markets, supervising securities companies, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking relevant research and analysis. In April 1998, the State Council consolidated the two departments and reformed the CSRC.

The Provisional Regulations on the Administration of Share Issuance and Trading deals with the application and approval procedures for public offerings of equity securities, trading in equity securities, the acquisition of listed companies, deposit, clearing and transfer of listed equity securities, the disclosure of information with respect to a listed company, investigation, penalties and dispute settlement.

On December 25, 1995, the State Council promulgated and implemented the Regulations of the State Council Concerning Domestic Listed Foreign Shares of Joint Stock Limited Companies (《國務院關於股份有限公司境內上市外資股的規定》). These regulations deal mainly with the issue, subscription, trading and declaration of dividends and other distributions of domestic listed and foreign invested shares and disclosure of information of joint stock limited companies having domestic listed and foreign invested shares.

The Securities Law took effect on July 1, 1999 and was revised on August 28, 2004 and October 27, 2005, respectively. This is the first national securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities companies and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law comprehensively regulates activities in the PRC securities market. Article 238 of the Securities Law provides that domestic enterprises shall obtain prior approval from the State Council's regulatory authorities to list its shares outside the PRC. Currently, the issue and trading of foreign issued shares (including H shares) are mainly governed by the rules and regulations promulgated by the State Council and the CSRC.

ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS

The Arbitration Law of the People's Republic of China (《中華人民共和國仲裁法》) (the "Arbitration Law") passed by the Standing Committee of the NPC on August 31, 1994, became effective on September 1, 1995 and was amended on August 27, 2009. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate interim arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people's court will refuse to handle the case except when the arbitration agreement is declared invalid.

The Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the articles of association of an issuer and, in the case of the Listing Rules, also in contracts between the issuer and each of its directors and supervisors, to the effect that any disputes or claims arising (i) between holders of H shares and the issuer; (ii) between holders of H shares and the issuer's directors, supervisors, manager or other senior management; and (iii) between holders of H shares and holders of domestic shares may be referred to arbitration for resolution. Matters in arbitration include any disputes or claims in relation to the issuer's affairs or as a result of any rights or obligations arising under its articles of association, the PRC Company Law or other relevant laws and administrative regulations.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, must comply with the arbitration. Disputes in respect of the definition of shareholder and disputes in relation to the issuer's register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission ("CIETAC") in accordance with its rules or the Hong Kong International Arbitration Center ("HKIAC") in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the HKIAC. In accordance with the Arbitration Regulations of China International Economic and Trade Arbitration Commission (《中國國際經濟貿易仲裁委員會仲裁規則》) amended on February 3, 2012 and implemented on May 1, 2012, CIETAC shall deal with economic and trading disputes over contractual or non-contractual transactions, including disputes involving Hong Kong based on the agreement of the parties. The arbitration commission is established in Beijing and its branches and centers have been set up in Shenzhen, Shanghai, Tianjin and Chongqing.

Under the Arbitration Law and PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people's court for enforcement. A people's court may refuse to enforce an arbitral award made by an arbitration commission if there is any irregularity on the procedures or composition of arbitrators specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration commission.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (the "New York Convention") adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the NPC passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by all other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the state to which the application for enforcement is made. It was declared by the Standing Committee of the NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

An arrangement was reached between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. On June 18, 1999, the Supreme People's Court of the PRC adopted the Arrangement on Mutual Enforcement of Arbitral Awards between Mainland and Hong Kong SAR (《關於內地與香港特別行政區相互執行仲裁裁決的安排》), which became effective on February 1, 2000. In accordance with this arrangement, awards made by PRC arbitral authorities under the Arbitration Law can be enforced in Hong Kong, and Hong Kong arbitration awards are also enforceable in China.

OVERSEAS INVESTMENT REGULATIONS

Pursuant to the Regulations on the Administration of Overseas Investment (《境外投資管理辦法》) promulgated by the MOFCOM on March 16, 2009 which became effective on May 1, 2009, enterprises shall obtain approval from the commerce authorities for conducting overseas investment according to such regulations. Upon such approval, any changes to the original application of such overseas investment shall be reported to the original approving authority for the application of approval of changes in compliance with relevant laws.

Pursuant to Regulations on Foreign Exchange Administration of the Overseas Direct Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) promulgated by the SAFE which became effective on August 1, 2009, upon obtaining approval for overseas investment, a PRC enterprise shall apply for foreign exchange registration for its overseas direct investments with the foreign exchange administrative authorities.

Pursuant to the Provisional Management Method on Approval of Overseas Investment Projects (《境外投資項目核准暫行管理辦法》) promulgated by the NDRC which became effective on October 9, 2004, overseas investments in resource development projects and projects requiring large amount of foreign exchange shall be reviewed and approved by the NDRC or the State Council. Any change of the investors or shareholding structure of the approved projects shall be subject to the approval of the NDRC.

ANTI-MONEY LAUNDERING REGULATIONS

The Anti-money Laundering Law of the PRC (《中華人民共和國反洗錢法》), which became effective on January 1, 2007, sets out the responsibilities of the relevant financial regulatory authorities regarding anti-money laundering, including supervision over anti-money laundering, formulation of rules and regulations regarding anti-money laundering activities of financial institutions, monitoring and inspection of the anti-money laundering practice of financial institutions and investigations on suspicious transactions within their respective scope of authority. The persons in charge of the financial institutions shall be responsible for the effective implementation of internal control system regarding anti-money laundering. Financial institutions shall establish a client identification system and a system for keeping clients' identity information and transaction records, as well as a report system for transactions involving large sums of money and for dubious transactions according to applicable requirements.

Pursuant to the Anti-money Laundering Regulations for Financial Institutions (《金融機構反洗錢規定》) promulgated by the PBOC which became effective on January 1, 2007, financial institutions and their branches are required to establish a comprehensive internal control system for anti-money laundering, and set up a special anti-money laundering department or designate an internal department to implement the anti-money laundering measures, formulate internal anti-money laundering policies and procedures and organize anti-money laundering training for staff to enhance their anti-money laundering capability.

Pursuant to the Measures on the Administration over Client Identification and Maintenance of Client Identity Materials and Transaction Records of Financial Institutions (《金融機構客戶身份識別和客戶身份資料及交易記錄保存管理辦法》) promulgated jointly by the PBOC, CBRC, CSRC and CIRC which became effective on August 1, 2007, financial institutions are required to establish a client identification system, maintain records for the identities and relevant transactions of all clients and keep all retail transaction documents and record books.

Pursuant to the Administrative Measures on Reporting Large-Sum Transactions and Dubious Transactions of Financial Institutions (《金融機構大額交易和可疑交易報告管理辦法》) promulgated by the PBOC which became effective on March 1, 2007, upon the detection of any transactions involving large sums of money or dubious transactions, the head office or the designated department of the financial institutions shall electronically report such transactions to the China Anti-money Laundering Monitoring and Analysis Center.

SUMMARY OF MATERIAL DIFFERENCES BETWEEN HONG KONG AND PRC COMPANY LAW

The Hong Kong law applicable to a company incorporated in Hong Kong is based on the Companies Ordinance and is supplemented by common law and the rules of equity that are applicable to Hong Kong. As a joint stock limited company established in the PRC that is seeking a listing of shares on the Hong Kong Stock Exchange, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company law applicable to a company incorporated in Hong Kong and the PRC Company Law applicable to a joint stock limited company incorporated and existing under the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.

Corporate Existence

Under Hong Kong company law, a company with share capital, is incorporated by the Registrar of Companies in Hong Kong which issues a certificate of incorporation to the Company upon its incorporation and the company will acquire an independent corporate existence. A company may be incorporated as a public company or a private company. Pursuant to the Companies Ordinance, the articles of association of a private company incorporated in Hong Kong shall contain certain pre-emptive provisions. A public company's articles of association do not contain such pre-emptive provisions.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription. A joint stock limited company must have a minimum registered capital of RMB5 million, or a higher amount as may otherwise be required by laws and regulations. Under the PRC Company Law, the monetary contributions by all the promoters of a joint stock company must not be less than 30% of the registered capital.

Hong Kong law does not prescribe any minimum capital requirement for a Hong Kong company.

Share Capital

Under Hong Kong law, the authorized share capital of a Hong Kong company is the amount of share capital that the company is authorized to issue. A company is not bound to issue the entire amount of its authorized share capital. The authorized share capital of a Hong Kong company may be larger than the issued share capital. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders if required, issue new shares of the company. The PRC Company Law does not provide for authorized share capital. Our registered capital is the amount of our issued share capital. Any increase in our registered capital must be approved by our shareholders' general meeting and the relevant PRC governmental and regulatory authorities.

Under the Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. Hong Kong law does not prescribe any minimum capital requirements for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws and administrative regulations). For non-monetary assets to be used as capital contributions, appraisals and verification must be carried out to ensure no overvaluation or under-valuation of the assets. There is no such restriction on a Hong Kong company under Hong Kong law.

Restrictions on Shareholding and Transfer of Shares

Under PRC law, our Domestic Shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons, qualified foreign institutional investors, or eligible foreign strategic investors. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company. Shares in issue prior to our public offering cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and managers and transferred each year during their term of office shall not exceed 25% of the total shares they held in the company, and the shares they held in the company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set other restrictive requirements on the transfer of the company's shares held by its directors, supervisors and officers. There are no such restrictions on shareholdings and transfers of shares under Hong Kong law apart from the six-month lockup on the company's issue of shares and the 12-month lockup on controlling shareholders' disposal of shares, as illustrated by the undertakings given by our Company and our controlling shareholder to the Hong Kong Stock Exchange described in the section entitled "Underwriting" in this prospectus.

Financial Assistance for Acquisition of Shares

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under the Hong Kong company law.

Variation of Class Rights

The PRC Company Law has no special provision relating to variation of class rights. However, the PRC Company Law states that the State Council can promulgate regulations relating to other kinds of shares. The Mandatory Provisions contain elaborate provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in the appendix entitled "Appendix VI—Summary of Articles of Association" to this prospectus.

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the approval of a special resolution of the holders of the relevant class at a separate meeting, (ii) with the consent in writing of the holders of three-fourths in nominal value of the issued shares of the class in question, (iii) by agreement of all the members of the company or (iv) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

Directors, Senior Management and Supervisors

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and guarantees in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain restrictions on major disposals and specify the circumstances under which a director may receive compensation for loss of office.

Board of Supervisors

Under the PRC Company Law, a joint stock limited company's directors and managers are subject to the supervision of a Board of Supervisors. There is no mandatory requirement for the establishment of a board of supervisors for a company incorporated in Hong Kong. The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the Company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Derivative Action by Minority Shareholders

Hong Kong law permits minority shareholders to initiate a derivative action on behalf of all shareholders against directors who have committed a breach of their fiduciary duties to the company if the directors control a majority of votes at a general meeting, thereby effectively preventing a company from suing the directors in breach of their duties in its own name. The PRC Company Law provides shareholders of a joint stock limited company with the right so that in the event where the directors and senior management violate their fiduciary obligations to a company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the board of supervisors to initiate proceedings in the people's court. In the event that the board of supervisors violates their fiduciary obligations to a company, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the board of supervisors or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceeding may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions provide further remedies against the directors, supervisors and senior management who breach their duties to the company. In addition, as a condition to the listing of shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking in favor of the company acting as agent for the shareholders. This allows minority shareholders to take action against directors and supervisors in default.

Protection of Minorities

Under Hong Kong law, a shareholder who complains that the affairs of a company incorporated in Hong Kong are conducted in a manner unfairly prejudicial to his interests may petition to the court to either wind up the company or make an appropriate order regulating the affairs of the company. In addition, on the application of a specified number of members, the Financial Secretary of Hong Kong may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated in Hong Kong. The PRC law does not contain similar safeguards. The Mandatory Provisions, however, contain provisions that a controlling shareholder may not exercise its voting rights in a manner prejudicial to the interests of the shareholders generally or of a proportion of the shareholders of a company to relieve a director or supervisor of his duty to act honestly in the best interests of the company or to approve the expropriation by a director or supervisor of the company's assets or the individual rights of other shareholders.

Notice of Shareholders' Meetings

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than 20 days before the meeting. Under the Special Regulations and the Mandatory Provisions, at least 45 days' written notice must be given to all shareholders, and shareholders who wish to attend the meeting must reply in writing at least 20 days before the date of the meeting. For a company incorporated in Hong Kong, the minimum period of notice of a general meeting, where convened for the purpose of considering ordinary resolutions, is 14 days and, where convened for the purpose of considering special resolutions, is 21 days. The notice period for an annual general meeting is 21 days.

Quorum for Shareholders' Meetings

Under Hong Kong law, the quorum for a general meeting must be at least two members unless the articles of association of the company otherwise provide. For companies with only one member, the quorum must be one member. The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least 20 days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

Voting

Under Hong Kong law, an ordinary resolution is passed by a simple majority of votes cast by members present in person or by proxy at a general meeting and a special resolution is passed by a majority of not less than three-fourths of votes cast by members present in person or by proxy at a general meeting. Under the PRC Company Law, the passing of any resolution requires affirmative votes of shareholders representing more than half of the voting rights represented by the shareholders who attend the general meeting except in cases of proposed amendments to a company's articles of association, increase or decrease of registered capital, merger, division or dissolution, or change of corporation form, which require affirmative votes of shareholders representing more than two-thirds of the voting rights represented by the shareholders who attend the general meeting.

Financial Disclosure

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its shareholders' annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its balance sheet, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than 21 days before such meeting. A joint stock limited liability company is required under the PRC law to prepare its financial statements in accordance with the PRC GAAP. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the PRC GAAP, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the PRC GAAP.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

Information on Directors and Shareholders

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the shareholders' general meetings and financial and accounting reports. Under the articles of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the shareholders' rights of Hong Kong companies under Hong Kong law.

Receiving Agent

Under the PRC Company Law and Hong Kong law, dividends once declared are debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require the relevant company to appoint a trust company registered under the Hong Kong Trustee Ordinance (Chapter 29 of the Laws of Hong Kong) as a receiving agent to receive on behalf of holders of shares dividends declared and all other monies owed by the company in respect of its shares.

Corporate Reorganization

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 166 of the Companies Ordinance, which requires the sanction of the court. Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

Dispute Arbitration

In Hong Kong, disputes between shareholders on the one hand, and a company incorporated in Hong Kong or its directors on the other, may be resolved through legal proceedings in the courts. The Mandatory Provisions provide that such disputes should be submitted to arbitration at either the HKIAC or the CIETAC, at the claimant's choice.

Mandatory Deductions

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

Remedies of the Company

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. In addition, the Listing Rules require listed companies' articles to provide for remedies of the company similar to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

Dividends

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of dividends) is six years, whereas under PRC laws, the relevant limitation period is two years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

Fiduciary Duties

In Hong Kong, there is the common law concept of the fiduciary duty of directors. Under the Special Regulations, directors, supervisors are not permitted to engage in any activities which compete with or damage the interests of their company.

Closure of Register of Shareholders

The Companies Ordinance requires that the register of shareholders of a company must not generally be closed for the registration of transfers of shares for more than 30 days (extendable to 60 days in certain circumstances) in a year, whereas, as required by the PRC Company Law and the Mandatory Provisions, share transfers shall not be registered within 30 days before the date of a shareholders' meeting or within five days before the base date set for the purpose of distribution of dividends.

HONG KONG LISTING RULES

The Listing Rules provide additional requirements which apply to us as an issuer incorporated in the PRC as a joint stock limited company and seeking a primary listing or whose primary listing is on the Hong Kong Stock Exchange. Set out below is a summary of the principal provisions containing the additional requirements which apply to us.

