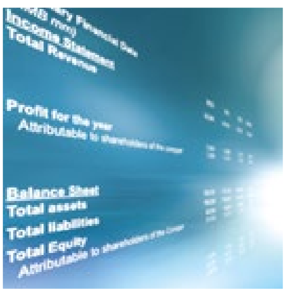
中国信达资产管理股份有限公司

CHINA CINDA ASSET MANAGEMENT CO., LTD.

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

2014 Annual Report



Company Profile

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

Our principal business segments include distressed asset management, financial investment and asset management, as well as financial services. Distressed asset management is the core business of the Company. The Company has 31 branches in 30 provinces, autonomous regions and municipalities in mainland China and nine wholly-owned or non wholly-owned tier-one subsidiaries providing asset management and financial services in China and Hong Kong. The Group has approximately 19,000 staff.

Our business 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.

In 2014, the Company was awarded as the “The Best Listed Companies” in the “China Securities Golden Bauhinia Awards” which was co-organized by Ta Kung Pao (Hong Kong) Limited, Listed Companies Association of Beijing, Shanghai Association of Stock System Enterprises, Hong Kong Chinese Enterprises Association, Chinese Securities Association of Hong Kong, Chinese Financial Association of Hong Kong and Hong Kong Securities Institute.

Contents

Definitions

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

"AMC(s)"	the four financial asset management companies approved by the State Council, including our Company, China Huarong Asset Management Co., Ltd, China Great Wall Asset Management Corporation and China Orient Asset Management Corporation
"Articles"	the current articles of association of China Cinda Asset Management Co., Ltd.
"Board"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors of the Company
"BOC"	Bank of China Ltd. (中國銀行股份有限公司)
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"CCB"	China Construction Bank Corporation (中國建設銀行股份有限公司)
"China" or "PRC"	the People's Republic of China excluding, for the purpose of this annual report, Hong Kong, Macau and Taiwan
"Cinda Capital"	Cinda Capital Management Co., Ltd. (信達資本管理有限公司)
"Cinda Futures"	Cinda Futures Co., Ltd. (信達期貨有限公司)
"Cinda Hong Kong"	China Cinda (HK) Holdings Company Limited (中國信達(香港)控股有限公司), formerly known as Well Kent International Investment Company Limited (華建國際投資有限公司)
"Cinda International"	Cinda International Holdings Limited (信達國際控股有限公司)
"Cinda Investment"	Cinda Investment Co., Ltd. (信達投資有限公司)
"Cinda Leasing"	Cinda Financial Leasing Co., Ltd. (信達金融租賃有限公司)
"Cinda P&C"	Cinda Property and Casualty Insurance Co., Ltd. (信達財產保險股份有限公司)
"Cinda Real Estate"	Cinda Real Estate Co., Ltd. (信達地產股份有限公司)
"Cinda Securities"	Cinda Securities Co., Ltd. (信達證券股份有限公司)

"Director(s)"	director(s) of the Company
"First State Cinda Fund"	First State Cinda Fund Management Co., Ltd. (信達澳銀基金管理有限公司)
"H Share(s)"	ordinary share(s) in the share capital of our Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
"Happy Life"	Happy Life Insurance Co., Ltd. (幸福人壽保險股份有限公司)
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"ICBC"	Industrial and Commercial Bank of China Co., Ltd. (中國工商銀行股份有限公司)
"Jingu Trust"	China Jingu International Trust Co., Ltd. (中國金穀國際信託有限責任公司)
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"MOF"	the Ministry of Finance of the PRC
"(our) Company"	China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司)
"(our) Group"	China Cinda Asset Management Co., Ltd. and its subsidiaries
"Reporting Period"	For the year ended December 31, 2014
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Share(s)"	ordinary share(s) in the share capital of our Company with nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Share(s)
"Supervisor(s)"	supervisor(s) of the Company
"Zhongrun Development"	Zhongrun Economic Development Co., Ltd. (中潤經濟發展有限責任公司)

Important Notice

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

On March 27, 2015, the second meeting and the second regular meeting of 2015 of the Board considered and adopted the 2014 Annual Report and the annual results announcement of the Company. There were 11 directors eligible to attend the meeting, of whom 11 attended in person.

The financial report for 2014 prepared by the Company according to the PRC GAAP and IFRS, respectively, were audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu in accordance with the Chinese and International Standards on Auditing, respectively, and they have issued the standard audit reports for the Company without qualified opinion.

The Board proposed distributing a cash dividend of RMB0.985 per 10 shares (tax inclusive) for 2014 to Shareholders, which is subject to the approval at the annual general meeting for 2014.

Board of Directors of China Cinda Asset Management Co., Ltd.
March 27, 2015

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

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

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

Corporate Information

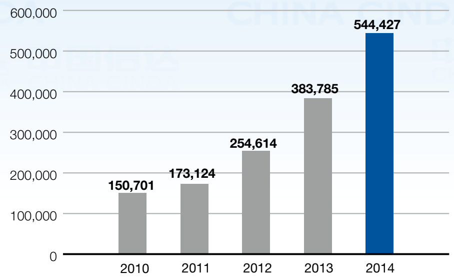
Official Chinese name	中國信達資產管理股份有限公司
Chinese abbreviation	中國信達
Official English name	China Cinda Asset Management Co., Ltd.
English abbreviation	China Cinda
Legal representative	Hou Jianhang
Authorized representatives	Zang Jingfan, Zhang Weidong
Board Secretary	Zhang Weidong
Joint company secretaries	Zhang Weidong, Ngai Wai Fung
Registered address	No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing, the PRC
Postal code of place of registration	100031
Website	www.cinda.com.cn
Principal place of business in Hong Kong	12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong
Website of Hong Kong Stock Exchange for publishing the H Share annual report	www.hkexnews.hk
Place for maintaining annual reports available for inspection	Board of Directors' Office of the Company
Place of Listing of H Shares	The Stock Exchange of Hong Kong Limited
Stock Name	China Cinda
Stock Code	01359
Share Registrar	Computershare Hong Kong Investor Services Limited (Address: Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong)
Registration number of Business License as Legal Person	100000000031562

Corporate Information

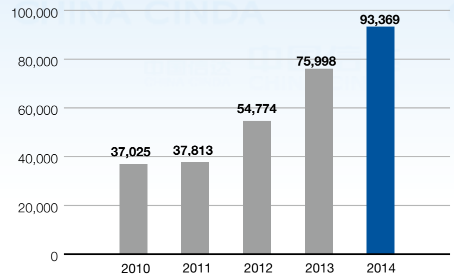
Organization code	71092494-5
Registration number of Financial License	J0004H111000001
Registration number of Tax Certificate	Jing Shui Zheng Zi 110101710924945
Legal advisors as to PRC Law and the place of business	Haiwen & Partners 20/F, Fortune Financial Tower 5 Dong San Huan Central Road Chaoyang District Beijing, China Zhong Lun Law Firm 36–37/F, SK Tower 6A Jianguomenwai Avenue Chaoyang District Beijing, China King & Wood Mallesons 20/F, East Tower, World Financial Center 1 Dongsanhuang Central Road Chaoyang District Beijing, China Fangda Partner 32/F, Plaza 66 Tower 1 1266 Nan Jing West Road Shanghai, China
Legal advisors as to Hong Kong law and place of business	Davis Polk & Wardwell Hong Kong Solicitors 18/F, The Hong Kong Club Building 3A Chater Road Central, Hong Kong Li & Partners 22nd Floor, World-Wide House Central, Hong Kong
International accounting firm and office address	Deloitte Touche Tohmatsu 35/F, One Pacific Place, 88 Queensway, Hong Kong
Domestic accounting firm and office address	Deloitte Touche Tohmatsu Certified Public Accountants LLP 30/F Bund Center 222 Yan An Road East Shanghai, the PRC