Compliance Advisor

A company seeking listing on the Hong Kong Stock Exchange is required to appoint a compliance advisor acceptable to the Hong Kong Stock Exchange for the period from its listing date up to the date of the publication of its financial results for the first full financial year commencing after the listing date. The compliance advisor should provide professional advice on continuous compliance with the Listing Rules and all other applicable laws and regulations, and to act at all times, in addition to its two authorized representatives, as the principal channel of communication with the Hong Kong Stock Exchange. The appointment of the compliance advisor may not be terminated until a replacement acceptable to the Hong Kong Stock Exchange has been appointed.

If the Hong Kong Stock Exchange is not satisfied that the compliance adviser is fulfilling its responsibilities adequately, it may require the company to terminate the compliance advisor's appointment and appoint a replacement.

The compliance advisor must keep the company informed on a timely basis of changes in the Listing Rules and any new or amended law, regulation or code in Hong Kong applicable to the company. It must act as the company's principal channel of communication with the Hong Kong Stock Exchange if the authorized representatives of the company are expected to be frequently outside Hong Kong.

Accountants' Report

The accountant's report must normally be drawn up in conformity with: (a) HKFRS; or (b) IFRS; or (c) China Accounting Standards for Business Enterprises ("CASBE") in the case of a PRC issuer that has adopted CASBE for the preparation of its annual financial statements.

Process Agent

A listed company is required to appoint and maintain a person authorized to accept service of process and notices on its behalf in Hong Kong throughout the period during which its securities are listed on the Hong Kong Stock Exchange and must notify the Hong Kong Stock Exchange of his, her or its appointment, the termination of his, her or its appointment and his, her or its contact particulars.

Public Shareholding

If at any time there are existing issued securities of a PRC issuer other than foreign shares which are listed on the Hong Kong Stock Exchange, the Listing Rules require that the aggregate amount of H shares and other securities held by the public must constitute not less than 25% of the PRC issuer's issued share capital and that the class of securities for which listing is sought must not be less than 15% of the issuer's total issued share capital, having an expected market capitalization at the time of listing of not less than HK$50 million. The Hong Kong Stock Exchange may, at its discretion, accept a lower percentage of between 15% and 25% if the issuer is expected to have a market capitalization at the time of listing of more than HK$10,000 million.

Independent Non-Executive Directors and Supervisors

Independent non-executive directors of a PRC issuer are required to demonstrate an acceptable standard of competence and adequate commercial or professional expertise to ensure that the interests of the listed company's general body of shareholders will be adequately represented. Supervisors must have the character, expertise and integrity and be able to demonstrate the standard of competence commensurate with their position as supervisors.

Restrictions on Repurchase of Securities

Subject to governmental approvals and the articles of association of the company, a listed company may repurchase its own shares on the Hong Kong Stock Exchange in accordance with the provisions of the Listing Rules. Approval by way of a special resolution of the holders of class shares at separate class meetings conducted in accordance with the articles of association is required for share repurchases. In seeking approvals, a listed company is required to provide information on any proposed or actual purchases of all or any of its equity securities, whether or not listed or traded on the Hong Kong Stock Exchange. The director must also state the consequences (if any) of any purchases which will arise under either or both of the Hong Kong Takeovers Code and/or any similar PRC law of which directors are aware. Any general mandate given to directors to repurchase shares must not exceed 10% of the total number of its issued shares.

Redeemable Shares

A listed company must not issue any redeemable shares unless the Hong Kong Stock Exchange is satisfied that the relative rights of its shareholders are adequately protected.

Pre-emptive Rights

Except in the circumstances mentioned below, directors are required to obtain approval by way of a special resolution of shareholders at general meeting, and the approvals by way of special resolutions of the holders of class shares (each being otherwise entitled to vote at general meetings) at separate class meetings conducted in accordance with and as required by the articles of association, prior to authorizing, allotting, issuing or granting shares or securities convertible into shares, options, warrants or similar rights to subscribe for any shares or such convertible securities.

No such approval will be required under the Listing Rules to the extent that (i) the existing shareholders have by special resolution in general meeting given a mandate to the board of directors, either unconditionally or subject to such terms and conditions as may be specified in the resolution, to authorize, allot or issue, either separately or concurrently once every 12 months, not more than 20% of each of the existing issued domestic shares and H shares as at the date of the passing of the relevant special resolution, or (ii) such shares are issued as part of the Company's plan at the time of its establishment to issue domestic shares and H shares and which plan is implemented within 15 months from the date of approval by the securities regulatory authority of the State Council.

Supervisors

A company listed or seeking a listing on the Hong Kong Stock Exchange is required to adopt rules governing dealings by the Supervisors in securities of our Company in terms no less exacting than those of the model code (set out in Appendix 10 to the Listing Rules) issued by the Hong Kong Stock Exchange.

A PRC issuer is required to obtain the approval of its shareholders at a general meeting (at which the relevant supervisor and his associates must abstain from voting on the matter) prior to the company or any of its subsidiaries entering into a service contract of the following nature with a supervisor or proposed supervisor of the listed company or any of its subsidiaries: (1) the term of the contract exceeds three years; or (2) the contract expressly requires the company (or its subsidiaries) to give more than one year's notice or to pay compensation or make other payments equivalent to the remuneration more than one year in order for it to terminate the contract.

The nomination and remuneration committee of the listed company or an independent board committee must form a view in respect of service contracts that require shareholders' approval and advise shareholders (other than shareholders with a material interest in the service contracts and their associates) as to whether the terms are fair and reasonable, advise whether such contracts are in the interests of the listed company and its shareholders as a whole and advise shareholders on how to vote.

Amendment to Articles of Association

A PRC issuer may not permit or cause any amendment to be made to its articles of association which would contravene the PRC Company Law, the Mandatory Provisions or the Listing Rules.

Documents for Inspection

A PRC issuer is required to make available at a place in Hong Kong for inspection by the public and shareholders free of charge, and for copying by its shareholders at reasonable charges of the following:

- a complete duplicate register of shareholders;
- a report showing the state of its issued share capital;
- its latest audited financial statements and the reports of the directors, auditors and supervisors, if any, thereon;
- special resolutions;
- reports showing the number and nominal value of securities repurchased by it since the end of the last financial year, the aggregate amount paid for such securities and the maximum and minimum prices paid in respect of each class of securities repurchased (with a breakdown between class shares);
- copy of the latest annual return filed with the SAIC or other competent PRC authority; and
- for shareholders only, copies of minutes of shareholders' meetings.

Receiving Agents

Under Hong Kong law, a PRC issuer is required to appoint one or more receiving agents in Hong Kong and pay to such agent(s) dividends declared and other monies owed in respect of the H shares to be held, pending payment, in trust for the holders of such H shares.

Statements in Share Certificates

A PRC issuer is required to ensure that all of its listing documents and share certificates include the statements stipulated below and to instruct and cause each of its share registrars not to register the subscription, purchase or transfer of any of its shares in the name of any particular holder unless and until such holder delivers to the share registrar a signed form in respect of such shares bearing statements to the following effect, that the acquirer of shares:

- agrees with the company and each shareholder, and it agrees with each shareholder, to observe and comply with the PRC Company Law, the Special Regulations and its articles of association;
- agrees with the company, each shareholder, director, supervisor, manager and other senior management and it (acting both for the company and for each director, supervisor, manager and other senior management), agree with each shareholder to refer all differences and claims arising from the articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning its affairs to arbitration in accordance with the articles of association. Any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award. Such arbitration shall be final and conclusive;

- agrees with the company and each shareholder that shares are freely transferable by the holder thereof; and
- authorizes the company to enter into a contract on his behalf with each director and senior management whereby such directors and senior management undertake to observe and comply with their obligations to shareholders as stipulated in the articles of association.

Legal Compliance

A PRC issuer is required to observe and comply with the PRC Company Law, the Special Regulations and its articles of association.

Contract between the PRC Issuer and Directors, Senior Management and Supervisors

A PRC issuer is required to enter into a contract in writing with every director and senior management containing at least the following provisions:

- an undertaking by the director or senior management to itself to observe and comply with the PRC Company Law, the Special Regulations, its articles of association, the Hong Kong Takeovers Code and an agreement that it must have the remedies provided in its articles of association and that neither the contract nor his office is capable of assignment;
- an undertaking by the director or senior management to it acting as agent for each shareholder to observe and comply with his obligations to our shareholders as stipulated in the articles of association; and
- an arbitration clause which provides that whenever any differences or claims arise from the contract, its articles of association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant law and administrative regulations concerning affairs between us and its directors or senior management and between a holder of H shares and a director or senior management, such differences or claims will be referred to arbitration at either the CIETAC in accordance with its rules or the HKIAC in accordance with its Securities Arbitration Rules, at the election of the claimant and that once a claimant refers a dispute or claim to arbitration, the other party shall submit to the arbitral body elected by the claimant. Such arbitration will be final and conclusive. If the party seeking arbitration elects to arbitrate the dispute or claim at HKIAC, then either party may apply to have such arbitration conducted in Shenzhen, according to the Securities Arbitration Rules of HKIAC. PRC laws shall govern the arbitration of disputes or claims referred to above, unless otherwise provided by law or administrative regulations. The award of the arbitral body is final and shall be binding on the parties thereto. Disputes over who is a shareholder and over the share register do not have to be resolved through arbitration.

A PRC issuer is also required to enter into a contract in writing with every supervisor containing statements in substantially the same terms.

Subsequent Listing

A PRC issuer must not apply for the listing of its H shares on a PRC stock exchange unless the Hong Kong Stock Exchange is satisfied that the relative rights of the holders of its H shares are adequately protected.

English Translation

All notices or other documents required under the Listing Rules to be sent by a PRC issuer to the Hong Kong Stock Exchange or to holders of the H Shares are required to be in English, or accompanied by a certified English translation.

General

If any change in the PRC law or market practices materially alters the validity or accuracy of any basis upon which the additional requirements have been prepared, the Hong Kong Stock Exchange may impose additional requirements or make listing of H shares by a PRC issuer subject to special conditions as the Hong Kong Stock Exchange may consider appropriate. Whether or not any such changes in the PRC law or market practices occur, the Hong Kong Stock Exchange retains its general power under the Listing Rules to impose additional requirements and make special conditions in respect of any company's listing.

OTHER LEGAL AND REGULATORY PROVISIONS

Upon the listing on the Hong Kong Stock Exchange, the provisions of the SFO, the Hong Kong Takeovers Code and such other relevant ordinances and regulations will apply to a PRC issuer.

SECURITIES ARBITRATION RULES

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and the arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party, or any of its witnesses or any arbitrator is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

Any person wishing to have detailed advice on PRC law or the laws of any jurisdiction is recommended to seek independent legal advice.

This Appendix contains a summary of our Articles of Association. The principal objective is to provide potential investors with an overview of our Articles of Association. As the information contained below is in summary form, it does not contain all the information that may be important to potential investors.

Our Articles of Association are available for inspection at the address specified in Appendix VIII in "Documents Delivered to the Registrar of Companies and Available for Inspection."

Classes of Shares

Shareholders holding different types of shares shall be shareholders of different classes.

Shareholders of different classes shall enjoy the rights and assume the obligations stipulated by laws, administrative regulations and the Articles of Association.

Holders of different classes of shares shall rank pari passu in respect of their entitlement to dividends and other forms of distribution.

Except shareholders holding other types of shares of the Company, shareholders holding domestic-listed shares and shareholders holding overseas-listed shares are considered as shareholders of different classes.

Subject to approval by the securities regulatory authority of the State Council, the MOF may arrange for the listing and trading of its promoter's shares on stock exchange outside the PRC. No approval of meeting of class shareholders is required for the listing and trading of such shares on stock exchange outside the PRC.

Directors and Other Officers

Power to Allot and Issue Shares

There is no provision in the Articles of Association empowering the Directors to allot and issue the Company's shares.

The increase in registered capital of the Company shall be proposed by the Board for the approval of the shareholders' general meeting by way of special resolution and subject to the approval by the regulatory authority of China.

Power to Dispose of the Assets of the Company

The Board shall only dispose of the Company's assets within the scope of the shareholders' authorization.

The Board shall not, without the prior approval of or consent of the shareholders' general meeting, dispose or agree to dispose of any fixed assets where the aggregate amount of the expected value of the consideration for the proposed disposition and the value of the consideration for any disposition of any fixed assets that has been completed in the period of four months immediately preceding the proposed disposition, exceeds 33% of the value of the fixed assets as shown in the latest balance sheet reviewed by the shareholders' general meeting.

A disposition of fixed assets includes an act involving the transfer of an interest in assets but does not include the provision of security by way of fixed assets.

Emoluments, Compensation or Payments for Loss of Office

With the prior approval at the shareholders' general meeting, the Company shall sign written contracts with its Directors and Supervisors concerning his/her emoluments. Such emoluments include:

- emoluments in respect of his/her service as a Director, Supervisor and senior officer of the Company;
- emoluments in respect of his/her service as a Director, Supervisor and senior officer of a subsidiary of the Company;
- remuneration otherwise in connection with the provision of other management services to the Company or its subsidiary; and
- compensation for his/her loss of office or retirement as a Director or Supervisor.

A Director or Supervisor shall not file any lawsuit against the Company for the benefits they are entitled to for the foregoing matters other than pursuant to the aforesaid contracts.

In the contract for emoluments entered into by the Company with a Director or Supervisor, it shall be provided that such Director or Supervisor has the right to receive, in connection with the takeover of the Company and subject to prior approval at the shareholders' general meeting, compensation or other payments for loss of office or retirement from office. A takeover of the Company means any of the following circumstances:

- an offer is made to all shareholders of the Company; or
- an offer is made such that the offeror will become the controlling shareholder of the Company.

If any Director or Supervisor does not comply with the above requirements, any sum payable to them shall belong to those persons who have sold their shares as a result of the offer, and the expenses incurred for the pro rata distribution of the sum among those persons shall be borne by the relevant Director and Supervisor and shall not be deducted from the sum distributed.

Loans to Directors, Supervisors and Other Officers

The Company shall not directly or indirectly make a loan to, or provide any guarantee in connection with the making of a loan to our Directors, Supervisors or senior officers, or their respective associates. However, the following transactions are not subject to such prohibition:

- the provision by the Company of a loan or a guarantee of a loan to a subsidiary of the Company;
- the provision by the Company of a loan or a guarantee in connection with the making of a loan or any other funds to any of our Directors, Supervisors and senior officers to meet expenditure incurred by him for the purposes of the Company or for the purpose of enabling him to perform his duties, in accordance with the terms of an employment contract approved at the shareholders' general meeting; and
- the Company may make a loan to or provide a guarantee in connection with the making of a loan to any of the Directors, Supervisors and senior officers or their respective associates in the ordinary course of its business on normal commercial terms, provided that the ordinary course of business of the Company includes the lending of money or the giving of guarantees.

A loan made by the Company in breach of the above provisions shall be immediately repaid by the recipient of the loan regardless of the terms of the loan.

A guarantee provided by the Company in breach of the above prohibitions shall be unenforceable against the Company, unless:

- at the time when the loan was provided to an associate of any of the Directors, Supervisors and senior officers of the Company, the lender did not know the relevant circumstances; or
- the collateral provided by the Company has been lawfully disposed of by the lender to a bona fide purchaser.

The aforesaid guarantee includes an undertaking or property provided to secure the performance of obligations by the obligor.

Financial Assistance for the Acquisition of Shares in the Company

The Company or its subsidiaries shall not offer any financial assistance at any time by any means to purchasers or prospective purchasers of the Company's shares. Such purchasers of the Company's shares shall include those who directly or indirectly assume the obligations in relation to the purchase of the shares of the Company.

The Company or its subsidiaries shall not offer any financial assistance at any time by any means in order to reduce or release the obligations of the aforesaid obligator.