Financial Summary

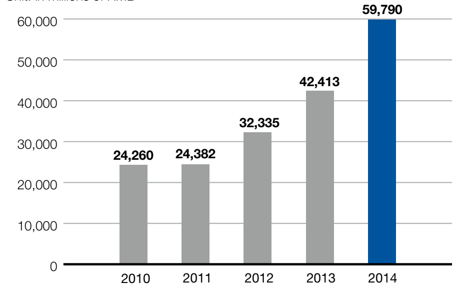
Total assets
Unit: in millions of RMB



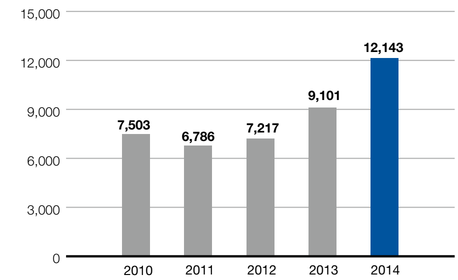
Equity attributable to equity holders of the Company
Unit: in millions of RMB



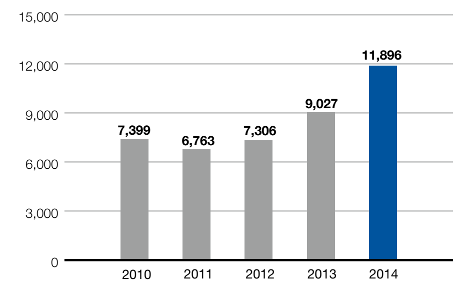
Total income
Unit: in millions of RMB



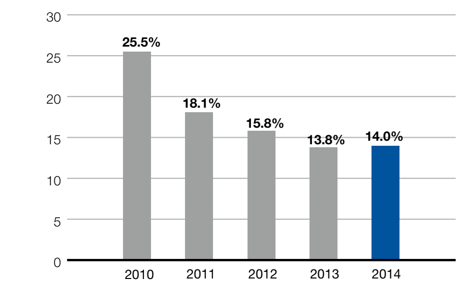
Net profit
Unit: in millions of RMB



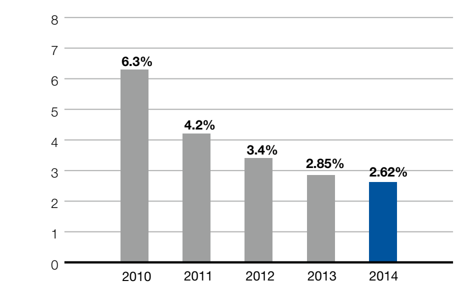
Net profit attributable to equity holders of the Company
Unit: in millions of RMB



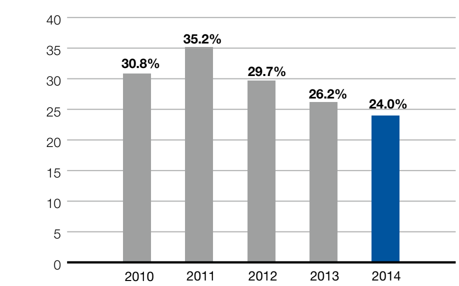
Return on average shareholders' equity
Unit: %



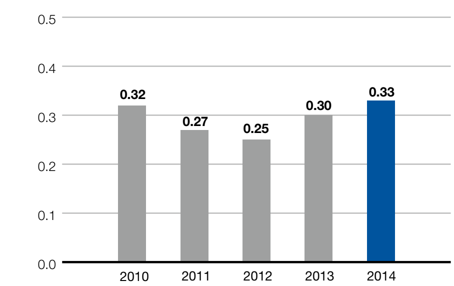
Return on average assets
Unit: %



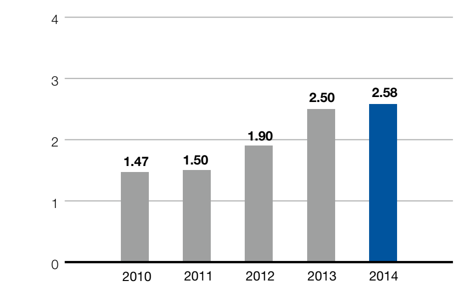
Cost-to-income ratio
Unit: %



Earnings per share
Unit: RMB



Net assets per share
Unit: RMB



Financial Summary

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

	As at and for the year ended December 31,				
	2014	2013	2012	2011	2010
	(in millions of RMB)				
Income from distressed debt assets classified as receivables	18,113.6	10,144.2	3,518.4	180.9	–
Fair value changes on distressed debt assets	4,077.5	4,617.6	3,878.3	4,463.1	5,850.9
Fair value changes on other financial assets	2,180.5	539.0	399.3	40.5	426.1
Investment income	9,116.5	7,043.8	6,528.8	5,779.3	4,834.8
Other income and other net gains or losses	26,302.0	20,068.6	18,010.4	13,918.3	13,148.6
Total income	**59,790.1**	**42,413.2**	**32,335.2**	**24,382.1**	**24,260.4**
Impairment losses on assets	(5,438.1)	(6,153.3)	(4,601.0)	(536.5)	(495.7)
Interest expense	(15,961.1)	(7,803.8)	(3,697.6)	(1,807.0)	(1,366.3)
Other costs and expenses	(20,634.4)	(16,643.8)	(14,901.5)	(13,683.3)	(12,940.6)
Total costs and expenses	**(42,033.6)**	**(30,600.9)**	**(23,200.1)**	**(16,026.7)**	**(14,802.6)**
Change in net assets attributable to other holders of consolidated structured entities	(1,909.9)	(540.5)	(151.5)	50.0	(6.1)
Share of results of associates	460.2	500.3	612.3	652.9	504.5
Profit before tax	16,306.7	11,772.1	9,595.9	9,058.2	9,956.4
Income tax expense	(4,164.0)	(2,671.0)	(2,378.7)	(2,271.9)	(2,453.8)
Net profit for the year	**12,142.7**	**9,101.0**	**7,217.2**	**6,786.3**	**7,502.6**
Profit attributable to:					
Equity holders of the Company	11,896.2	9,027.3	7,306.3	6,762.8	7,399.0
Non-controlling interests	246.5	73.7	(89.1)	23.6	103.6
Assets					
Cash and bank balances	43,891.2	57,059.1	42,726.3	27,187.2	33,772.6
Financial assets at fair value through profit or loss	57,220.5	25,178.5	16,923.0	13,402.1	10,101.9
Available-for-sale financial assets	85,794.6	72,747.2	64,376.6	64,382.3	62,155.8
Financial assets classified as receivables	180,913.1	116,662.7	51,195.1	12,149.8	—
Loans and advances to customers	80,224.7	48,636.4	25,041.5	9,447.9	2,508.4
Other assets	96,383.3	63,501.5	54,351.9	46,554.7	42,162.6
Total assets	**544,427.4**	**383,785.4**	**254,614.4**	**173,124.0**	**150,701.4**

	As at and for the year ended December 31,				
	2014	2013	2012	2011	2010
	(in millions of RMB)				
Liabilities					
Borrowings from central bank	986.1	4,913.0	7,053.4	11,310.7	16,464.6
Accounts payable to brokerage clients	11,663.3	6,480.8	6,629.5	8,150.5	13,677.5
Borrowings	263,452.4	173,834.7	76,099.2	25,178.9	7,826.2
Accounts payable	13,891.2	22,814.1	39,539.4	47,994.9	47,219.5
Bonds issued	43,694.9	13,285.0	12,534.6	495.0	—
Other liabilities	108,876.3	79,695.7	51,873.5	37,151.3	23,012.0
Total liabilities	**442,564.1**	**301,023.3**	**193,729.6**	**130,281.3**	**108,199.9**
Equity					
Equity attributable to equity holders of the Company	93,368.9	75,998.3	54,773.6	37,813.1	37,025.3
Non-controlling interests	8,494.4	6,763.8	6,111.2	5,029.6	5,476.2
Total equity	**101,863.3**	**82,762.1**	**60,884.8**	**42,842.7**	**42,501.6**
Total equity and liabilities	**544,427.4**	**383,785.4**	**254,614.4**	**173,124.0**	**150,701.4**
Financial indicators					
Return on average shareholders' equity(1) (%)	14.0	13.8	15.8	18.1	25.5
Return on average assets(2) (%)	2.62	2.85	3.4	4.2	6.3
Cost-to-income ratio(3) (%)	24.0	26.2	29.7	35.2	30.8
Earnings per share(4) (RMB yuan)	0.33	0.30	0.25	0.27	0.32
Net assets per share(5) (RMB yuan)	2.58	2.50	1.90	1.50	1.47

Notes:

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

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

(3) Cost-to-income ratio: Represents the ratio of the sum of employee benefits, depreciation and amortization and other expenses to total income net of insurance costs, commission and fee expense, purchases and changes in inventories and interest expense.

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

(5) Net assets per share: Represents the net assets attributable to equity holders of the Company at the end of the period divided by the weighted average number of shares.

Chairman’s Statement

Chairman
HOU Jianhang

Under the complicated and challenging economic landscape in 2014, the Company seeked progress while keeping performance stable and seized new opportunities arising from the new normal in China's economic development. We deepened internal reform by emphasizing innovation and risk management to maintain satisfactory business growth. The Group recorded a net profit of RMB11.9 billion attributable to equity holders of the Company, representing an increase of 31.8% when compared with the previous year. The average return on total average assets and return on average shareholders' equity were 2.62% and 14.0%, respectively.

We linked to capital market and modernize corporate governance. 2014 was the first complete operating year of the Company after its listing. The philosophy, regulation and mechanism of the capital market were incorporated in the corporate governance of the Company and were reflected in the practices and code of conducts of its operation at all levels of the Company. Through that, the mentality, business strategy and market adaption ability of the Company were enhanced significantly and the corporate governance and efficiency of decision making of the Company were further improved. Meanwhile, synergy within the Group also enhanced. The Company had been selected as a constituent of various stock indices, including Hang Seng China 50 Index and Hang Seng China Enterprises Index. The position of the Company in international capital markets has been improving. The Company was recognized as one of the "Best Listed Companies" in the Golden Bauhinia Awards of China Securities ceremony (中國證券金紫荊獎). The Company also won four prizes in the annual report competition in 2013 by League of American Communications Professionals LLC.

We implemented our business development strategy to serve the real economy. In view of the new normal and new trend in economic development, and the new pattern and features of the asset management industry, the Company continued to diversify its distressed asset management operation, expanded its distressed asset management business area and served the real economy with tailored and effective services. The Company maintained its leading position in the traditional distressed asset management market by increasing the acquisition size of traditional distressed assets. It has a open market share of more than 50%. Exerting the expertise in the disposal of distressed assets and oriented by market demand, the Company focused on the management of restructured distressed assets. Differentiated financial services are provided for entities in various sectors to help eliminate short term liquidity problem. The Company focused on the development of asset management business by making full use of scale and brand effect to enhance the added-value of products. Leveraging on its professionalism, the Company participated in the mixed ownership reform of state-owned enterprises and major equity investment projects and thus enhanced the integration and optimization of resources. The Company also explored special investment opportunities and dominated bankruptcy and restructuring of large enterprises and made contribution to prevent and eliminate regional and systematic risks. Leveraging on our versatile business platform, we successfully promoted the synergy effects of our various business sectors and provided customized financial solutions and differentiated asset management services for customers.

We refined functional platform to improve overall operation advantages. Pursuant to regulatory requirements, the Group improved its control by emphasizing Group management and focusing on the management of its subsidiaries. The management practices and measures of subsidiaries were improved. The Company enhanced the study of the financial sector and the capital management of the subsidiaries. Allocation of resources was optimized to develop our leading business platform. The efficiency of the Group was maximized through improvement of internal systems, promotion of synergy effects and marketization. The Company promoted the development of its subsidiaries by creating favourable conditions and maximizing the utilization of the business platform so as to improve their competitiveness and profitability and consolidate the foundation for growth of the Group. The total net profit attributable to equity holders of the Company from subsidiaries for the year was RMB3,302 million, representing a further increase of 55.75% as compared to the previous year.

We intensified internal management to lay out a solid foundation for steady development. The risk management system was further improved and comprehensive risk management has been put into practice. We have developed new risk management philosophy for the management of assets and exploration of economic capital management to enhance our risk control capacity. Technology was used to develop new management tools for customer assessment, accounting, internal audit and internal control to improve the effectiveness of our management system. Case study and staff training were further enhanced for the sharing of risk management experience. The risk management skills of front line staff were enhanced. Risks were identified and eliminated regularly. Our risk management system was further strengthened to clearly define the accountability of the relevant staff, improve the risk control system and consolidate the management.

We realized our core values for the development of a excellent and responsible financial institution. The Company developed its unique corporate culture and characteristics on the basis of its core values to strengthen the confidence and loyalty of its staff so as to inspire the creativeness of the staff of the Company. The concept of accountability was adopted in the development and implementation of business strategies of the Company to prevent and eliminate any economic and financial risk so as to maintain the stability of the society. We pushed forward the development of green finance to promote the green development through the participation of energy-saving and environmentally-friendly projects. Striving to become a responsible, modern financial institution, the Company has shown compassion to the people in need by participating in relief activities such as providing humanitarian aid to earthquake victims and others in need.