The following activities shall not be prohibited:

- the provision of financial assistance by the Company is given in good faith in the interest of the Company, and the principal purpose in giving the financial assistance is not for the purchase of the Company's shares, or the giving of the financial assistance is an incidental part of a plan of the Company;
- the lawful distribution of the Company's assets by way of dividends;
- the allotment of bonus shares of the Company as dividends;
- a reduction of registered capital, a repurchase of shares or a reorganization of the share capital structure of the Company effected in accordance with the Articles of Association;
- the lending of money by the Company within its scope of business and in the ordinary course of business of the Company (provided that the net assets of the Company are not thereby reduced or, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits); and
- the provision of money by the Company for an employee shareholding scheme (provided that the net assets of the Company are not thereby reduced or, to the extent that the assets are thereby reduced, the financial assistance is provided out of distributable profits).

For these purposes, "financial assistance" includes (without limitation) the following meanings:

- gift;
- guarantee (including the assumption of liability by the guarantor or the provision of assets by the guarantor to secure the performance of obligations by the obligor), compensation (other than compensation in respect of the Company's own fault), release or waiver of any rights;

- provision of loan or entering into agreement under which the obligations of the Company are to be fulfilled before the obligations of another party, or a change in the parties to, or the assignment of rights arising under, such loan or agreement; and
- any other form of financial assistance given by the Company when the Company is insolvent, has no net assets or when its net assets would thereby be reduced to a material extent.

For these purposes, "incurs an obligation" includes the incurring of obligations by the changing of the obligor's financial position by way of contract or the making of an arrangement (whether enforceable or not, and whether made on its own account or with any other persons), or by any other means.

Disclosure of Interests in Contracts with the Company

Where a Director, Supervisor or senior officer of the Company is in any way, directly or indirectly, have a material interest in a contract, transaction or arrangement or proposed contract, transaction or arrangement with the Company (other than his contract of service with the Company), he shall declare the nature and extent of his interest to the Board at the earliest opportunity, whether or not the relevant matters thereof is otherwise subject to the approval of the Board under normal circumstances.

Unless the interested Director, Supervisor or senior officer discloses his interest in accordance with the Articles of Association and the relevant matter is approved at a meeting of the Board of Directors in which the interested Director, Supervisor or senior officer is not counted in the quorum and refrains from voting, a contract, transaction or arrangement is voidable by the Company, except against a bona fide party thereto acting without notice of the breach of duty by the relevant Director, Supervisor or senior officer.

A Director, Supervisor or senior officer of the Company is deemed to have an interest in a contract, transaction or arrangement in which an associate of him has an interest.

Where a Director, Supervisor or senior officer of the Company gives to the Board a general notice in writing stating that, by reason of the facts specified in the notice, he has an interest in contracts, transactions or arrangements of any description which may subsequently be made by the Company, such notice shall be deemed to be a sufficient declaration of his interest, so far as the content stated in such notice is concerned, provided that such general notice shall have been given before the date on which the question of entering into the relevant contract, transaction or arrangement is first taken into consideration on behalf of the Company.

Where a Director or any associates (as defined in the Listing Rules) of a Director has material interests in a matter to be resolved by the meeting of the Board, such Director(s) shall abstain from voting on such resolution(s) at the meeting of the Board, shall not vote on behalf of other Directors and shall not be counted as quorum of the meeting, unless otherwise specified in laws, regulations, regulatory documents or relevant provisions of the securities regulatory authority at the place where the shares of the Company are listed.

Resolutions of the Board shall be passed by more than one-half of the votes of the Directors who have no material interest in the resolutions. Where less than three Directors who have no material interest in the resolutions attend the board meeting, the Board shall promptly refer such resolution(s) to shareholders' general meeting. The Board should explain to the shareholders' general meeting the discussion of the Board on such resolution(s) and the views of the Directors who have no interest in such resolution(s).

Appointment, Removal and Retirement

The Company shall have a Board of Directors which shall be accountable to the shareholders' general meeting. The Board shall have not less than five and not more than 15 Directors and no less than one-third (at least 3) of them shall be independent Directors. The Directors shall have a term of office of three years and shall be eligible for re-election upon expiry of their terms of office.

The Board shall have one chairman and may have a vice chairman, both shall be elected and removed by a majority of the Directors.

Directors shall be elected at the shareholders' general meeting. The Board or shareholders, individually or in the aggregate, holding 5% or more of the Company's shares have the right to nominate a candidate to be elected as a Director. Independent Directors shall be nominated by the Board, the Supervisory Board or shareholders, individually or in aggregate, holding 1% or more of the Company's shares.

The qualification of a Director, Supervisor and senior officer shall be in compliance with the applicable laws, rules, regulations and regulatory documents and the Articles of Association of the Company. The qualification of Directors (including independent Directors) and senior officers must be verified by the banking regulatory authority of the State Council.

A Director may resign before the expiry of his/her term. The resigning Director shall submit to the Board a written resignation. In case that the number of directors falls below the quorum as a result of delayed re-election upon expiry of the terms of the current session of the Board or resignation of a Director, the leaving Director shall, prior to a new director taking his/her office, continue to perform his/her duties as a director in accordance with the laws, regulations, regulatory documents and the Articles of Association. Under the aforesaid circumstances, the resignation of a Director shall only take effect upon the election of a Director in place of the leaving Director. Otherwise, the resignation of a Director shall take effect upon the delivery of the resignation notice to the Board. Under the aforesaid circumstances, the Board shall convene an extraordinary shareholders' meeting to elect a new Director to fill the vacancy.

A person may not serve as a Director, Supervisor or any senior officer of the Company in any of the following circumstances:

- a person without legal capacity or with restricted legal capacity;
- a person who has been sentenced to criminal punishment for corruption, bribery, infringement of property, misappropriation of property or sabotaging social economic orders or who has been deprived of his political rights;
- a person who is a former director, factory manager or manager of a company or enterprise which has entered into insolvent liquidation and he is personally liable for the insolvency of such company or enterprise;

- a person who is a former legal representative of a company or enterprise which had its business license revoked or is ordered to close down its business due to a violation of law and who had personal liability;
- a person who has relatively large amount of debts due and outstanding;
- a person who is subject to criminal investigation by the legal authority which is not yet closed;
- a person who is removed from office by other institutions or organizations due to the failure of performance of obligations involving his credibility;
- a non-natural person;
- a person who is convicted of contravention of relevant securities regulations provisions by a relevant regulatory authority, and such conviction involves a fraudulent act or dishonesty, where not more than five years have elapsed since the date of the conviction; or
- a person of whom laws, regulations, regulatory documents, the banking regulatory authority of the State Council and other regulatory bodies deem not appropriate to act as a Director, Supervisor or senior officer.

The Company shall remove or dismiss a Director, Supervisor or senior officer according to the procedure stipulated by the Article of the Association if the aforesaid circumstances occur during the term of office.

The validity of an act of a Director or senior officer on behalf of the Company is not, vis-a-vis a bona fide third party, affected by any non-compliance in his office, election or his qualification.

Duties

The Directors, Supervisors and senior officers of the Company shall comply with the laws, rules, regulations and the Articles of Association and shall diligently and honestly perform their duties for the interests of the Company and shareholders.

In addition to obligations imposed by laws, regulations or listing rules of the stock exchange on which the Company's shares are listed, each of the Company's Directors, Supervisors and senior officers owes a duty to each shareholder, in the exercise of the functions and powers the Company entrusted to him:

- not to cause the Company to exceed the scope of the business stipulated in its business license;
- to act honestly in the best interest of the Company;
- not to expropriate in any guise the Company's property, including (without limitation) usurpation of opportunities advantageous to the Company; and
- not to expropriate the rights of shareholders, including (without limitation) rights to distribution and voting rights, save pursuant to a restructuring of the Company submitted to shareholders' general meeting for approval in accordance with the Articles of Association.

Each of our Directors, Supervisors and senior officers owes a duty, in the exercise of his powers or discharge of his duties, to exercise the care, diligence and skill that a reasonably prudent person would have exercised in comparable circumstances.

Each of our Directors, Supervisors and senior officers shall carry out his duties in accordance with fiduciary principle and shall not put himself in a position where his duties and his interests may conflict. This principle includes (without limitation) discharging the following obligations:

- to act honestly in the best interests of the Company;
- to exercise powers within the scope of his powers;
- to exercise the discretion vested in him personally and not to allow himself to act under the control of another and, unless and to the extent permitted by laws, regulations or with the informed consent of the shareholders given in shareholders' general meeting, not to delegate the exercise of his discretion;
- to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- except in accordance with the Articles of Association or with the informed consent of shareholders given in shareholders' general meeting, not to enter into any contract, transaction or arrangement with the Company;
- without the informed consent of shareholders given in shareholders' general meeting, not to use the Company's property for his own benefit in any form;
- not to exploit his position to accept bribes or other illegal income or expropriate the Company's property by any means, including (without limitation) opportunities advantageous to the Company;
- without the informed consent of shareholders given in a shareholders' general meeting, not to accept commissions in connection with the Company's transactions;
- to abide by the Articles of Association, faithfully execute his official duties and protect the Company's interests, and not to exploit his position and power in the Company to advance his own private interests;
- not to compete with the Company in any form unless with the informed consent of the shareholders given in shareholders' general meeting;
- not to misappropriate the Company's funds or lend such funds to others, not to open accounts in his own name or other names for the deposit of the Company's assets and not to provide a guarantee for debts of a shareholder of the Company or other individual(s) with the Company's assets; and
- unless with the informed consent of the shareholders given in shareholders' general meeting, to keep in confidence confidential information regarding the Company acquired by him in the course of and during his term and not to use the information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other governmental authorities is permitted if:

  (i) disclosure is required by law;

  (ii) disclosure is required for public interest;

  (iii) the interests of the relevant Director, Supervisor, or senior officer require disclosure.

Each Director, Supervisor or senior officer of the Company shall not cause the following persons or institutions ("associates") to do what he is prohibited from doing:

(1) the spouse or minor child of that Director, Supervisor or senior officer;

(2) a person acting in the capacity of trustee of that Director, Supervisor or senior officer or any person referred to in the preceding paragraph (1);

(3) a person acting in the capacity of partner of that Director, Supervisor or senior officer or any person referred to in paragraphs (1) and (2) above;

(4) a company in which that Director, Supervisor or senior officer, alone or jointly with one or more persons referred to in paragraphs (1), (2) and (3) above, or other Directors, Supervisors and senior officers, have a de facto controlling interest; and

(5) the directors, supervisors and senior officers of the controlled company referred to in paragraph (4).

The fiduciary duties of the Directors, Supervisors and senior officers of the Company do not necessarily cease upon termination of their term. The duty to keep confidential trade secrets of the Company survives the termination of their term. The continuous period of other duties must be decided according to the principle of fairness, depending on the time lapse between the termination and the act concerned and the circumstances under which the relationships between them and the Company are terminated.

In addition to any rights and remedies provided by the laws and administrative regulations, where a Director, Supervisor or senior officer of the Company is in breach of his duties to the Company, the Company has a right to:

- claim damages from the relevant Director, Supervisor or senior officer in compensation for losses incurred by the Company as a result of his negligence;
- rescind any contract or transaction entered into by the Company with the Director, Supervisor or senior officer or with a third party (where the third party knows or should know that there is a breach of obligation by such Director, Supervisor or senior officer);
- demand a surrender of profits made by the Director, Supervisor or senior officer in breach of his duties;
- recover any funds received by the Director, Supervisor or senior officer which should have been received by the Company, including (without limitation) commissions; and
- demand return of the interest earned or may have been earned by the Director, Supervisor or senior officer on funds that should have been paid to the Company

A Director, Supervisor or senior officer of the Company may be relieved from liability for specific breaches of his duties by the informed consent of the shareholders' general meeting. Other than obligated by laws, regulations, regulatory documents or relevant requirements of the securities regulatory authority at the place where the Company's shares are listed, the controlling shareholders, when exercising his rights as a shareholder, shall not vote to bring about decisions that would impair the interest of all or part of the shareholders on the following matters:

- to release the obligation of Directors and Supervisors to act honestly in the best interest of the Company;

- to allow Directors and Supervisors for the interest of themselves or others, to expropriate the Company's property, including (without limitation) opportunities advantageous to the Company; and
- to allow Directors and Supervisors for the interest of themselves or others, to expropriate the rights of shareholders, including (without limitation) rights to distribution and voting rights, save pursuant to a restructuring of the Company submitted to the shareholders' general meeting for approval in accordance with the Articles of Association.

Alterations to Constitutional Documents

The Company shall amend the Articles of Association if any of the following circumstances occurs:

- any terms contained in the Articles of Association becoming inconsistent with the provisions of the amended PRC Company Law and other relevant laws and administrative regulations from time to time;
- changes of the Company resulting in the non-compliance with the Articles of Association; or
- a resolution being passed by the shareholders' meeting to amend the Articles of Association.

Any amendments to the Articles of Association approved by the shareholders' general meeting, which are subject to approval by relevant authorities, shall be filed to the relevant authorities for approval. Where an amendment shall be subject to registration, the Company shall register such amendment in accordance with the relevant laws.

Variation of Rights of Existing Shares or Classes of Shares

Prior approval from the banking regulatory authority of the State Council is required for any entity or person to purchase 5% or more of total issued shares of the Company. Any shareholder who owns more than 5% of the total shares must report in writing to the Company on the day it occurs so that the Company could apply for the approval to the banking regulatory authority of the State Council within five days from the date of the occurrence of the event.

If a shareholder who owns 5% or more of the total shares of the Company without prior approval of the banking regulatory authority of the State Council, the exercise of rights of the shareholder in respect of the shares in excess of 5% of the total shares of the Company ("Excess Shares") shall be subject to restrictions unless approval is obtained from the banking regulatory authority of the State Council. The restrictions include (without limitation):

- the Excess Shares shall have no voting rights at shareholders' meeting (including class shareholders' meeting); and
- the Excess Shares shall have no rights in respect of the nomination of candidates for Directors or Supervisors.

Notwithstanding the foregoing, holders of Excess Shares shall not be subject to any restrictions in exercising other shareholders' rights under the Articles of Association of the Company. If a shareholder fails to obtain approval from the banking regulatory authority of the State Council for the holding of the Excess Shares, the shareholder shall dispose of the Excess Shares within a period prescribed by the banking regulatory authority of the State Council.

Rights conferred on any class of shareholders in the capacity of shareholders may not be varied or abrogated unless approved by a special resolution of shareholders' general meeting and by holders of that affected class of shares at a separate meeting conducted in accordance with the Articles of Association. The following circumstances shall be deemed to be variation or abrogation of the rights of class shareholders:

(1) to increase or decrease the number of shares of such class, or to increase or decrease the number of shares of class having voting or distribution rights or privileges equal to or more than those of shares of such class;

(2) to effect an exchange of all or part of the shares of such class into shares of another class or to effect an exchange or create a right of exchange of all or part of the shares of another class into the shares of such class;

(3) to remove or reduce rights to accrued dividends or rights to cumulative dividends attached to shares of such class;

(4) to reduce or remove a dividend preference or a liquidation preference, during the process of the Company's liquidation, attached to shares of such class;

(5) to add, remove or reduce conversion rights, options, voting rights, rights of transfer or pre-emptive rights, or rights to acquire securities of the Company attached to shares of such class;

(6) to remove or reduce rights to receive payment payable by the Company in particular currencies attached to shares of such class;

(7) to create a new class of shares having voting or distribution right or privileges equal to or more than those of the shares of such class;

(8) to restrict the transfer or ownership of the shares of such class or add such restriction;

(9) to issue rights to subscribe for, or convert into, shares in the Company of such class or another class;

(10) to increase the rights and privileges of shares of another class;

(11) to restructure the Company where the proposed restructuring will result in different classes of shareholders bearing a disproportionate burden of responsibilities in such proposed restructuring; or

(12) to revise or abrogate provisions of the Articles of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at shareholders' general meetings, shall nevertheless have the right to vote at class meetings in respect of matters concerning paragraphs (2) to (8), (11) and (12) above, but interested shareholder(s) shall not be entitled to vote at class meetings.