In accordance with the laws and the Articles, we have changed some of our directors and senior management. In August 2014, Ms. Wang Shurong and Mr. Yin Boqin ceased to act as non-executive directors due to other work arrangements and Mr. Li Honghui and Mr. Song Lizhong were appointed as new non-executive directors. In January 2015, Mr. Xu Zhichao ceased to act as executive director and deputy president due to work arrangements. On behalf of the Board, I would like to thank the resigned directors for their contribution to the development of the Company, and I would like to express our warm welcome to the new directors.

2015 is the final year for completing our first five-year strategic plan since the restructuring of the Company, and is also the starting year for our fourth five-year plan. The Company will step up efforts to carry out reform and innovation, remain aggressive and innovative to adapt to the new economic normal, seize new opportunities and ensure accomplishments in the coming year. As we successfully complete our first five-year strategic plan, we need to formulate the plan for a new round of development to ensure a sustainable and stable development for the Company in the long term, so as to secure steady and competitive returns for our Shareholders.

侯建杭

Chairman
HOU Jianhang

March 27, 2015

President's Statement

President
ZANG Jingfan

In 2014, in the face of the challenges arising from the complicated international financial environment and the new normal in economic development in China, the Company seized the opportunities brought by its listing and steadily carried out structural adjustment and business transformation. All business lines have been growing steadily, fulfilling the operating targets set by the Board.

Our operation performance improved steadily. While dealing with numerous challenges brought by economic downturn, deepened financial disintermediation and rigorous competition among the industry, the Company further strengthened its differentiated operation by capitalising on its leading position in the industry and refining its performance evaluation systems to achieve a coordinated and sustainable growth with high quality. At the end of 2014, the consolidated total assets of the Group amounted to RMB544.43 billion, representing an increase of 41.9% as compared to the end of previous year. Net profit for the year amounted to RMB12.14 billion, representing an increase of 33.4% as compared to the previous year. Net profit attributable to equity holders of the Company was RMB11.90 billion, representing an increase of 31.8% as compared to the previous year.

Our advantages of core business were consolidated. Capturing the adjustment trend of national economic structure adjustment and the needs for the disposal of distressed assets from financial institutions and enterprises, we adjusted our business strategies, optimized asset structure and speeded up the coordinated development of both financial distressed assets and non-financial distressed assets. Revenue from distressed assets business of the Company of the year amounted to RMB31.50 billion and the costs of newly acquired distressed debt assets amounted to RMB149.5 billion, representing a growth of 44.1% and 68.3% respectively as compared to the previous year. The new acquisition costs of financial distressed assets amounted to RMB55.6 billion, for which we maintained a leading position in terms of open market share. Acquisitions of non-financial distressed assets increased steadily, and we have successfully disposed of or obtained dividend income from various equity assets.

Our business transformation achieved great success. Taking the three major opportunities, namely the development opportunity driven from the benefits of reforms following the Third Plenary Session of the 18th Central Committee of the Communist Party of China, business opportunity arising from the structural adjustment of the industry as well as the market opportunity during the economic cycle, we speeded up the adjustment in business structure and business transformation with a focus on capital constraints. By using various management tools, business resources were reallocated to business segments with higher comparative revenue and marginal output. In 2014, the asset management business of our Group maintained steady and rapid growth. Special situations investment showed steady progress and bankruptcy and restructuring projects in relation to large enterprises had made a breakthrough. Moreover, we managed to issue Guarantee Senior Notes of US$1.73 billion and financial bonds of RMB20 billion. As such, our operating results were highly recognized by investors.

Our risk management capability was further enhanced. With full attention to the changes of all risk factors, we successfully struck a balance between business development and risk management by continuing to strengthen the comprehensive risk management and control of risks. In 2014, the Company further enhanced the development of risk culture, and risk awareness of all staff was evidently improved. Mechanisms for acquisition, analysis, transmission and response to risk information have been enhanced, which have significantly strengthened the capability of risk management. With proactive promotion of internal rating system, the ability of front-line staff to identify risks has been enhanced efficiently. We further strengthened our inspection and supervision on risks to ensure the effectiveness of risk prevention and security. We optimized the risk evaluation system to facilitate our staff to balance business development and risk management.

Our management efficiency continued to improve. Focusing on the improvement in organization, procedures and system, we consolidated our management foundation to increase management efficiency. We adjust the organizations at the headquarters and further optimized the mechanisms of human resources, staff training and incentive and restraint. The operation of accounting platform and establishment of multi-dimensional management accounting system led to further improvement in the delicate management of accounting. A series of technology transformation projects such as the disaster recovery and support base and database of the Group were in sound progress. In addition, with our efforts in the promotion of corporate culture and our brand, our competitive strengths and reputation in society continued to enhance.

Currently, the PRC economy has entered the critical period of adjustment and transformation. Development of the financial industry has seen a new trend of deepened reform and faster innovation, and the external operating environment has become more complicated and challenging. In this year, the Company will closely monitor new changes in situations and policies and put more emphasis on maintaining sound operation, reforms and innovation as well as risk management in order to improve development quality and efficiency. We will strive to further refine our operating systems to boost the momentum of our business and promote steady growth of our main business to better serve the real economy. We will also deepen reform and innovation to increase the value of business platform. Our risk management will also be improved and consolidated, aiming to achieve steady, coordinated and sustainable development of all businesses and fulfil all operating targets set by the Board for better performance to reward our investors.

President
ZANG Jingfan

March 27, 2015

Statement of Chairman of the Board of Supervisors

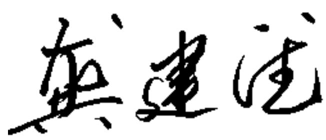
Chairman of the Board of Supervisors
GONG Jiande

Statement of Chairman of the Board of Supervisors

In response to complicated and challenging economic conditions onshore and offshore, as well as the fierce competition in the diversified market in 2014, the Company remained prudent and adopted integrated policies. Insightful, innovative and proactive initiatives were taken to facilitate innovation, restructuring and business transformation. It endeavored to maintain a balanced and optimized management control of the Group. Efforts were also made to consolidate internal management and prevent risk for boosting its healthy development. As such, steady growth in results was recorded, laying a solid foundation for its sound and sustainable development.

Good internal control mechanism and risk management are crucial to safeguard the sound and continuous development of the Company. Since the listing of the Company, the Board of Supervisors has placed its focus on operation and development to facilitate strategic decision-making of the Board, efficient supervision of the Board of Supervisors in compliance with laws and modern corporate governance mechanism of senior management. Legal compliance was also strengthened. Meanwhile, it focused on the strategic and comprehensive development of the Company and accurately identified the key areas of risk supervision. In compliance with laws and regulations, the Board of Supervisors carried out supervision of performance, finance, internal control, risks and strategies. With increasing supervision efficiency, the entire staff of the Company was well aware of the importance of risk compliance. As such, its risk control capacity was significantly enhanced. Coupled with the sound and stable capital efficiency ratio and provision coverage ratio, the operation of the Company was on a positive development track.

Despite intense competition, the Company stands out from its peers by adhering to its missions. Ushering in a new year, the Company will encounter opportunities and challenges in its operation and development under the new norm of economic development. The Board of Supervisors will comply with laws and regulations and fulfill its duties under the Articles in its pursuit of risk prevention and education. Emphasis will be placed on the supervision of performance, finance and internal control. Safeguarding on its operation mechanism and team construction, the Board of Supervisors will monitor the risk factors related to the profitability of the Company and prevent system risks and regional risks in respect of operation and development. It will coordinate internal supervision efforts and strive for optimal supervision and risk prevention with enhanced services, risk awareness and integrity. By ensuring efficient supervision, the Board of Supervisors will also facilitate the improvement of risk control, corporate governance and supervision of the Company for supporting its healthy and sustainable development.



Chairman of the Board of Supervisor
GONG Jiande

March 27, 2015

Management Discussion and Analysis

Economic and Regulatory Environment

The mounting international financial and commodity market fluctuations in 2014 were resulted from the growing impacts of non-economic factors such as geopolitical factors on the financial market. The PRC government maintained the consistency and stability of its macro regulations policies through deepening its extensive reforms. Innovative austerity ideas and measures were introduced in line with the specific preliminary and minor adjustments to its reforms. As such, steady economic and social development was maintained while the economy performed within a reasonable range and positive changes were seen in the economic structure. In addition, the PRC government put emphasis on addressing the risks of the financial sector and actively established optimal risk mitigation systems and mechanisms.

The PRC economy has performed better since 2014 and accomplished the major goals and missions for the year. There was steady growth in consumption and progressive improvement in import and export in each quarter and slower growth in investment and consumer prices. The profitability of industrial enterprises saw some improvement. The development of the PRC economy has been stable, progressing and improving in general. However, affected by the combined impacts of "three stages of the economic cycle", namely the slowdown in economic growth, making difficult structural adjustments and absorbing the effects of previous economic stimulus policies, the PRC economy was exposed to many difficulties and challenges. Meanwhile, significant pressure of economic downturn remained, the aftermath of structural adjustment continued, the difficulties in production and operation of some enterprises intensified, and the financial risks involving certain areas and industries further escalated. In addition, risk exposure of the financial system escalated and the amount of distressed assets continued to increase. Under these circumstances, stronger needs for risk mitigation and increasing distressed asset transactions further liberalized the market.

On the one hand, the PRC government provided guidance for financial institutions to serve the real economy and prevent corporate operational risks. The State Council convened several executive meetings in 2014 to propose various measures such as the "New 10 Financial Rules of the State Council" (金融"新國十條"), in order to curb corporate financing cost and boost interaction between the financial sector and the real economy. Furthermore, the PRC government prioritized risk mitigation for industries with excess production capacity. Efforts were made to bring more opportunities for mergers and acquisitions of such industries and restructuring of bankrupt enterprises.

On the other hand, the PRC government enhanced the management of bad debt write-off and the transfer and disposal of non-performing loans of financial institutions. In view of the increase of the balance and ratios of non-performing loans, the regulatory authority specifically required banks to strengthen their management of such balance and ratios of non-performing loans by increasing disposal of non-performing loans. Distressed asset market players seized the opportunities for market exploration and innovation in order to strengthen and expand the connotation and extension of distressed asset business. Effective disposal of distressed assets of the financial and non-financial sectors played an important role in ensuring the healthy and sustainable economic and financial development.

All in all, with a more advanced macro economy with complex division of labour and further rationalized structure, financial institutions should understand and adapt to the new economic and regulatory environment in accordance with government policies and guidance. The Company should strive for healthy and rapid development by taking advantage of the transition from traditional growth points to new growth points of the economy.

Analysis of Financial Statements

Operating Results of the Group

In 2014, the net profit attributable to equity holders of the Group amounted to RMB11,896.2 million, representing an increase of RMB2,868.9 million, or 31.8%, as compared to the previous year. ROE and ROA were 14.0% and 2.62%, respectively.

	For the year ended December 31,			
	2014	2013	Change	Change in percentage
	(in millions of RMB)			(%)
Income from distressed debt assets classified as receivables	18,113.6	10,144.2	7,969.4	78.6
Fair value changes on distressed debt assets	4,077.5	4,617.6	(540.1)	(11.7)
Fair value changes on other financial assets	2,180.5	539.0	1,641.5	304.5
Investment income	9,116.5	7,043.8	2,072.6	29.4
Net insurance premiums earned	7,443.0	5,771.9	1,671.1	29.0
Interest income	8,810.5	5,059.2	3,751.3	74.1
Revenue from sales of inventories	4,340.5	4,321.9	18.6	0.4
Commission and fee income	3,008.2	2,520.1	488.1	19.4
Net gains on disposal of subsidiaries and associates	642.9	200.6	442.3	220.5
Other income and other net gains or losses	2,056.9	2,194.9	(138.1)	(6.3)
Total income	**59,790.1**	**42,413.2**	**17,376.9**	**41.0**
Insurance costs	(6,865.3)	(5,018.8)	(1,846.5)	36.8
Commission and fee expense	(1,034.3)	(869.4)	(164.9)	19.0
Purchases and changes in inventories	(2,824.0)	(2,720.3)	(103.7)	3.8
Employee benefits	(4,600.6)	(3,797.4)	(803.1)	21.1
Impairment losses on assets	(5,438.1)	(6,153.3)	715.2	(11.6)
Interest expense	(15,961.1)	(7,803.8)	(8,157.4)	104.5
Other expenses	(5,310.2)	(4,237.9)	(1,072.3)	25.3
Total costs and expenses	**(42,033.6)**	**(30,600.9)**	**(11,432.6)**	**37.4**
Change in net assets attributable to other holders of consolidated structured entities	(1,909.9)	(540.5)	(1,369.5)	253.4
Share of results of associates	460.2	500.3	(40.1)	(8.0)
Profit before tax	16,306.7	11,772.1	4,534.6	38.5
Income tax expense	(4,164.0)	(2,671.1)	(1,492.9)	55.9
Net profit for the year	**12,142.7**	**9,101.0**	**3,041.8**	**33.4**
Profit attributable to:				
Equity holders of the Company	11,896.2	9,027.3	2,868.9	31.8
Non-controlling interests	246.5	73.7	172.8	234.5

Total Income

Income from Distressed Assets

Distressed asset business is the core business of the Group. The income from distressed assets is classified on the basis of the nature of the assets including (1) income from distressed debt assets classified as receivables, which is also known as income from debt restructuring; (2) fair value changes on distressed debt assets, including realized gains or losses from disposal of distressed debt assets designated as at fair value and unrealized fair value changes on such assets; (3) income from DES Assets, including dividend income and net gains on disposal of DES assets, which is accounted for as investment income and net gains on disposal of associates; and (4) net gains on disposal of assets in satisfaction of debt.