For the purpose of this section, "Interested shareholder(s)" shall have the following meaning:

- if the Company has made a repurchase offer to all shareholders on pro rata basis or made a repurchase by means of public transaction at the stock exchange in accordance with the Articles of Association, "interested shareholder(s)" shall refer to the controlling shareholders as defined in the Articles of Association;

- if the Company has made a repurchase by means of agreement outside the stock exchange in accordance with the Articles of Association, "interested shareholder(s)" shall refer to the shareholders who are parties to the agreement; and
- in a restructuring plan of the Company, "interested shareholder(s)" refers to those shareholders who assume less responsibilities than other shareholders of the same class or those shareholders who enjoy interests different from other shareholders of the same class.

Resolutions of a class meeting shall be passed by votes representing two-thirds or more of the voting rights held by the shareholders of that class present at the relevant meeting who are entitled to vote.

Written notice of a class meeting shall be given 45 days before the date of the class meeting to notify all shareholders in the share register of the class of the matters to be considered, the date and the place of the class meeting. A shareholder who intends to attend the class meeting shall deliver his written reply to the Company 20 days before the date of the class meeting. Notice of class meetings may only be served on shareholders entitled to vote thereat.

Meetings of any class of shareholders shall be conducted in a manner as similar as possible to that of shareholders' general meeting. The provisions of the Articles of Association relating to the manner of conducting any shareholders' general meeting shall apply to any meeting of a class of shareholders.

The special voting procedures at a class meeting shall not apply in the following circumstances:

- where the Company issues domestic shares and overseas listed foreign shares, either separately or concurrently, once every 12 months not more than 20% of each of its existing issued domestic shares and overseas listed shares pursuant to approval by a special resolution at shareholders' general meeting;
- where the Company issues domestic shares and overseas listed shares under a plan adopted at the time of its establishment within 15 months from the date of approval of the plan by the securities regulatory authority of the State Council; or
- where the MOF arranges the listing and trading of its promoter's shares on an overseas stock exchange pursuant to approval of the securities regulatory authority of the State Council.

Alteration of Capital

Increase of Registered Capital

Upon the demands of operation and business development and in accordance with relevant laws, regulations and the Articles of the Association, the Company may, subject to resolutions of the shareholders' general meeting and approval of the relevant authorities, increase its registered capital in the following ways:

- open offer of shares;
- private placing of shares;
- bonus issue to existing shareholders;
- capitalization of capital reserve; and

- other methods permitted by laws, administrative regulations and by the relevant authorities.

The increase in the share capital of the Company by issuing new shares shall be approved in accordance with the Articles of Association and shall be conducted in accordance with the relevant laws, administrative regulations and regulatory documents.

If the issue of convertible bonds by the Company may result in the increase in its registered capital, the convertible bonds shall be issued in accordance with the relevant laws, administrative regulations, regulatory documents and the offering document in relation to the issue.

Reduction of Registered Capital

The Company may reduce its registered capital in accordance with the PRC Company Law and other applicable laws, administrative regulations, regulatory documents and the Articles of Association pursuant to approval at the shareholders' general meeting.

The Company must prepare a balance sheet and an inventory of assets when it is to reduce its registered capital.

The Company shall notify its creditors within 10 days of the adoption of the resolution to reduce its registered capital and shall publish an announcement of the resolution in a newspaper at least three times within 30 days. Creditors shall, within 30 days of receiving the written notice or within 90 days since the date of the first public announcement for those who have not received the written notice, be entitled to demand the Company to pay its debts in full or to provide a guarantee for repayment.

The registered capital of the Company after reduction shall not be less than the statutory minimum.

Special Resolutions—Majority Required

Resolutions of shareholders' general meetings shall include ordinary resolutions and special resolutions.

An ordinary resolution shall be passed by more than one-half of the voting rights held by the shareholders (including proxies) present at the meeting.

A special resolution shall be passed by two-thirds or more of the voting rights held by the shareholders (including proxies) present at the meeting.

The following matters shall be approved by shareholders' general meeting by special resolution:

- increase or reduction of the Company's registered capital;
- merger, division, dissolution, liquidation, change of corporate form of the Company;
- issue and listing of corporate bonds, any class of shares, warrants or other marketable securities;
- repurchase of the Company's shares;
- amendments to the Articles of Association;

- share incentive scheme;
- purchase, disposal or provision of guarantee with aggregate value of more than 30% of the total assets of the Company within a period of a year;
- major investment and disposal of equity interests, investment and disposal of debentures, financing, pledges (securities) and guarantee of assets, purchases and disposal of fixed assets, disposal of debt-to-equity swap assets, writing off of assets, external donations and major decisions of legal corporations;
- alteration of profit distribution policy;
- other matters stipulated by laws, administrative regulations, regulatory documents, the requirements of the securities regulatory authority at the place where the Company's shares are listed or the Articles of Association, which shall be approved by special resolutions or matters which are significant to the Company and are determined by ordinary resolution of shareholders' general meeting to be approved by special resolutions.

Apart from the aforementioned matters, any other matters requiring approval at shareholders' general meeting shall be approved by ordinary resolutions.

Voting Rights (generally, on a poll and right to demand a poll)

Shareholders (including their proxies) are entitled to exercise the voting rights of their voting shares at shareholders' meeting. Each share shall have one voting right. Shares held by the Company shall not carry voting rights and shall not be included in the total number of voting shares present at shareholders' meeting.

Except for procedural or administrative matters of shareholders' general meeting which may be decided by resolution passed by a show of hands as determined by the chairman of the meeting, all other matters shall be decided by resolution passed by a poll.

A poll demanded on the election of chairman or adjournment of the meeting shall be taken immediately. A poll demanded on any other resolution shall be taken at such time as the chairman of the meeting decides and the meeting may proceed to discuss any other matters. The result of the poll shall be deemed as a resolution adopted at the meeting at which the poll is demanded.

On a poll, a shareholder (including their proxies) who is entitled to have two or more votes need not cast all his votes for or against a resolution.

Shareholders' General Meetings

Shareholders' general meetings include annual general meetings and extraordinary general meetings.

The Board shall convene an annual general meeting once each year and within six months from the close of the preceding accounting year. If the meeting is deferred under special circumstances, the Company shall promptly report to the banking regulatory authority of the State Council and explain the reason therefor.

An extraordinary general meeting shall be convened within 2 months from the date of occurrence of any of the following events:

- the number of directors is lower than the minimum quorum or less than two-thirds of the total number of directors specified at the shareholders' general meeting;
- the uncovered loss of the Company reaches one-third of the Company's total share capital;
- shareholders who individually or jointly hold more than 10% of the voting shares of the Company request to convene the meeting in writing;
- the Board deems it necessary to convene the meeting;
- the Supervisory Board proposes to convene the meeting; and
- any other circumstances as stipulated by the laws, regulations, regulatory documents and the Articles of Association.

Accounts and Audit

Financial and Accounting Systems and Financial Reports

The Company shall establish its financial and accounting systems according to laws, regulations and the accounting standards formulated by the financial authority of China.

The Board of Directors shall at each annual general meeting submit to shareholders the financial statements prepared by the Company as required by the relevant laws, regulations and rules.

The Company's financial reports shall be made available at the Company for shareholders' review 20 days before the date of annual general meeting. Each shareholder shall be entitled to obtain a copy of the financial reports.

In addition to financial statements prepared in accordance with PRC accounting standards and regulations, the Company may also prepare its financial statements according to the international accounting standards or overseas accounting standards in the place where the Company's shares are listed. Material differences between the financial statements prepared according to different accounting standards shall be explicitly explained in the notes to the financial statements. When distributing the after-tax profits in the fiscal year, the Company shall base on the lower of the after-tax profits in the aforesaid two financial statements.

The Company shall publish its financial report twice in each fiscal year, i.e. the interim financial report within 60 days after the end of the first six months of a fiscal year and the annual financial report within 120 days after the end of a fiscal year, subject to the requirement of the regulatory authorities in the place where the shares of the Company are listed.

Appointment of An Accounting Firm

The Company shall appoint an independent accounting firm which is qualified under the relevant regulations of China to audit the annual financial reports and other financial reports of the Company.

The term of office of the accounting firm appointed by the Company shall commence from the conclusion of the annual general meeting at which the appointment is made and shall end at the conclusion of the next annual general meeting.

The Board shall fill any casual vacancy in the office of the accounting firm before the convening of shareholders' general meeting subject to the approval of the following annual general meeting. If the Company has other serving accounting firms, such accounting firm shall continue to perform its duties as long as the vacancy remains unfilled.

The remuneration or the basis of remuneration of an accounting firm shall be determined by shareholders' general meeting. The remuneration of an accounting firm appointed by the Board shall be determined by the Board.

Change and Removal of An Accounting Firm

The Company's appointment, removal and non-reappointment of an accounting firm shall be resolved at shareholders' general meeting and shall be filed with the relevant securities regulatory authority of the State Council.

Notwithstanding the terms of the contract between an accounting firm and the Company, the shareholders' general meeting may dismiss that firm by ordinary resolution before the expiration of term of office of the accounting firm. The dismissal shall not limit the rights of the accounting firm to claim for compensation.

The Company shall notify the accounting firm in advance before the dismissal or non-reappointment of such accounting firm. The accounting firm shall be allowed to present its views at the shareholders' general meeting at which the dismissal is considered.

The shareholders' general meeting shall abide by the following provisions when proposing to pass a resolution regarding the appointment of an accounting firm not currently serving the company to fill the vacancy of an accounting firm, or the renewal of terms of service of an accounting firm appointed by the Board to fill a vacancy, or the dismissal of an accounting firm before the expiry of its term:

(1) the proposal of appointment or dismissal shall be sent to the accounting firm to be appointed, to be or has been terminated prior to the issue of the notice of shareholders' general meeting. The termination of an accounting firm includes dismissal, resignation and retirement;

(2) if the accounting firm being terminated requires the Company to forward its written statement of shareholders, the Company shall take the following measures unless the written statement is not received in time:

  (i) to state on the notice issued for adoption of the resolution that an accounting firm about to leave its post has made a statement; and

  (ii) to deliver a copy of the statement to shareholders as an appendix to the notice of meeting in accordance with the Articles of Association;

(3) if the statement of the accounting firm is not delivered in accordance with paragraph (2) above, the relevant accounting firm may request such statement to be read at the shareholders' general meeting and may make further appeals;

(4) the accounting firm leaving its post shall be entitled to attend the following meetings:

  (i) the shareholders' general meeting at which its term of service would otherwise have expired;

(ii) the shareholders' general meeting for filling the vacancy caused by its dismissal; and

(iii) the shareholders' general meeting convened as a result of its voluntary resignation.

The accounting firm leaving its post shall be entitled to receive all notices of the aforementioned meetings and other information relating to such meetings and shall also be entitled to present its views at the meetings on matters in relation to its previous engagement as the accounting firm of the Company.

Resignation of An Accounting Firm

Any accounting firm may resign its office by depositing at the Company's legal residence a resignation notice which shall become effective on the date of such deposit or on such later date as stipulated in such notice. Such notice shall include the following:

(1) a statement to the effect that there are no circumstances in relation to its resignation which should be brought to the notice of the shareholders or creditors of the Company; or

(2) a statement of any relevant situations which needs to be brought to the notice.

The Company shall send a copy of the notice to the relevant governing authority within 14 days upon receipt of the written notice. If the notice contains a statement under paragraph (2) above, a copy of such statement shall be placed at the Company for shareholders' inspection. The copy of such statement shall also be sent by prepaid mail to holders of overseas listed shares of the Company at the address as recorded in the register of shareholders.

Where the accounting firm's notice of resignation contains a statement of any circumstances which should be brought to the notice, the accounting firm may require the Board to convene a shareholders' extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

Where the accounting firm resigns, it shall be requested by the Company to explain to the shareholders' general meeting whether there is any impropriety on the part of the Company.

Notice of Meetings and Business to be Conducted

When the Company is to convene a shareholders' general meeting, the Board of Directors shall notify all shareholders in writing 45 days before the meeting. Shareholders who intend to attend the shareholders' general meeting shall send a written reply to the Company 20 days before the meeting.

The notice of shareholders' general meeting shall be in written form and shall contain the following:

- the convener of the meeting;
- the location, date and duration of the meeting;
- the matters and all resolutions to be considered at the meeting. Proposed changes to any resolution passed at previous shareholders' general meeting shall be disclosed in full rather than disclosing the changes only;
- the information and explanation necessary for shareholders to make decisions regarding the matters to be discussed, including (but not limited to) specific terms and contracts (if

any) for a proposed transaction, and a detailed explanation of the reasons and consequences where the Company proposes a merger, repurchase of shares, restructuring of shares or other form of restructuring;

- where any directors, supervisors and other senior management have an important interest in matters to be discussed, the nature and extent of that interest shall be disclosed. Further, where the impact of the matters to be discussed by such directors, supervisors and other senior management who are shareholders is different from the impact on other shareholders of the same class, the difference shall be explicitly explained;
- the full text of any special resolution proposed to be passed at the meeting;
- a prominent statement that shareholders entitled to attend the shareholders' general meeting may entrust one or more proxies, who does not need to be a shareholder of the Company, to attend the meeting and vote on their behalf;
- the time and place for the delivery of the proxy letter of the meeting;
- record date for determination of eligibility of shareholders for attending the shareholders general meeting;
- name and contact information of the person for meeting enquiry;
- where the shareholders' general meeting is convened through the internet or by other means, particulars of the time and procedure of voting through internet or by other means.

Notice of shareholders' general meeting shall be served on shareholders (whether or not entitled to vote at the shareholders' general meeting) by personal delivery or prepaid mail to their addresses as shown in the register of shareholders. For holders of domestic shares of the Company, notice of meeting may be issued by way of public notice.

For holders of the overseas listed shares of the Company, subject to the applicable laws, regulations, regulatory documents and the relevant requirements of the securities regulatory authority at the place where the Company's shares are listed, the notice of a general meeting notice may be published on the website of the Company and Hong Kong Stock Exchange in place of personal delivery or prepaid mail to the holders of the overseas listed shares. The public notice shall be published in one or more newspapers designated by the securities governing authority of the State Council within the period between 45 days and 50 days before the date of the meeting. After the publication of such notice, the holders of domestic shares of the Company shall be deemed to have received the notice of the relevant shareholders' general meeting.

The Company shall, based on the written replies received 20 days before the date of the shareholders' general meeting from shareholders, calculate the number of voting shares represented by shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting has reached one-half or more of the Company's total voting shares, the Company may hold the shareholders' general meeting. Otherwise, the Company shall within five days notify the shareholders again by public notice of the matters to be considered, the date and the place for the meeting. The Company may then hold the meeting after the publication of such public notice.

When the Company convenes a shareholders' general meeting, the Board of Directors, the Board of Supervisors, more than half of independent directors (at least two) and shareholders, individually or in the aggregate, holding 3% or more of the shares with voting rights of the Company 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 more than 3% of the shares of the Company shall have the right to submit interim proposals in writing 10 days before the shareholders' general meeting to the convenor of such meeting. The convenor of such meeting 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.

The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the meeting or any resolution adopted at that meeting.