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

	For the year ended December 31,			
	2014	**2013**	**Change**	**Change in percentage**
	(in millions of RMB)			**(%)**
Income from distressed debt assets classified as receivables	18,113.6	10,144.2	7,969.4	78.6
Fair value changes on distressed debt assets	4,077.5	4,617.6	(540.1)	(11.7)
Available-for-sale financial assets investment income[(1)]	4,488.3	4,995.4	(507.1)	(10.2)
Net gains on disposal of assets in satisfaction of debts[(2)]	231.0	363.9	(132.9)	(36.5)
Total	**26,910.4**	**20,121.1**	**6,789.3**	**33.7**

Notes:

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

(2) Included in other income and net gains or losses on our consolidated income statement.

The income from distressed assets increased from RMB20,121.1 million in 2013 to RMB26,910.4 million in 2014, representing an increase of 33.7%, and accounting for 47.4% and 45.0% of the total income for 2013 and 2014, respectively.

Income from Distressed Debt Assets Classified as Receivables

The income from distressed debt assets classified as receivables increased from RMB10,144.2 million in 2013 to RMB18,113.6 million in 2014, representing an increase of 78.6%, and accounting for 23.9% and 30.3% of the total income for the respective periods. The increase in income and its proportion to the total income were primarily due to the increase in distressed debt assets classified as receivables as a result of the rapid development of this business. As at December 31, 2013 and 2014, the balance of the distressed debt assets classified as receivables was RMB100,913.2 million and RMB167,464.3 million, respectively, representing an increase of 65.9%.

Annualized return of monthly average balance of distressed debt assets classified as receivables decreased from 13.5% in 2013 to 12.2% in 2014, primarily due to the enhancement of risk prevention and control, by adhering to prudent policies, developing high-quality customers, focusing on structural adjustment and intensifying the application of risk-mitigation tools while expanding business of the Company.

Fair Value Changes on Distressed Debt Assets

Fair value changes on distressed debt assets increased from RMB4,617.6 million in 2013 to RMB4,077.5 million in 2014, representing a decrease of 11.7%, and accounting for 10.9% and 6.8% of the total income for 2013 and 2014, respectively. As at December 31, 2013 and 2014, the balance of distressed debt assets designated as at fair value through profit or loss was RMB16,391.7 million and RMB42,302.0 million, respectively.

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

	For the year ended December 31,			
	2014	**2013**	**Change**	**Change in percentage**
	(in millions of RMB)			(%)
Realized fair value changes	3,543.9	4,317.4	(773.5)	(17.9)
Unrealized fair value changes	533.6	300.2	233.4	77.7
Total	**4,077.5**	**4,617.6**	**(540.1)**	**(11.7)**

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

	As at and for the year ended December 31, (in millions of RMB)
December 31, 2012	7,960.2
Acquisition during the year	12,279.5
Disposal during the year	(4,148.2)
Unrealized fair value changes	300.2
December 31, 2013	16,391.7
Acquisition during the year	31,511.2
Disposal during the year	(6,134.5)
Unrealized fair value changes	533.6
December 31, 2014	**42,302.0**

Fair value changes on distressed debt assets decreased by 11.7% in 2014 as compared to 2013, 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 17.9% from RMB4,317.4 million in 2013 to RMB3,543.9 million in 2014. The decrease of the net gains from disposal of such assets was primarily due to most of the income from distressed debt assets in 2014 was generated from the newly acquired distressed assets in the last two years, and the acquisition cost of such newly acquired distressed assets increased for the intense market competition; and the Company expedited the disposal schedule of such assets. The net return rate of such assets of the Company decreased from 111.3% in 2013 to 62.1% in 2014. The IRR[1] remained relatively stable and was 19.3% and 18.6% in 2013 and 2014, respectively.

Investment Income

The investment income increased from RMB7,043.8 million in 2013 to RMB9,116.5 million in 2014, representing an increase of 29.4%, and accounting for 16.6% and 15.2% of the total income in 2013 and 2014, respectively.

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

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

	For the year ended December 31,			
	2014	2013	Change	Change in percentage
	(in millions of RMB)			(%)
Net realized gains from disposal of				
Available-for-sale financial assets	4,822.7	3,850.3	972.4	25.3
Interest income from investment securities				
Available-for-sale financial assets	865.7	596.5	269.2	45.1
Debt instruments classified as receivables	2,011.8	426.1	1,585.7	372.1
Held-to-maturity investments	348.8	354.6	(5.8)	(1.6)
Dividend income				
Available-for-sale financial assets	1,067.5	1,816.3	(748.8)	(41.2)
Total	**9,116.5**	**7,043.8**	**2,072.7**	**29.4**

The investment income increased by 29.4% in 2014 as compared to 2013, primarily due to (1) an increase in net gains from disposal of available-for-sale financial assets by RMB972.4 million, or 25.3%, from RMB3,850.3 million in 2013 to RMB4,822.7 million in 2014; and (2) an increase in interest income from investment securities by RMB1,849.1 million, or 134.3%, from RMB1,377.2 million in 2013 to RMB3,226.3 million in 2014, mainly due to significant increases in interest income from the investment in structured debt arrangements of the Company and the investment in trusts and asset management plans of Happy Life.

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

	For the year ended December 31,			
	2014	2013	Change	Change in percentage
	(in millions of RMB)			(%)
Net realized gains on disposal of available-for-sale financial assets	4,822.7	3,850.3	972.4	25.3
DES Assets of the Company[(1)]	4,052.2	3,644.6	407.6	11.2
Others	770.5	205.7	564.8	274.6
Interest income from available-for-sale financial assets	865.7	596.5	269.2	45.1
Dividend income from available-for-sale financial assets	1,067.5	1,816.3	(748.8)	(41.2)
DES Assets of the Company	436.1	1,350.8	(914.7)	(67.7)
Principal equity investment of the Company and others	631.4	465.5	165.9	35.6
Total	**6,755.9**	**6,263.1**	**492.8**	**7.9**

Note:

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

Investment income from available-for-sale financial assets increased by RMB492.8 million, or 7.9%, from RMB6,263.1 million in 2013 to RMB6,755.9 million in 2014. Investment income from available-for-sale financial assets, which is the main component of the investment income, accounted for 88.9% and 74.1% of the total investment income in 2013 and 2014, respectively. Investment income from available-for-sale financial assets includes (1) net realized gains on disposal of available-for-sale financial assets; (2) interest income from available-for-sale financial assets; and (3) dividend income from available-for-sale financial assets.

Net Insurance Premiums Earned

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

	For the year ended December 31,			
	2014	2013	Change	Change in percentage
	(in millions of RMB)			(%)
Gross written premiums	11,096.0	7,148.3	3,947.8	55.2
Less: Premiums ceded to reinsurers	(3,488.4)	(1,311.6)	(2,176.8)	166.0
Change of unearned premium reserves	(164.6)	(64.8)	(99.8)	154.0
Net insurance premiums earned	**7,443.0**	**5,771.9**	**1,671.1**	**29.0**

The gross written premiums increased by 55.2% to RMB11,096.0 million in 2014 from RMB7,148.3 million in 2013, primarily attributable to an increase in gross written premiums by 84.7% from RMB4,107.2 million in 2013 to RMB7,587.1 million in 2014 as a result of the increase of capital of Happy Life, the improvement of its operation and the launch of new insurance products.

The premiums ceded to reinsurers increased by 166.0% from RMB1,311.6 million in 2013 to RMB3,488.4 million in 2014, primarily because Happy Life increased the proportion of reinsurance to maintain its solvency ratio in accordance with the regulatory requirement. As a result, the premiums ceded to reinsurers increased by 195.8% from RMB1,109.0 million in 2013 to RMB3,280.1 million in 2014.

The change of unearned premium reserves increased by 154.0% to RMB164.6 million in 2014 from RMB64.8 million in 2013. Net insurance premiums earned increased by 29.0% to RMB7,443.0 million in 2014 from RMB5,771.9 million in 2013, mainly because the increase in gross written premiums was partially offset by the increase in premiums ceded to reinsurers and change of unearned premium reserves.

Commission and Fee Income

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

	For the year ended December 31,			
	2014	2013	Change	Change in percentage
	(in millions of RMB)			(%)
Securities and futures brokerage	1, 207.1	1,013.8	193.3	19.1
Trustee services	553.1	754.7	(201.6)	(26.7)
Consultancy and financial advisory	559.6	361.6	198.0	54.8
Fund and asset management business	277.7	213.7	64.0	29.9
Securities underwriting	323.7	115.9	207.8	179.3
Agency business	66.5	42.2	24.3	57.6
Others	20.5	18.2	2.3	12.6
Total	**3,008.2**	**2,520.1**	**488.1**	**19.4**

The commission and fee income increased by 19.4% to RMB3,008.2 million in 2014 as compared to RMB2,520.1 million in 2013, primarily because:

Commission and fee income on consultancy and financial advisory increased by 54.8% from RMB361.6 million in 2013 to RMB559.6 million in 2014, primarily due to the increase of financial advisory projects of the Company and the growth of industry analysis service of Cinda Leasing in 2014.

Income of securities underwriting was primarily generated from Cinda Securities and Cinda Hong Kong. Such income increased by 179.3% to RMB323.7 million in 2014 as compared to RMB115.9 million in 2013, primarily due to the expansion of underwriting business of Cinda Securities.

Commission and fee income on securities and futures brokerage increased by 19.1% to RMB1,207.1 million in 2014 as compared to RMB1,013.8 million in 2013, primarily due to the expansion of securities brokerage of Cinda Securities.

Commission and fee income on fund and asset management business increased by 29.9% to RMB277.7 million in 2014 from RMB213.7 million in 2013, primarily due to the expansion of the fund and asset management of Cinda Capital and First State Cinda Fund.

Fee income on trustee services consists primarily of fees for trust businesses of Jingu Trust. Such fee income decreased by 26.7% to RMB553.1 million in 2014 as compared to RMB754.7 million in 2013, primarily due to the reduction in the scale of trustee services as compared with 2013.

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

	For the year ended December 31,			
	2014	2013	Change	Change in percentage
	(in millions of RMB)			(%)
Revenue from sales of inventories	4,340.5	4,321.9	18.6	0.4
Purchases and changes in inventories	(2,824.0)	(2,720.3)	(103.7)	3.8
including:				
Revenue from sales of properties held for sales	4,194.0	4,132.8	61.2	1.5
Purchases and changes in properties held for sales	(2,706.2)	(2,589.1)	(117.0)	4.5
Gross profit from sales of properties	1,487.8	1,543.7	(55.8)	(3.6)
Gross profit margin from sales of properties (%)	**35.5**	**37.4**	**(1.9)**	**(5.0)**

The revenue from sales of inventories increased by 0.4% to RMB4,340.5 million in 2014 as compared to RMB4,321.9 million in 2013 and the purchases and changes in inventories increased by 3.8% to RMB2,824.0 million in 2014 as compared to RMB2,720.3 million in 2013. Due to the macro-control policies on the property sector of China in 2014, revenue from sales of inventories was generally stable whereas purchases and changes in inventories slightly increased, resulting in a slightly decrease in gross profit margin from sales of properties from 37.4% in 2013 to 35.5% in 2014.

Interest Income

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

	For the year ended December 31,			
	2014	2013	Change	Change in percentage
	(in millions of RMB)			(%)
Loans and advances to customers	6,191.5	3,224.4	2,967.1	92.0
Bank balances	1,861.5	1,242.2	619.3	49.9
Accounts receivable	361.0	362.2	(1.2)	(0.3)
Placements with a financial institution	77.7	105.1	(27.4)	(26.1)
Financial assets held under resale agreements	236.8	28.9	207.9	719.4
Others(1)	82.0	96.4	(14.4)	(14.9)
Total	**8,810.5**	**5,059.2**	**3,751.3**	**74.1**

Note:

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

The interest income increased by 74.1% to RMB8,810.5 million in 2014 as compared to RMB5,059.2 million in 2013, primarily due to an increase in interest income from loans and advances to customers, bank balances and financial assets held under resale agreements.

The interest income from loans and advances to customers increased by 92.0% to RMB6,191.5 million in 2014 as compared to RMB3,224.4 million in 2013, primarily due to (1) an increase in interest income from Cinda Leasing as a result of the increase in its average balance of interest-earning assets in line with its rapid growth; (2) an increase in loans secured by pledges and entrusted loans granted by subsidiaries such as Cinda Investment and Cinda Hong Kong; and (3) an increase in entrusted loans and loans secured by pledges granted by consolidated structured entities.

The interest income from bank balances increased by 49.9% to RMB1,861.5 million in 2014 as compared to RMB1,242.2 million in 2013, primarily attributable to Company's enhanced capabilities of short-term cash management.

The interest income from financial assets held under resale agreements increased by 719.4% to RMB236.8 million in 2014 from RMB28.9 million in 2013, primarily attributable to the Company's increased investment in such assets to enhance capabilities of short-term cash management. As at December 31, 2013 and 2014, financial assets held under resale agreements were RMB1,053.5 million and RMB11,454.2 million, respectively, representing an increase of RMB10,400.7 million.

Other Income and Other Net Gains or Losses

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

	For the year ended December 31,			
	2014	2013	Change	Change in percentage
	(in millions of RMB)			(%)
Net gains on disposal of investment properties	291.1	679.1	(388.0)	(57.1)
Net gains on disposal of other assets	231.0	363.9	(132.9)	(36.5)
Net gains/losses on exchange differences	244.1	(55.7)	299.8	(538.6)
Rental income	289.6	454.9	(165.3)	(36.3)
Revenue from hotel operation	482.3	386.8	95.5	24.7
Revenue from property management business	234.3	186.2	48.1	25.8
Government grant and compensation	30.7	36.4	(5.7)	(15.6)
Others	253.7	143.3	110.4	77.0
Total	**2,056.8**	**2,194.9**	**(138.1)**	**(6.3)**

The other income and net gains or losses decreased by 6.3% to RMB2,056.8 million in 2014 as compared to RMB2,194.9 million in 2013, primarily due to the decrease in net gains on disposal of investment properties by Cinda Investment.