The shareholders' general meeting is the organ of authority of the Company and shall exercise the following functions and powers in accordance with laws:

- decide the Company's operating policies and investment plans;
- elect and replace of the Directors and Supervisors who are not representative of the employees of the Company and decide on remuneration matters of directors and supervisors;
- consider and approve the work reports of the Board;
- consider and approve the work reports of the Board of Supervisors;
- consider and approve the annual preliminary and final financial budgets of the Company;
- consider and approve the plans for the distribution of profits and loss recovery plan;
- adopt a resolution for the increase or decrease in registered capital of the Company;
- adopt a resolution for the issue of debentures, shares of any types of class, warrants or other securities and of the Company and their listing;
- adopt a resolution for the merger, separation, dissolution, liquidation and change in the form of the Company;
- amend to the Articles of Association, the procedural rules of the shareholders' general meetings and the meetings of the Board and the Board of Supervisors;
- decide the engagement, dismissal or replacement of accounting firms;
- adopt a resolution for the repurchase of the shares of the Company;
- consider and approve major investment and disposal of equity interests, investment and disposal of debentures, financing, pledges (securities) and guarantee of assets, purchases and disposal of fixed assets, disposal of debt-to-equity swap assets, writing off of assets, external donations and major decisions of legal corporations;
- consider and approve matters in relation to the change of use of the raised funds;
- consider and approve share incentive plans of the Company;
- consider and approve any purchase or sale of substantial assets made by the Company in a year or any guarantees with at an amount in excess of 30% of the total assets of the Company for;

- consider and approve related transactions which are regulated by the laws, regulations, regulatory documents and the securities regulatory authority at the place where the Company's shares are listed to be considered and approved by the shareholders' general meeting;
- consider any matters proposed by shareholders, individually or in the aggregate, holding more than 3% of the issued shares of the Company with voting rights; and
- consider and approve all other matters which are regulated by the laws, regulations, regulatory documents, applicable requirements of the securities regulatory authority at the place where the Company's shares are listed and the Articles of Association to be considered and approved by the shareholders' general meeting.

The above matters which are within the scope of authority of the shareholders' general meeting shall be considered and approved by the shareholders' general meeting. However, the shareholders' general meeting may delegate power to the Board to decide on such matters under necessary, reasonable and lawful circumstances.

Transfer of Shares

Unless otherwise provided by laws, regulations, securities regulatory authority at the place where the Company's shares are listed, fully paid-up shares in the Company are freely transferable and are not subject to any lien. To transfer the overseas listed shares listed in Hong Kong, the transferor shall carry out registration at the stock registration organization entrusted by the company in Hong Kong.

All the fully paid-up overseas listed and foreign invested shares that are listed in Hong Kong can be freely transferred in accordance with the Articles of Association. Unless the following requirements are met, the Board may refuse to accept any transfer documents without giving any explanation for such refusal:

- any transfer documents and other documents which are relevant to or which would affect the ownership of the shares shall be registered with a registration fee payable to the Company in accordance with the Hong Kong Listing Rules required by Hong Kong Stock Exchange;
- such transfer documents only relate to the overseas listed foreign invested shares listed on the Hong Kong Stock Exchange;
- any stamp duty payable on the transfer documents are duly paid in accordance with the laws of Hong Kong;
- relevant share certificates and other proof which proves the transferor's ownership of the shares shall be provided, as the Board may reasonably require;
- there shall only be a maximum of four joint holders of shares in the event that the shares are to be transferred to joint holders; and
- no the Company's lien shall be attached to the relevant shares.

Where the Board refuses to register the transfer of shares, the Company shall issue a notice of refusal to the transfer or and the transferee within 2 months from the date of application for the transfer.

Shares that have been issued before public offering of the Company shall not be transferred within one year from the date that the shares of the Company are listed on a stock exchange.

Directors, supervisors and the senior management of the Company shall declare to the Company that their shareholdings in the Company and any alternation of such shareholdings. They shall not transfer more than 25% of all the shares held in the Company in any particular year during their tenure. They shall not transfer the shares held within one year from the date of the Company's listing on a stock exchange, or six months after their resignation from their positions with the Company.

The Company shall not accept any pledge with its own shares as the objectives.

Power of the Company to Purchase Its Own Shares

The Company may repurchase its shares in the following circumstances in accordance with the laws, regulations and provisions of the Article of Associations and subject to the approval of the relevant governing authority of the State:

(1) canceling the shares for the purpose of reducing the registered capital of the Company;

(2) merging with any other companies holding the shares of the Company;

(3) giving the shares to employees of the Company as a reward;

(4) being requested to repurchase the shares of the Company by the shareholders who object to the resolutions adopted at the shareholders' general meeting concerning merger or division of the Company; and

(5) other circumstances permitted by laws and regulations.

Other than the abovementioned circumstances, the Company may not purchase or sell its own shares.

Where the Company repurchases its shares under circumstances (1) to (3), it shall obtain approval from shareholders' general meeting. Where the Company repurchases its shares under circumstance (1), it shall cancel the shares within 10 days from the date of repurchase. Where the Company repurchases its shares under circumstances (2) and (4), the Company shall transfer or cancel the shares within six months.

The shares repurchased by the Company under circumstance (3) shall not exceed 5% of the total issued shares of the Company. The funds for repurchase shall be paid from the after-tax profits of the Company. The shares redeemed shall be transferred to the employees within one year.

The Company may repurchase its shares in accordance with the laws in any of the following ways after being approved by relevant competent authorities of the State:

- making a repurchase offer pro rata to all shareholders;
- repurchasing by means of public dealing on a stock exchange;
- repurchasing by an off-market agreement; and
- other methods as permitted by laws and regulations or by relevant competent authorities of the State.

Where the Company repurchases its shares by an off-market agreement, the prior approval of shareholders' general meeting shall be obtained in accordance with the Articles of Association. The Company may terminate or amend the contracts entered into in the aforementioned ways or waive its rights under a contract entered into in the aforementioned ways.

A contract to repurchase shares includes (without limitation) an agreement to become obliged to repurchase or an acquisition of the right to repurchase shares of the Company. The Company shall not assign a contract to repurchase its shares or the rights under a contract to repurchase its shares.

For the redeemable shares which can be purchased by the Company, other than such purchases made through the stock exchange or by tender, the purchase price shall be limited to a certain single maximum price. If such purchases are made by tender, tenders shall be available to all shareholders alike.

Power for Any Subsidiary of the Company to its Own Shares

There are no provisions in the Articles of Association preventing ownership of shares in the Company by a subsidiary.

Dividends and Other Methods of Profit Distribution

The Company may distribute final or interim dividend in forms of cash and shares. Profit distribution policy of the Company shall be consistent and stable, and shall take into account of the long-term interest of the Company, the interests of the shareholders as a whole and the sustainable development of the Company. The Company shall give priority to profit distribution in cash. Except under special circumstances, profits distributed in cash for each year shall not be less than 10% of the net profit on a consolidated basis attributable to the shareholders of the Company for such financial year. The Company may adjust its profit distribution policy due to force majeure such as war or natural disaster, or changes in external operation environment which have material effects on the operation of the Company, or significant changes in the operation conditions of the Company. The adjustment of profit distribution policy shall be submitted by the Board to the shareholders' general meeting for approval by special resolution.

Special circumstances refer to the prohibition of dividend distribution by laws and regulations, including but not limited to the general reserves or capital adequacy levels failing to comply with regulatory requirements.

Shareholders are entitled to receive interests payable in respect of any capital paid up for the shares before the date of payment specified by the Company. However, shareholders may not participate in the dividend distribution declared before the date of payment in respect of any shares paid up prior to the date of payment.

The Company's after-tax profits shall be distributed in the following order of priority:

- offsetting the losses in previous years;
- contributing 10% of them to its statutory reserve fund;
- contributing to its general reserves in accordance with the applicable laws, regulations, regulatory documents and the relevant requirements of the securities regulatory authority of the State;

- contributing to its discretionary reserve fund in accordance with the resolution of shareholders' meeting; and
- paying dividends to its shareholders.

No further contribution to the statutory reserve fund is required when the cumulative amount of the statutory reserve fund exceeds 50% of the Company's registered capital.

Any distribution of the Company's profits to any shareholders before offsetting its losses or contributing to its statutory reserve fund in violation of the above methods shall forthwith be returned to the Company.

The Company shall appoint receiving agents on behalf of holders of the overseas listed invested shares to receive on behalf of such shareholders dividends declared and all other monies owing by the Company in respect of their overseas listed shares. The receiving agents appointed on behalf of holders of the overseas listed shares shall be a company registered as a trust company under the Trustee Ordinance of Hong Kong.

Proxies

Any shareholder entitled to attend and vote at a meeting of the Company shall be entitled to appoint one or more other persons (whether a shareholder or not) as his proxy to attend and vote on his behalf. According to the appointment of the shareholder, a proxy so appointed shall:

- have the same right as the shareholder to speak at the meeting;
- have authority to demand or join in demanding a poll; and
- have the right to vote by hand or on a poll, but when more than one proxy has been appointed, the proxies only have right to vote on a poll.

Shareholders shall appoint a proxy by written instrument which is signed by the appointer or his agent so authorized in writing, or if the appointer is a legal person or other institutions, sealed by the stamp of the legal person or institution or signed by its legal representative, directors, or agents so officially authorized.

The proxy letter shall be deposited at the residence of the Company or at such a place as specified in the notice convening the meeting not less than 24 hours before the time of the meeting at which the proxy proposes to vote or the time appointed for the voting. If the proxy letter is signed by other person authorized by the appointer, the power of attorney or other authorization document shall be notarially certified. The notarially certified power of attorney or other authorization document shall be deposited at the residence of the Company or at such a place as specified in the notice convening the meeting.

The proxy letter issued by a shareholder to entrust proxy to attend shareholders' general meeting shall contain the following contents:

- name of the proxy;
- proxy's voting right;
- the number of shares represented by the proxy;

- instructions on each item to be discussed on the agenda of the shareholders' general meeting, stating whether the shareholder agrees to, objects to or abstains from voting the resolution in respect of his shareholding respectively;
- issuing date of the proxy letter and its effective period; and
- signature (or seal) of the appointer.

The format of power of attorney or proxy letter provided to shareholders by the Board of the Company for appointing proxies shall enable the shareholder to instruct his proxies to vote for or against or abstain from voting and to make instructions on each item to be discussed on the agenda of the shareholders' general meeting. The proxy letter shall specify whether the proxy may vote as he/she thinks fit in the absence of instructions from the shareholder. If the proxy letter does not specify, the proxy may vote as he/she thinks fit in respect of any item without any specified instruction and the shareholder shall be responsible for such voting.

A vote given in accordance with the terms of an instrument of proxy shall be valid if no notice in writing had been given to the company with respect to the previous death or loss of capacity of the appointer, revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the relevant shares before the commencement of the relevant meeting.

Calls on Shares and Forfeiture of Shares

For dividends that are not claimed by anyone, the Company may exercise the right of expropriation under the precondition of complying with the relevant laws and regulations of China, but the right shall be exercised only after the expiration of the applicable period.

The Company shall send dividend warrants to shareholders by mail directly or through the proxy. The Company shall has the right to terminate sending dividend warrants to shareholders by mail after a dividend warrant fails to be redeemed for two consecutive occasions. However, the Company can exercise the right after the first occasion when such a dividend warrant is returned as undelivered.

The Company shall have the right to sell the shares of shareholders of overseas-listed shares who are untraceable in a way deemed appropriate by the Board of Directors, provided the following conditions are met:

- the Company has distributed dividends at least three times to such shares within 12 years, and the dividends are not claimed by anyone during the period; and
- the Company publishes announcements in one or more newspapers in the place where the Company's shares are listed after the expiration of the 12-year period, stating its intention to sell the shares, and informs the stock exchange on which the Company's shares are listed.

Rights of Shareholders

The ordinary shareholders of the Company shall enjoy the following rights:

- the right to dividends and other types of interest distributed in proportion to the number of shares held;
- the right to attend or appoint a proxy to attend shareholders' general meetings and to vote thereat;

- the right of supervisory management over the Company's business operations, and the right to present proposals or to raise enquires;
- the right to transfer, bestow or pledge shares in accordance with laws, regulations, regulatory documents, relevant requirements of the securities regulatory authority at the place where the Company's shares are listed and provisions of the Articles of Association;
- the right to obtain relevant information in accordance with the laws, regulations and provisions of the Articles of Association, including:

  (i) the right to obtain a copy of the Articles of Association, subject to payment of the cost of such copy;

  (ii) the right to inspect and, subject to payment of a reasonable charge, obtain a copy of the following information in the specified place during the business hour of the Company:

    (a) the particulars of each of the Company's Directors, Supervisors and senior management;

    (b) minutes of the shareholders' general meetings;

    (c) all parts of the register of shareholders;

    (d) the state of the Company's share capital;

    (e) the latest audited financial statements, reports of the Board of Directors and the Board of Supervisors;

    (f) special resolutions of the shareholders' general meeting; and

    (g) reports showing the aggregate par value, quantity, and maximum and minimum prices paid in respect of each class of shares repurchased by the Company since the end of the previous accounting year and the total expenses incurred by the Company for this purpose.

    If any shareholder requests a copy of minutes of the shareholders' general meeting, the Company shall deliver such copy after seven days upon the receipt of a reasonable cost.

    The Company may refuse any inspecting or copying request which involves commercial secrets and price sensitive information of the Company.

- in the event of the termination or liquidation of the Company, the right to participate in the distribution of remaining assets of the Company in accordance with the number of shares held;
- the right to request the Company to purchase the shares of the shareholder who raises objection to the resolution on merger or division made at the shareholders' general meeting, and
- other rights conferred by laws, regulations, regulatory documents and the Articles of Association.

Quorum of Meetings and Separate Class Meetings

The Company shall calculate the number of shares with voting rights based upon the written reply received 20 days prior to the shareholders' general meeting. Where the number of voting rights shares held by shareholders who are going to attend the meeting reaches half or more of the total of shares with voting rights of the Company, then the meeting can be held. Otherwise, the Company shall, within five days, inform the shareholders again, about the matters to be discussed in the meeting, with the date and location of the meeting by an announcement. The Company may convene a shareholders' general meeting after such announcement has been made.

When the voting shares represented by the shareholders to be present in the meeting reach half or more of the total voting shares of that class in the meeting, the Company can convene class shareholders' general meeting; otherwise, the Company shall, within five days, inform the shareholders again of the matters to be reviewed in the meeting, the meeting date and place through an announcement. The company may convene class shareholders' general meeting after such announcement has been made.

Liquidation

In any of the following circumstances, the Company may be dissolved in accordance with the laws:

- dissolution as resolved by a shareholders' general meeting;
- dissolution as a result of merger or division of the Company;
- its business license is revoked or it is ordered to close down its business or its business license is cancelled in accordance with laws;
- declaration of bankruptcy in accordance with the laws; and
- where the Company suffers significant hardship in its operation or management so that the interests of its shareholders are subject to significant loss if the Company continues to exist, and that the situation cannot be resolved by any other means, the shareholders holding 10% or more of the voting rights of all the shareholders of the Company may petition the people's court to dissolve the Company.

Where the Company is dissolved as a result of merger or division, a liquidation committee shall be formed to carry out the dissolution.

Where the Board decides to liquidate the Company (due to causes other than where the Company has declared that it is insolvent), the Board shall, in its notice convening a shareholders' general meeting, declare that, after making full inquiry into the affairs of the Company, the Board is of the opinion that the Company will be able to repay its debts within 12 months after the commencement of the liquidation.

Upon passing of the resolution at the shareholders' general meeting for the liquidation of the Company, all functions and powers of the Board shall cease forthwith.

The liquidation committee shall act in accordance with the instructions of the shareholders' general meeting and report at least once a year to the shareholders' general meeting on the committee's receipts and payments, the business of the Company and the progress of the liquidation and to place a final report before the shareholders' general meeting on completion of the liquidation.

The liquidation committee shall give notices to the creditors within 10 days after its establishment and issue announcements for at least three times in the newspaper within 60 days after its establishment. The creditors shall report claims to the liquidation committee within 30 days after the date of the receipt of such notices or within 45 days after the date of the fist announcement if no notice is received.

When reporting claims, a creditor shall explain the relevant particulars of the claims and provide supporting materials. The liquidation team shall register the claims.

In the period of reporting claims, the liquidation committee should not make any debt repayment to the creditors.

Other provisions material to the Company and its shareholders

The Company is a joint stock limited company in perpetual existence.

The Articles of Association shall be passed at the shareholders' general meeting by resolution and approved by regulatory authorities of the banking industry under the State Council before becoming effective upon the initial public offering and listing date of the shares of the Company. The original Articles of Association shall automatically expire upon the effective date of the Articles of Association. The Articles of Association shall become a legally binding document that regulates the organization and acts of the Company as well as the rights and obligations between the Company and its shareholders and among the shareholders inter se from the date on which it becomes effective.

The Company may, in line with its business development needs, and upon the decision of its internal department and the approval of relevant government authorities, establish, change or revoke domestic or overseas entities including but not limited to branches and subsidiaries in accordance with the laws, regulations, regulatory documents and requirements of the Articles of Association. The Company may invest in other limited liability enterprises and joint stock enterprises in accordance with relevant laws and regulations and shall be held responsible for the enterprises in which the Company has invested within the limitation of the amount of the Company's capital contribution.

Holders of the ordinary shares of the Company shall have the following obligations:

- to abide by the Articles of Association;
- to contribute to the share capital according to the number of shares subscribed by them and the methods of capital contribution;
- not to withdraw their contributed share capital unless in such circumstances as stipulated by the laws and regulations;
- not to abuse the Company's independent status as a legal person and the shareholders' limited liability to damage the interest of the creditors of the Company;
- other obligations imposed by the laws, regulations, regulatory documents and the Articles of Association.

Board Secretary

The Company shall have a Board secretary who shall be appointed by the Board. The Board secretary is the Company's senior officer responsible to the Board. A Board secretary may be dismissed by the Board if the Board identifies any misconduct or negligence of duty of the Board secretary. The major duties of the Board secretary include the following:

- to assist the Directors in handling the daily work of the Board, providing the Directors with or, reminding them of and ensuring that they understand the regulations, policies and requirements of the relevant regulatory authorities in relation to the Company's operation; and to assist the Directors and President in complying with the relevant laws, regulations, regulatory documents, the Articles of Association and any other application rules when exercising their powers;
- to organize and prepare the documents of shareholders' general meetings and Board meetings, prepare minutes of meetings and ensure the procedures of such meetings are in compliance with the legal requirements, and monitor the execution of the resolution by the Board;
- to organize and coordinate information disclosure with the aim of enhancing the transparency of the Company and to prepare and submit the reports and documents required by the regulatory authorities in accordance with laws;
- to be responsible for matters in relation to investor relationship and to liaise with the regulatory authorities, intermediaries, media and other public bodies;
- to assist the Board in revising documentation for corporate governance of the Company, and to establish a scientific decision making system and corporate governance procedure;
- to maintain the registers of members, Directors, Supervisors and senior officers and documents and minutes of shareholders' general meetings, Board meetings and special committees under the Board, and to ensure the availability of the relevant minutes and documents of the Company for access by people entitled thereto in a timely manner;
- to perform other duties conferred by laws, regulations, regulatory documents, the Articles of Association and the Board.

Board of Supervisors

The Company shall have a Board of Supervisors. The Board of Supervisors is a supervisory entity of the Company responsible to the shareholders' general meeting. The Board of Supervisors shall be composed of three to nine supervisors, wherein the supervisors representing employees shall be no less than one-third of the total number of supervisors. Directors and senior management member of the Company shall not be the supervisors concurrently. The Board of Supervisors shall have a chairman who shall have relevant accounting, audit, financial or legal professional knowledge and experience. The chairman of the Board of Supervisors shall be elected or dismissed by not less than two-thirds of all the Supervisors.

Supervisors representing shareholders and external supervisors shall be elected, replaced or dismissed by the shareholders' general meeting. Supervisors representing employees shall be elected, replaced or dismissed at the employee representative meeting by the employees of the Company. Supervisors representing shareholders shall be nominated by the Board of Supervisors or shareholders individually or jointly holding 5% or more of the shares with voting rights of the Company in aggregate. External supervisors shall be nominated by the Board of Supervisors or shareholders individually or jointly holding 1% or more of the shares with voting rights of the Company in aggregate.

A supervisor may resign prior to the expiration of his/her term of office. To resign from office, a supervisor shall submit a written resignation letter to the Board of Supervisors. The provisions on the resignation of Directors under the Articles of Association shall be applicable as reference. In case that the number of supervisors falls below the quorum as a result of delayed re-election upon expiry of the terms of the current session of the Board of Supervisors or resignation of a supervisor, the leaving supervisor shall, prior to a new supervisor taking his/her office, continue to perform his/her duties as a supervisor in accordance with the laws, regulations, regulatory documents and the Articles of Association.

The Board of Supervisors shall perform the following duties;

- to examine and oversee the financial conditions of the Company, and review financial information including the financial reports and profit distribution plan of the Company;
- to supervise the performance of the Board of Directors and senior management and to propose the removal of directors and senior management members who are in breach of the laws, administrative regulations, the Articles of Association or the resolutions of the shareholders' general meeting;
- to urge directors and senior management members to correct their acts which impair the interests of the Company;
- to propose the convening of extraordinary shareholders' general meetings and to convene and preside over shareholders' general meetings when the board of directors fails to perform the duty of convening and presiding over shareholders' general meeting under laws, regulations and the Articles of Association;
- to submit proposals to the shareholders' general meeting;
- to propose to convene an extraordinary meeting of the Board of Directors;
- to initiate litigation against Directors or senior management in accordance with the Company Law;
- to formulate the assessment methods and remuneration package of supervisors and carry out appraisal of supervisors for approval at the shareholders' general meeting;
- to monitor the risk management and internal control of the Company and supervise the internal audit department of the Company;
- to formulate amendments to the rule of procedures of the Board of Supervisors;
- to nominate supervisors representing shareholders, external supervisors and independent directors; and
- to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed and the requirements of the Articles of Association.

Supervisors may attend the meetings of the Board and the senior management and may make enquiries or suggestions on the resolutions. The Board of Supervisors may carry out investigation if any irregularities of the operation of the Company are identified. The Board of Supervisors may exercise its right, if necessary, to engage intermediaries and professionals for assistance at reasonable expense of the Company.

The meetings of the Board of Supervisors are divided into regular and extraordinary meetings of the Board of Supervisors. Regular meetings of the Board of Supervisors shall be convened at least once every six months. Regular meetings of the Board of Supervisors shall not be convened by way of correspondence. The Board of Supervisors shall inform all supervisors in writing 10 days prior to the holding of the regular meeting.

The Chairman of the Board of Supervisors shall convene an extraordinary meeting within 10 days from the date of receipt of the following requests:

- request by more than one-third of the supervisors; or
- request by all external supervisors;
- other circumstances as stated in laws, regulations, regulatory documents and the Articles of Association.

The chairman of the Board of Supervisors may convene an extraordinary meeting if necessary.

To convene an extraordinary meeting of the Board of Supervisors, written notice shall be given seven days before the date of meeting. In a case of emergency where an extraordinary meeting of the Board of Supervisors is required to be held, notice of the meeting may be made through telephone or by other oral forms, provided that the convener shall make explanation at the meeting.

A meeting of the Board of Supervisors shall not be conducted unless two-thirds or more of the supervisors (including those who appoint other supervisors to attend the meeting on their behalf) are present. The resolutions of the meeting of the Board of Supervisors shall be passed by not less than two-thirds of all the supervisors.

Supervisors shall attend the meetings of the Board of Supervisors in person. If a supervisor is unable to attend the meeting for any reason, he/she may appoint another supervisor in writing to attend the meeting on his/her behalf. A proxy form shall state the name of the proxy, the scope of the authorization, the authority of the proxy and the period of validity, and also be signed or affixed by the principal and the proxy. The supervisor attending the meeting on behalf of another supervisor shall exercise his/her power within the scope of authorization. A supervisor who does not attend a meeting of the Board of Supervisors either in person or by proxy shall be deemed to have waived his/her voting rights at the meeting.

Board

The Board shall perform the following duties;

- to convene and report its work to the shareholders' general meeting;
- to implement the resolutions of the shareholders' general meeting;
- to determine the development strategies, operation plans and investment proposals of the Company;
- to formulate annual financial budget and final account statement of the Company;
- to formulate profit distribution plan and plan for recovery of losses of the Company;
- to formulate proposals for increases or reductions of the registered capital of the Company;

- to formulate plans for the merger, separation, dissolution or changes of the form of the Company;
- to formulate proposals for the issue of corporate bonds, any types of shares, warrants or other securities by the Company and the listing of the Company;
- to formulate plans for the repurchase of shares of the Company;
- to formulate the amendments to the Articles of Association, the rules of procedures of the shareholders' general meeting and the rules of procedures of the Board;
- to consider and approve the terms of reference of the president;
- to appoint or remove the president and secretary of the Company to the Board;
- to appoint or remove vice president, assistant to president and other senior management members (excluding secretary to the Board) as nominated or suggested by the president;
- to determine the chairman (other than the chairman of the strategic development committee) and members of each special committee;
- to formulate the assessment methods and remuneration package of Directors for the approval by the shareholders' general meeting;
- to determine the remuneration, performance review and award and punishment mechanism of the senior management members of the Company;
- to formulate the management system of the Company and supervise its implementation;
- to determine the risk management, compliance and internal control policies and formulate systems in relation to the internal control and compliance management of the Company;
- to determine the structure of internal departments and branches of the Company;
- to evaluate and improve the corporate governance of the Company;
- to formulate equity incentive plans;
- to manage the information disclosure and investors' relations of the Company;
- to propose the appointment, removal or termination of appointment of accounting firm to the shareholders' general meeting;
- to consider and approve, or authorize the related party transactions management committee to approve, related party transactions, except for those which shall be considered and approved by the shareholders' general meeting;
- within the scope of approval by a shareholders' general meeting, to consider and approve the major investment and disposal of equity interests, investment and disposal of debentures, financing, pledges (securities) and guarantee of assets, purchases and disposal of fixed assets, disposal of debt-to-equity swap assets, writing off of assets, external donations of the Company and major decisions of legal corporations;
- to consider and approve the proposals of each special committee of the Board;
- to consider the work report of the president to ensure that each Director obtains the information related to the fulfillment of his/her duties in accordance with the relevant regulatory requirement in a timely manner; to review the work of senior management members to ensure their effective performance of management duty;

- to approve internal audit management system and regulations, medium-to-long term audit plan, annual working plan and internal audit system, determine or authorize the audit committee to decide internal audit budget, remuneration of staff and the appointment and removal of major officers and ensure the independence of internal audit; and
- to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed and the requirements of the Articles of Association and as authorized by the shareholders' general meeting.

The above issues within the power of the Board shall be examined and decided by Board meetings but may be delegated to the chairman of the Board or the president for making decision thereon provided that it is necessary, reasonable and lawful.

Resolutions of the Board shall be passed by a majority vote of all Directors. Resolutions concerning the following shall be passed by two-thirds or more of all the Directors:

- to formulate annual financial budget and final account statement of the Company;
- to formulate profit distribution plan and plan for recovery of losses of the Company;
- to formulate proposals for increases or reductions of the registered capital;
- to formulate plans for the merger, separation, dissolution and changes of the form of the Company;
- to formulate proposals for the issue of corporate bonds, any types of shares, warrants or other securities by the Company and the listing of the Company;
- to formulate plans for the repurchase of shares of the Company;
- to formulate proposals for any amendment to the Articles of Association;
- to appoint or remove senior management members and decide on their remuneration, performance review and award and punishment mechanism;
- to determine the chairman (other than the chairman of the strategic development committee) and members of each special committee;
- to propose the appointment, dismissal and termination of appointment of accounting firm to the general meeting;
- within the scope of approval by a shareholders' general meeting, to consider and approve major investment and disposal of equity interests, investment and disposal of debentures, financing, pledges (securities) and guarantee of assets, purchases and disposal of fixed assets, disposal of debt-to-equity swap assets, writing off of assets, external donations of the Company and major decisions of legal corporations;
- other matters that after being passed by the Board as ordinary resolutions, to be of a material effect on the Company, have to be passed by not less than two-thirds of the Directors;
- to approve any annual cap or one-off donations for the relief of regions with material contingencies which are beyond the scope of approval by the shareholders' general meeting and other matters; and

- to approve other resolutions which shall be passed by not less than two-thirds of the Directors as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed and the requirements of the Articles of Association.

Board meetings are divided into regular Board meetings and extraordinary Board meetings. Regular Board meetings shall be convened at least four times a year, approximately once a quarter. Regular Board meetings shall not be convened by way of correspondence. The Board of Directors shall notify all Directors and Supervisors in writing 14 days before the meeting is convened.

The chairman of the Board shall convene an extraordinary meeting of the Board within 10 days from the date of receipt of the following requests:

- request of the shareholders who, individually or severally, hold not less than 10% of voting rights of the Company;
- request of more than one-third of the directors;
- request of the Board of Supervisors;
- request of more than half of the independent directors (at least two);
- request of the president; and
- other circumstances as stated in laws, regulations, regulatory documents and the Articles of Association.

The chairman may convene an extraordinary Board meeting if he considers necessary.

To convene an extraordinary Board meeting, written notice shall be given seven days before the date of meeting. In case of emergency where an extraordinary Board meeting shall be held as soon as possible, a notice shall be given by way of telephone or verbal communication at any time, provided that reasons of urgency shall be explained by the convener in the meeting.

A Board meeting shall not be conducted unless more than half of the directors (including those who appoint other directors to attend the meeting on their behalf) are present. If some of the directors have significant interest in any matters to be discussed, the director shall not exercise his/her voting right on the matter or exercise any voting right on behalf of any other directors. The Board meeting shall only be held if a simple majority of the directors who do not have any material interest are present.

Directors shall attend the meetings of the Board in person. If a director is unable to attend the meeting for any reason, he/she may appoint another director in writing to attend the meeting on his/her behalf. A proxy form shall state the name of the proxy, the scope of the authorization, the authority of the proxy and the period of validity, and also be signed or affixed by the principal and the proxy. The director attending the meeting on behalf of another director shall exercise his/her power within the scope of authorization. A director who does not attend a Board meeting either in person or by proxy shall be deemed to have waived his/her voting right at the meeting.

Special Committees of the Board

Special committees including strategic development committee, audit committee, risk management committee, nomination and remuneration committee and related party transactions management committee are set up under the Board of the Company. The Board may set up other special committees and restructure the existing committees as necessary. Each special committee shall be accountable to the Board and assist the Board in the performance of duties as authorized by the Board.

Each special committee shall have at least three members and all of its members shall be Directors.

Strategic Development Committee

The strategic development committee shall be chaired by the chairman of the Board.

The strategic development committee shall perform the following duties:

- to review the general strategic development plan of the Company and make suggestions to the Board;
- to consider and approve the information technology development plan and other special development plans;
- to review the annual operation plan and the fixed asset investment budget for approval by the Board;
- to review the major restructuring and adjustment proposals and make suggestions to the Board;
- to review major investment and financing proposals and make suggestions to the Board;
- to review the major merger and acquisition proposals and make suggestions to the Board;
- to review and assess the comprehensiveness corporate governance of the Company and make suggestions to the Board; and
- to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

Audit Committee

The chairman of the audit committee shall be an independent Director while the rest of the members shall be non-executive Directors. The majority of the audit committee shall be independent Directors and at least one of them shall have the relevant professional qualification or accounting or financial management expertise.

The audit committee shall perform the following duties;

- to review significant financial policies of the Company and their implementation, and supervise financial activities of the Company;
- to review the financial information and relevant disclosure of the Company;
- to consider and approve the internal control evaluation proposal of the Company, and supervise and evaluate the internal control of the Company;

- to consider and approve the audit budget, remuneration of staff and appointment and removal of major officers of the Company, supervise and evaluate the internal audit work of the Company and formulate medium-to-long term audit plan, annual working plan and internal audit system setting plan of the Company in accordance with the authorization of the Board, and make proposals to the Board;
- to propose the appointment or dismissal of the external auditor, to supervise the work of external auditor and to review the report of the external auditor to ensure that the external auditor undertakes the audit responsibilities;
- to facilitate communications and monitor relationship between the internal audit department of the Company and the external auditor;
- to monitor the non-compliance of the Company in respect of the preparation of financial reports and internal control; and
- to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed and the requirements of the Articles of Association, and other matters as authorized by the Board.

Risk Management Committee

The risk management committee shall perform the following duties:

- to examine risk management strategy and risk management policies of the Company according to overall development strategic plan, and supervise their implementation and effectiveness;
- to review overall risk management reports of the Company and supervise the deployment, structure, working procedures and effectiveness of the risk management departments; and to evaluate the risk exposure of the Company and make suggestions to the Board on the risk management of the Company;
- to supervise the risk control of the senior management in respect of credit, market and operation risks;
- to formulate and amend the compliance policies of the Company, evaluate and supervise the compliance of the Company and make suggestions to the Board; and
- to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed and the requirements of the Articles of Association, and other matters as authorized by the Board.

Nomination and Remuneration Committee

The majority of the members and the chairman of the nomination and remuneration committee shall be independent Directors.

The nomination and remuneration committee shall perform the following duties:

- to formulate procedures and standards for the election of Directors and senior management members and make suggestions to the Board;

- to make recommendations to the Board in respect of the candidates for directors, presidents and secretary to the Board;
- to preliminarily examine the eligibility of the candidates for directors and senior management members;
- to nominate the candidates for chairmen and members of the special committees of the Board (other than the chairman of the strategic development committee);
- to review and make recommendation on the composition of the Board;
- to organize the formulation of directors and senior management remuneration plan for the approval of the Board and propose remuneration distribution plan according to the performance appraisal of directors and senior management for the approval of the Board; and
- to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed and the requirements of the Articles of Association, and other matters as authorized by the Board.

Related Party Transactions Management Committee

The related party transaction management committee shall perform the following duties:

- to identify related parties of the Company and report to the Board and the Board of Supervisors and inform the relevant parties of the Company in a timely manner;
- to review management rules for related party transactions, oversee its implementation and make suggestions to the Board;
- to conduct preliminary review on related party transactions to be approved by the Board or shareholders' general meeting and submit to the Board for approval;
- to consider and approve related party transactions and other matters thereof under authorization by the Board;
- to maintain records of related party transactions;
- to consider and approve the annual management report on related party transactions and report to the Board; and
- to perform other duties as provided for by laws, regulations, regulatory documents, the rules of the securities regulatory authority of the place where the shares of the Company are listed and the requirements of the Articles of Association, and as authorized by the Board.

SETTLEMENT OF DISPUTES

Any dispute or claim of rights relating to the affairs of the Company and arising between holders of overseas listed foreign shares and the Company, or between holders of overseas listed foreign shares and Directors, Supervisors, or senior management members of the Company, or between holders of overseas listed foreign shares and holders of domestic shares, and arising as a result of the rights and obligations provided for in the Articles of Association, the PRC Company Law and other applicable laws, administrative requirements, shall be referred to arbitration by parties involved; and

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, where the persons being the Company or shareholders, Directors, Supervisors or senior management members of the Company, shall comply with the arbitration.

Disputes in respect of the definition of shareholders and disputes in relation to the register of members need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the CIETAC in accordance with its arbitration rules or the HKIAC in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant.

If the claimant elects for arbitration to be carried out at the HKIAC, any party may request the arbitration to be conducted in Shenzhen in accordance with the securities arbitration rules of the HKIAC.

The resolution of any dispute or claim of rights referred to in the first paragraph above by arbitration is subject to the PRC laws, unless otherwise required by laws and administrative regulations.

An arbitral award made by the arbitral body shall be final and binding on the parties.

A. FURTHER INFORMATION ABOUT OUR GROUP

1. Incorporation

Our predecessor, Cinda Corporation, was incorporated on April 19, 1999 and was converted into a joint stock limited company in the PRC on June 29, 2010 under the PRC Company Law. Our registered address is at No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing, China. We have registered a place of business in Hong Kong at Room 1101, 11/F, Admiralty Centre Tower 1, 18 Harcourt Road, Hong Kong on September 16, 2013 and have been registered as a non-Hong Kong company under Part XI of the Companies Ordinance. WANG Zhengmin and YIU Kwai Chu have been appointed as our agents for the acceptance of service of process and notices in Hong Kong. The address for service of process on the Company in Hong Kong is the same as its registered place of business in Hong Kong set out above. As our Company was established in the PRC, we are subject to the relevant laws, rules and regulations of the PRC. A summary of certain relevant aspects of PRC laws and principal regulatory provisions is set out in Appendix V. A summary of the relevant sections of our Articles of Association is set out in Appendix VI.

2. Changes in share capital of our Group

The Company

As at the date of our conversion into a joint stock limited company, the registered share capital of the Company was RMB25,155,096,932 divided into 25,155,096,932 Shares of par value of RMB1.00 each, all of which were credited as fully paid up and were held by the Company's promoter as follows:

Name	Number of Shares held	Percentage of Shareholding
MOF	25,155,096,932	100%

The following sets out the changes in the Company's issued share capital since the date of its incorporation:

(a) In December 2011,

i. our Company entered into a share subscription agreement with NSSF, pursuant to which we issued 2,411,201,923 new shares to the NSSF for a consideration of RMB5,015,299,999.84;

ii. our Company entered into a share subscription agreement with UBS, pursuant to which we issued 1,503,987,199 new shares to UBS for a consideration of RMB3,128,293,373.92;

iii. our Company entered into a share subscription agreement with CITIC Capital and CITIC Capital Financial Holding, pursuant to which we issued 611,278,846 new shares to CITIC Capital Financial Holding for a consideration of RMB1,271,459,999.68; and

iv. our Company entered into a share subscription agreement with Standard Chartered Bank and Standard Chartered Financial Holdings, pursuant to which we issued 458,459,135 new shares to Standard Chartered Financial Holdings for a consideration of RMB953,595,000.80;

Following the completion of the Strategic Investment, the above-mentioned four Shareholders held an aggregate of 16.54% of the registered capital of our Company, which amounted to an aggregate of 4,984,927,103 Shares.

(b) Immediately after the Global Offering, the registered capital of our Company will be RMB35,458,846,035, made up of 24,669,736,396 Domestic Shares of RMB1.0 each and 10,789,127,639 H Shares of RMB1.0 each (assuming that the Over-allotment Option is not exercised).

(c) Save as disclosed in this Appendix, there has been no alteration in the Company's share capital since the date of our conversion into a joint stock limited company.

Our major operating subsidiaries

Our major operating subsidiaries are set out below. The following alterations in the share capital or registered capital (as the case might be) of our major operating subsidiaries have taken place within two years preceding the date of this prospectus:

(a) Cinda Securities

Cinda Securities was established in September 2007 with a registered capital of RMB1.511 billion. As of the Latest Practicable Date, Cinda Securities has a registered capital of RMB2.569 billion and was held as to 99.33%, 0.60% and 0.08% by our Company, Zhonghai Trust Co., Ltd. (中海信託股份投資有限公司) and China National Materials Group Corporation Ltd. (中國中材集團有限公司), respectively.

(b) Jingu Trust

Jingu Trust's predecessor, China Jingu International Trust Investment Co., Ltd. (中國金穀國際信託投資有限責任公司) was established pursuant to the PBOC's approval issued in 1993 with a registered capital of RMB250 million. In September 2009, it was re-registered and renamed as Jingu Trust, and increased its registered capital to RMB1.2 billion. As of the Latest Practicable Date, Jingu Trust was held as to 92.29%, 6.25% and 1.46% by our Company, China Women Activity Center (中國婦女活動中心) and China Overseas Engineering Group Co., Ltd. (中國海外工程有限責任公司), respectively.

(c) Cinda Leasing

Cinda Leasing's predecessor, Gansu Province Leasing Company (甘肅省租賃公司) was established in July 1988 with a total capital of RMB24 million. It was re-registered as a limited liability company and renamed as Gansu Province Leasing Co., Ltd. (甘肅省租賃有限公司) in December 1996, and was further renamed as West Financial Leasing Co., Ltd. (西部金融租賃有限公司) in January 2002. In 2005, our Company acquired 0.30% equity interest in it in satisfaction of debt. Upon the completion of reorganization and capital increase of West Financial Leasing Co., Ltd. in May 2010, it changed its name to Cinda Leasing and our Company held 98.7% equity interest in it. In November 2012, Cinda Leasing increased its registered capital to RMB2.001 billion. As of the Latest Practicable Date, Cinda Leasing was held as to 99.36% by our Company, 0.20% by Zhongrun Development and 0.44% by eight corporate shareholders (all of which were Independent Third Parties), respectively.

(d) First State Cinda Fund

First State Cinda Fund was established in June 2006 with a registered capital of RMB100 million. As of the Latest Practicable Date, First State Cinda Fund had a registered capital of RMB100 million, and was held as to 54% and 46% by our Company and Colonial First State Group Ltd., respectively.

(e) Cinda P&C

Cinda P&C was established in August 2009 with a registered capital of RMB1 billion. In January 2013, Cinda P&C increased its registered capital to RMB3 billion. As of the Latest Practicable Date, Cinda P&C was held as to 51% and 49% by our Company and 15 corporate shareholders (all of which were Independent Third Parties), respectively.

(f) Happy Life

Happy Life was established in November 2007 with a registered capital of approximately RMB1.159 billion. In February 2013, Happy Life increased its registered capital to RMB2.741 billion. In June 2013, it increased registered capital to RMB3.33 billion. As of the Latest Practicable Date, Happy Life was held as to 61.59% and 38.41% by our Group and 15 corporate shareholders (all of which were Independent Third Parties), respectively.

(g) Cinda Investment

Cinda Investment was established in August 2000 with a registered capital of RMB300 million. As of the Latest Practicable Date, Cinda Investment has a registered capital of RMB2 billion and was held as to 100% by our Company.

(h) Well Kent International

Well Kent International was established in Hong Kong in December 1998. In December 1999, our Company acquired 99.8% equity of Well Kent International. The then issued share capital of Well Kent International was HKD1,000. As of the Latest Practicable Date, Well Kent has an issued share capital of HKD1.4 billion and was held as to 100% by our Company.

(i) Zhongrun Development

Zhongrun Development was established in April 1996 with a registered capital of RMB30 million. In July 2003, the transfer of 90% equity interests in Zhongrun Development to our Company as approved by MOF was completed. In December 2012, our Company acquired the remaining 10% registered capital of Zhongrun Development through Cinda Investment. As of the Latest Practicable Date, Zhongrun Development was held as to 90% and 10% by our Company and Cinda Investment, respectively.

Save as described above, there has been no other alteration in the share capital of the major operating subsidiaries of the Company in the two years preceding the date of this prospectus.

3. Resolutions at our Shareholders' General Meeting

At the general meeting held on August 5, 2013, the following resolutions, among other things, were passed by our shareholders:

(a) the issue by our Company of H Shares to be listed on the Hong Kong Stock Exchange. The number of H Shares to be issued shall be between 15% to 20% of the total issued share capital (assuming the Over-allotment Option is not exercised) upon the completion of the Global Offering;

(b) the adoption of the Articles of Association which shall become effective on the Listing Date; and

(c) authorization of the Board and further authorization from the Board to the Chairman of the Board to handle all matters that are necessary for the issuing and listing of our Shares.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this prospectus that are or may be material:

(a) a share subscription agreement dated December 23, 2011, entered into among CITIC Capital, CITIC Capital Financial Holding and the Company, pursuant to which our Company issued 611,278,846 new shares to CITIC Capital Financial Holding for a consideration of RMB1,271,459,999.68;

(b) an investor rights agreement dated December 23, 2011, entered into among CITIC Capital, CITIC Capital Financial Holding and the Company in relation to the arrangement of investor's rights and obligations of CITIC Capital and CITIC Capital Financial Holding;

(c) a master strategic cooperation agreement dated December 23, 2011, entered into between CITIC Capital and the Company in relation to the arrangement of strategic cooperation between CITIC Capital and the Company;

(d) a share subscription agreement dated December 23, 2011, entered into among Standard Chartered Bank, Standard Chartered Financial Holdings and the Company, pursuant to which our Company issued 458,459,135 new shares to Standard Chartered Financial Holdings for a consideration of RMB953,595,000.80;

(e) an investor rights agreement dated December 23, 2011, entered into among Standard Chartered Bank, Standard Chartered Financial Holdings and the Company in relation to the arrangement of investors' rights and obligations of Standard Chartered Bank and Standard Chartered Financial Holdings;

(f) a master strategic cooperation agreement dated December 23, 2011, entered into between Standard Chartered Bank and the Company in relation to the arrangement of strategic cooperation between the Company and Standard Chartered Bank;

(g) a share subscription agreement dated December 26, 2011, entered into between NSSF and the Company, pursuant to which our Company issued 2,411,201,923 new shares to NSSF for a consideration of RMB5,015,299,999.84;

(h) a share subscription agreement dated December 30, 2011, entered into between UBS and our Company, pursuant to which our Company issued 1,503,987,199 new Shares to UBS for a consideration of RMB3,128,293,373.92;

(i) an investor rights agreement dated December 30, 2011, entered into between UBS and the Company in relation to the arrangement of investor's rights and obligations of UBS;

(j) a master strategic cooperation agreement dated December 30, 2011, entered into between UBS and the Company in relation to the arrangement of strategic cooperation between the Company and UBS;

(k) a share transfer agreement dated May 30, 2012, entered into between Lanzhou Office of Great Wall and Zhongrun Development, pursuant to which Lanzhou Office of Great Wall transferred 0.37% of the shares of Cinda Leasing to Zhongrun Development for a consideration of RMB4 million;

(l) an underwriting agreement dated June 20, 2012, entered into between our Company and Cinda Securities in relation to the proposed issuance of financial bonds of no more than RMB10 billion by our Company;

(m) a share subscription letter dated September 9, 2012, entered into by Shanghai Mingjia Property Development Company Limited, pursuant to which it subscribed for 100 million new shares of Cinda P&C at a consideration of RMB130 million;

(n) a share subscription letter dated October 23, 2012, entered into by Shenzhen Qiaoshang Investment Management Company, pursuant to which it subscribed for 100 million new shares of Cinda P&C at a consideration of RMB130 million;

(o) a share subscription letter dated November 19, 2012, entered into by Luenmei Holding Co., Ltd., pursuant to which it subscribed for 180 million new shares of Cinda P&C at a consideration of RMB234 million;

(p) a share transfer agreement dated November 23, 2012, entered into between Beijing Lingchuang Technology Development Co., Ltd. and Cinda Investment, pursuant to which Beijing Lingchuang Technology Development Co., Ltd. transferred 10% of the shares of Zhongrun Development to Cinda Investment for a consideration of RMB69,054,946.71;

(q) a subscription agreement dated December 5, 2012, entered into among Bitronic and our Company with UBS AG, Hong Kong Branch, ABCI Capital Limited, Bank of China (Hong Kong) Limited, BOCI Asia Limited, CCB International Capital Limited, Cinda International Securities Limited, CITIC Securities Corporate Finance (HK) Limited, Credit Suisse (Hong Kong) Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley & Co. International Limited, Standard Chartered Bank (Hong Kong) Limited and Wing Lung Bank Limited, in relation to RMB2 billion 4.0 per cent bonds of Bitronic due in 2015;

(r) a share subscription letter dated December 11, 2012 entered into by Chongqing Liangjiang New District Development and Investment Group Limited, pursuant to which it subscribed for 400 million new shares of Cinda P&C at a consideration of RMB520 million;

(s) a share subscription letter dated December 18, 2012, entered into by Taizhou Wanbang Property Development Company Limited, pursuant to which it subscribed for 200 million new shares of Cinda P&C at a consideration of RMB260 million;

(t) a share transfer contract dated April 12, 2013, entered into between China Economic Trust Investment Co., Ltd. and Shenzhen Yihuite Technology Development Co., Ltd., pursuant to which China Economic Trust Investment Co., Ltd. transferred 63,855,525 shares in Happy Life to Shenzhen Yihuite Technology Development Co., Ltd. for a consideration of RMB95,783,287.50;

(u) a share subscription agreement dated April 12, 2013 entered into between Happy Life and Shenzhen Tuotian Investment Management Company Limited, pursuant to which Happy Life issued 300 million new shares to Shenzhen Tuotian Investment Management Company Limited, for a consideration of RMB450 million;

(v) a share subscription agreement dated April 12, 2013 entered into between Happy Life and Shenzhen Yihuite Technology Development Co., Ltd., pursuant to which Happy Life issued 266,666,667 new shares to Shenzhen Yihuite Technology Development Co., Ltd., for a consideration of RMB400 million;

(w) an underwriting agreement dated July 26, 2013, entered into between our Company, Cinda Securities and CCB in relation to the proposed issuance of financial bonds of no more than RMB20 billion by our Company;

(x) a cornerstone investment agreement dated November 19, 2013, entered by and among Shandong State-owned Assets Investment Holdings Co., Ltd., Merrill Lynch International, Credit Suisse (Hong Kong) Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, UBS AG, Hong Kong Branch, China International Capital Corporation Hong Kong Securities Limited and the Company, pursuant to which Shandong State-owned Assets Investment Holdings Co., Ltd. agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$60 million;

(y) a cornerstone investment agreement dated November 21, 2013, entered by and among OZ Master Fund, Ltd., Gordel Capital Limited, OZEA, L.P., OZ Equity Long-Short Master Fund, Ltd., OZ Asia Master Fund, Ltd., OZ Eureka Fund, L.P., OZ Global Special Investments Master Fund, L.P., OZ Enhanced Master Fund, Ltd. (collectively, "OZ Funds"), Merrill Lynch International and the Company, pursuant to which OZ Funds agreed to subscribe for our H Shares in the aggregate amount of the Hong Kong dollar equivalent of US$200 million in aggregate;

(z) a cornerstone investment agreement dated November 21, 2013, entered by and among Dazbog Holdings AFC Limited, Dazbog Holdings BFC Limited, Dazbog Holdings CFC Limited, Dazbog Holdings EFC Limited, Dazbog Holdings HFC Limited, Dazbog Holdings MFC Limited, Dazbog Holdings VFC Limited (collectively, the "Farallon Entities"), Merrill Lynch International, Credit Suisse (Hong Kong) Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, UBS AG, Hong Kong Branch, BOCI Asia Limited and the Company, pursuant to which the Farallon Entities agreed to subscribe for our H Shares in the aggregate amount of the Hong Kong dollar equivalent of US$100 million;

(aa) a cornerstone investment agreement dated November 21, 2013, entered by and among China Life Insurance (Group) Company, Merrill Lynch International and the Company, pursuant to which China Life Insurance (Group) Company agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$200 million;

(bb) a cornerstone investment agreement dated November 21, 2013, entered by and among Gatherspring Limited, Merrill Lynch International, Credit Suisse (Hong Kong) Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, UBS AG, Hong Kong Branch and the Company, pursuant to which Gatherspring Limited agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$100 million;

(cc) a cornerstone investment agreement dated November 21, 2013, entered by and among Ping An of China Asset Management (Hong Kong) Company Limited, Morgan Stanley Asia Limited and the Company, pursuant to which Ping An of China Asset Management (Hong Kong) Company Limited agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$75 million;

(dd) a cornerstone investment agreement dated November 22, 2013, entered by and among Oaktree Capital I, L.P., Oaktree Emerging Markets Equity Fund, L.P., Oaktree (LUX.) Funds—Oaktree Emerging Markets Equity Fund (collectively, "Oaktree Capital"), Goldman Sachs (Asia) L.L.C. and the Company, pursuant to which Oaktree Capital agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$52.95 million in aggregate;

(ee) a cornerstone investment agreement dated November 22, 2013, entered by and among Shen Zhen Rongtong Capital Management Co., Ltd., Goldman Sachs (Asia) L.L.C., Cinda International Securities Limited and the Company, pursuant to which Shen Zhen Rongtong Capital Management Co., Ltd. agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$100 million;

(ff) a cornerstone investment agreement dated November 22, 2013, entered by and among Upper Horn Investments Limited, Morgan Stanley Asia Limited and the Company, pursuant to which Upper Horn Investments Limited agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$50 million;

(gg) a cornerstone investment agreement dated November 22, 2013, entered by and among Norges Bank (Central Bank of Norway), Merrill Lynch International, Credit Suisse (Hong Kong) Limited, Goldman Sachs (Asia) L.L.C., Morgan Stanley Asia Limited, UBS AG, Hong Kong Branch and the Company, pursuant to which Norges Bank (Central Bank of Norway) agreed to subscribe for our H Shares in the amount of the Hong Kong dollar equivalent of US$150 million; and

(hh) the Hong Kong Underwriting Agreement, details of which are set out in the section headed "Underwriting—Underwriting Arrangements and Expenses—Hong Kong Public Offering—Hong Kong Underwriting Agreement."

2. Intellectual property rights

As of the Latest Practicable Date, our Group has registered or has applied for the registration of the following intellectual property rights which are material in relation to our Group's business.

(a) Trademarks

(i) As at the Latest Practicable Date, our Group has registered the following trademarks which are material in relation to our Group's business:

Trademark	Proprietor	Territory of registration
信达	Our Company	PRC
CNDA	Our Company	PRC
XINDA	Our Company	PRC
CINDA	Our Company	PRC, Hong Kong
	Our Company	PRC, Hong Kong
信达股份	Our Company	PRC
信达资产	Our Company	PRC
中国信达	Our Company	PRC, Hong Kong
中国信达	Our Company	PRC
信达资产	Our Company	PRC
CNDA	Our Company	PRC
CINDA	Our Company	PRC, Hong Kong
信达	Our Company	PRC
	Cinda Securities	PRC
幸福人寿	Happy Life	PRC
始于信达于行	Cinda P&C	PRC
信达中建	Cinda Real Estate	PRC

(ii) As at the Latest Practicable Date, our Group had applied for registration of the following trademarks:

Trademark	Applicant	Territory of application
中国信达 CINDA	Our Company	PRC
信达租赁	Our Company	PRC

(b) Domain Names

As at the Latest Practicable Date, our Group has registered the following key domain names:

Domain Name	Registrant
cinda.com.cn	Our Company
cindamc.com	Our Company
cinda.cn	Our Company
cindamc.cn	Our Company
cindamc.com.cn	Our Company
chinacinda.com.cn	Our Company
chinacinda.cn	Our Company
chinacinda.net.cn	Our Company
cindachina.com.cn	Our Company
中国信达	Our Company
中国信达资产	Our Company
中国信达资产管理	Our Company
信达资产管理股份	Our Company
中国信达资产管理股份	Our Company
happyinsurance.com.cn	Happy Life
jingutrust.com	Jingu Trust
cindare.com.cn	Cinda Real Estate
fscinda.com	First State Cinda Fund
cindapcic.com.cn	Cinda P&C
www.cindaflc.com	Cinda Leasing

3. Our suppliers and customers

For each of the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013, the entity from which we acquired the largest amount of distressed assets accounted for approximately 30.2%, 13.0%, 5.9% and 3.4% of our total cost of acquisitions, respectively. For the same period, the five entities from which we acquired the five largest amounts of distressed assets combined accounted for approximately 97.4%, 37.5%, 19.1% and 13.9% of our total cost of acquisitions, respectively.

As many of the entities from which we acquired distressed assets are large SOEs, the MOF, our controlling Shareholder, holds equity interests in such entities. Our directors and their associates have no equity interests in such entities.

None of five entities to which we disposed of the five largest amounts of distressed assets combined accounted for 30% or more of our total revenue for each of the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS, MANAGEMENT, STAFF AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

Immediately following completion of the Global Offering (assuming that the Over-allotment Option is not exercised), none of our Directors and chief executive of our Company will have any interests and short positions in the equity or debentures of our Company or any associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they are taken or deemed to have under such provisions of the SFO) once the Shares are listed, or which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules to be notified to us and the Hong Kong Stock Exchange or which will be required, pursuant to Rule 352 of the SFO, to be entered in the register referred to therein once the Shares are listed.

2. Substantial shareholders

For detailed information on the persons who will, immediately following the completion of the Global Offering, have interests or short positions in our Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company, please see the section entitled "Substantial Shareholders" in this prospectus.

3. Service contracts

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, we have entered into a contract with each of our Directors and Supervisors in respect of, among other things, compliance of relevant laws and regulations, observance of the Articles of Association and provisions on arbitration.

Save as disclosed above, we have not entered, and do not propose to enter, into any service contracts with any of our Directors or Supervisors in their respective capacities as Directors/ Supervisors.

4. Directors' and Supervisors' remuneration

Save as disclosed in "Directors, Supervisors and Senior Management" section and under Note 19 to the financial information in the "Accountants' Report" set out in Appendix I to this prospectus, no Director or Supervisor received any other remuneration or benefits in kind from our Company in respect of the three financial years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013.

5. Fees or commissions

Save as disclosed in "Underwriting" section of this prospectus, none of the directors or any of the persons whose names are listed in the paragraph entitled "Consents" in the section entitled "Other Information" in this Appendix had received any commissions, discounts, brokerages or other special terms in connection with the issue or sale of any capital of any member of our Group from our Group within the two years preceding the date of this prospectus.

D. OTHER INFORMATION

1. Estate Duty

Our directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

Save as disclosed in "Business—Legal and Regulatory Proceedings" this prospectus, no member of our Group was engaged in any litigation, arbitration or claim of material importance and no litigation, arbitration or claim of material importance was known to our directors to be pending or threatened against any member of our Group as of the Latest Practicable Date.

3. Joint Sponsors

The Joint Sponsors have made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for the listing of, and permission to deal in, our H Shares. All necessary arrangements have been made enabling such securities to be admitted into CCASS.

All of the Joint Sponsors are independent from our Company pursuant to Rule 3A.07 of the Hong Kong Listing Rules.

4. Preliminary Expenses

Our estimated preliminary expenses are approximately HK$44.6 million and are payable by our Company.

5. Qualifications of Experts

The qualifications of the experts (as defined under the Listing Rules and the Companies Ordinance) who have given their opinions or advice in this prospectus are as follows:

Name	Qualifications
Merrill Lynch Far East Limited	a licensed corporation under the SFO to conduct type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 7 (providing automated trading services) regulated activities as defined under the SFO
Credit Suisse (Hong Kong) Limited	a licensed corporation to conduct type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO
Goldman Sachs (Asia) L.L.C.	a licensed corporation to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) regulated activities under the SFO
Morgan Stanley Asia Limited	a licensed corporation under the SFO to conduct type 1 (dealing in securities), type 4 (advising on securities), type 5 (advising on futures contracts), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO
Deloitte Touche Tohmatsu	Certified public accountants
Haiwen & Partners	PRC legal advisors
American Appraisal China Limited	Valuation specialist

6. Consents

Each of the Joint Sponsors, Deloitte Touche Tohmatsu, Haiwen & Partners and American Appraisal China Limited has given and has not withdrawn its respective written consent to the issue of this prospectus with the inclusion of its report and/or letter and/or legal opinion (as the case may be) and the references to its name included herein in the form and context in which it is respectively included.

None of the experts named above has any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities of any member of our Group.

7. Binding Effect

This prospectus shall have the effect, if an application is made in pursuant hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

8. Compliance Adviser

We have appointed Merrill Lynch Far East Limited as our compliance advisor pursuant to Rule 3A.19 of the Hong Kong Listing Rules. Pursuant to Rule 3A.23 of the Hong Kong Listing Rules, our compliance advisor will advise us in the following circumstances:

- before the publication of any regulatory announcement, circular or financial report;
- where a transaction, which might be a notifiable or connected transaction (as defined under the Hong Kong Listing Rules), is contemplated, including share issues and share repurchases;
- where we propose to use the proceeds of the Global Offering in a manner apart from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- where Hong Kong Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date on which we distribute our annual report in respect of our financial results for the first full financial year commencing after the Listing Date, and such appointment may be subject to extension by mutual agreement.

9. No material adverse change

Our Directors believe that there has been no material adverse change in the financial or trading position of our Group since June 30, 2013 up to the Latest Practicable Date.

10. Bilingual prospectus

The English and the Chinese versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

E. MISCELLANEOUS

(a) None of our Directors or Supervisors nor any of the parties listed in the paragraph entitled "Consents" in the section entitled "Other Information" of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to us, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(b) No share or loan capital of our Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(c) Save as disclosed in "Underwriting" section of this prospectus, within the two years preceding the date of this prospectus, no commission has been paid or payable (except commissions to the underwriters) for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares in our Company;

(d) No amount or securities or benefit has been paid or allotted or given within the two years preceding the date of this prospectus to any of our promoters nor is any such securities or amount or benefit intended to be paid or allotted or given;

(e) Save as disclosed in "Business" and "Financial Information" sections of this prospectus, neither our Company nor any of its subsidiaries have any authorized debentures outstanding; and

(f) Save as disclosed in "Business", "Our Strategic Investors" and "Financial Information" sections of this prospectus, within the two years preceding the date of this prospectus, we have not issued nor agreed to issue any share or debenture fully or partly paid for a consideration other than cash.

Our Directors confirm that:

(a) none of our directors nor any of the parties listed in the paragraph entitled "Consents" in the section entitled "Other Information" of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our business;

(b) we have not issued nor agreed to issue any founder shares, management shares or deferred shares;

(c) our Company has no outstanding convertible debt securities; and

(d) our Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited company and does not expect to be subject to the PRC Sino-Foreign Joint Venture Law.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached a copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were (i) copies of the **WHITE, YELLOW and GREEN** application forms, (ii) the written consents referred to in the paragraph entitled "Other Information—Consents" in Appendix VII "Statutory and General Information" to this prospectus, (iii) copies of each of the material contracts referred to in the paragraph entitled "Further Information about our Business—Summary of Material Contracts" in Appendix VII "Statutory and General Information" to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Davis Polk & Wardwell at 18th Floor, The Hong Kong Club Building, 3A Chater Road, Hong Kong during normal business hours (from 9:00 am to 5:00 pm) up to and including the date which is 14 days from the date of this prospectus:

1. our Articles of Association;
2. the Accountants' Report prepared by Deloitte Touche Tohmatsu, the text of which is set forth in Appendix I to this prospectus;
3. the audited consolidated financial statements of our Group for the three years ended December 31, 2010, 2011 and 2012 and the six months ended June 30, 2013;
4. the report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information of our Company, the text of which is set forth in Appendix II to this prospectus;
5. the calculated value report prepared by American Appraisal China Limited, the text of which is set forth in Appendix III to this prospectus;
6. the material contracts referred to in the paragraph entitled "Further Information about our Business—Summary of Material Contracts" in Appendix VII "Statutory and General Information" to this prospectus;
7. the written consents referred to in the paragraph entitled "Other Information—Consents" in Appendix VII "Statutory and General Information" to this prospectus;
8. the legal opinions prepared by Haiwen & Partners, our legal advisor as to the PRC law, in respect of certain aspects of our Group and the property interests; and
9. copies of the following PRC laws, together with unofficial English translations thereof:
   (i) the PRC Company Law;
   (ii) the PRC Securities Law;
   (iii) the Mandatory Provisions; and
   (iv) the Special Regulations.

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

* For identification purposes only