The net gains/losses on exchange differences increased by 538.6% to RMB244.1 million in 2014 from RMB-55.7 million in 2013, primarily due to the foreign exchange settlement of the proceeds from the listing of the Company in the end of 2013 in Hong Kong dollar and the exchange rate of Hong Kong dollar continued to appreciate in 2014.

Total Costs and Expenses

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

	For the year ended December 31,			
	2014	2013	Change	Change in percentage
	(in millions of RMB)			(%)
Insurance costs	(6,865.3)	(5,018.8)	(1,846.5)	36.8
Commission and fee expense	(1,034.3)	(869.4)	(164.9)	19.0
Purchases and changes in inventories	(2,824.0)	(2,720.3)	(103.7)	3.8
Employee benefits	(4,600.6)	(3,797.4)	(803.1)	21.1
Business tax and surcharges	(1,981.3)	(1,233.9)	(747.4)	60.6
Depreciation and amortization expenses	(456.4)	(443.8)	(12.6)	2.8
Impairment losses on assets	(5,438.1)	(6,153.3)	715.2	(11.6)
Interest expense	(15,961.1)	(7,803.8)	(8,157.4)	104.5
Other expenses	(2,872.5)	(2,560.2)	(312.3)	12.2
Total	**(42,033.6)**	**(30,600.9)**	**(11,432.7)**	**37.4**

The total costs and expenses increased by 37.4% to RMB42,033.6 million in 2014 as compared to RMB30,600.9 million in 2013, primarily due to increases in interest expenses, insurance costs and business tax and surcharges.

Insurance Costs

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

	For the year ended December 31,			
	2014	2013	Change	Change in percentage
	(in millions of RMB)			(%)
Reserves for insurance contracts	(4,115.8)	(3,025.0)	(1,090.8)	36.1
Interest credited and policyholder dividends	(481.6)	(388.3)	(93.3)	24.0
Refund of reinsurance premiums	3,374.4	1,210.8	2,163.5	178.7
Other insurance expenses[(1)]	(5,642.3)	(2,816.3)	(2,826.0)	100.3
Total	**(6,865.3)**	**(5,018.8)**	**(1,846.5)**	**36.8**

Note:

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

The insurance costs increased by 36.8% to RMB6,865.3 million in 2014 as compared to RMB5,018.8 million in 2013, primarily due to the benefit payments of Happy Life under the long-term life insurance contracts and increases in claims incurred and other expenses in line with the increased insurance premiums in 2014.

The refund of reinsurance premiums increased by 178.7% to RMB3,374.4 million in 2014 as compared to RMB1,210.8 million in 2013, which was in line with the trend of increase in premiums ceded to reinsurers. The increase was primarily due to the increase in the premiums ceded to reinsurers by Happy Life in 2014.

The other insurance expenses increased by 100.3% to RMB5,642.3 million in 2014 as compared to RMB2,816.3 million in 2013, primarily due to the benefit payments of Happy Life under the long-term life insurance contracts and increases in claims incurred and other expenses in line with the increased insurance premiums in 2014.

Commission and Fee Expenses

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

	For the year ended December 31,			
	2014	2013	Change	Change in percentage
	(in millions of RMB)			(%)
Insurance sales	(807.7)	(682.6)	(125.1)	18.3
Securities brokerage	(150.5)	(88.3)	(62.2)	70.4
Others	(76.1)	(98.5)	22.4	(22.7)
Total	**(1,034.3)**	**(869.4)**	**(164.9)**	**19.0**

The commission and fee expenses increased by 19.0% to RMB1,034.3 million in 2014 as compared to RMB869.4 million in 2013, primarily due to the increases in commission and fees paid for insurance agency services by Happy Life and Cinda P&C and the increases in commission and fees paid for securities brokerage of Cinda Securities. The commission and fee expenses paid for insurance agency services increased by 18.3% to RMB807.7 million in 2014 as compared to RMB682.6 million in 2013.

Employee Benefit

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

	For the year ended December 31,			
	2014	2013	Change	Change in percentage
	(in millions of RMB)			(%)
Wages or salaries, bonuses, allowances and subsidies	(3,615.1)	(3,016.8)	(598.3)	19.8
Social insurance	(437.8)	(344.9)	(92.9)	26.9
Annuity Scheme	(63.5)	(30.0)	(33.5)	111.7
Housing funds	(168.6)	(159.0)	(9.6)	6.0
Labor union fees and staff education fees	(124.3)	(96.8)	(27.5)	28.5
Others	(191.3)	(150.0)	(41.3)	27.5
Total	**(4,600.6)**	**(3,797.4)**	**(803.2)**	**21.2**

The employee benefits increased by 21.2% to RMB4,600.6 million in 2014 as compared to RMB3,797.4 million in 2013, primarily due to the increases in (1) the total number of employees, (2) wages or salaries, bonuses, allowances and subsidies as well as other costs for staff under the employee benefits. Wages or salaries, bonuses, allowances and subsidies increased by 19.8% from RMB3,016.8 million in 2013 to RMB3,615.1 million in 2014.

Impairment Losses on Assets

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

	For the year ended December 31,			
	2014	2013	Change	Change in percentage
	(in millions of RMB)			(%)
Distressed debt assets classified as receivables	(2,744.4)	(1,501.1)	(1,243.3)	82.8
Available-for-sale financial assets	(1,512.3)	(4,007.0)	2,494.7	(62.3)
Loans and advances to customers	(856.5)	(503.3)	(353.2)	70.2
Inventory	(82.9)	–	(82.9)	–
Debt securities classified as receivables	(60.4)	2.3	(62.7)	(2,726.1)
Interests in associates	(60.4)	–	(60.4)	–
Property and equipment	(17.3)	–	(17.3)	–
Account receivables	(5.7)	(7.2)	1.5	(20.8)
Others	(98.2)	(137.0)	38.8	(28.3)
Total	**(5,438.1)**	**(6,153.3)**	**715.2**	**(11.6)**

The impairment losses on assets decreased by 11.6% to RMB5,438.1 million in 2014 as compared to RMB6,153.3 million in 2013, primarily due to the decrease in provision for impairment losses on available-for-sale financial assets.

The impairment losses on distressed debt assets classified as receivables increased by 82.8% to RMB2,744.4 million in 2014 from RMB1,501.1 million in 2013, primarily due to the increase in the balance of distressed debt assets classified as receivables from RMB100,913.2 million in 2013 to RMB167,464.3 million in 2014 and the allowance for impairment losses which is collectively assessed increased accordingly.

The impairment losses on available-for-sale financial assets decreased by 62.3% to RMB1,512.3 million in 2014 as compared to RMB4,007.0 million in 2013, primarily due to the fact that stock market performance of A shares in 2014 was stronger than that of 2013 and the stock prices of most listed DES Companies rose.

Interest Expense

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

	For the year ended December 31,			
	2014	2013	Change	Change in percentage (%)
	(in millions of RMB)			
Borrowings from central bank				
wholly repayable within five years	(32.5)	(115.7)	83.2	(71.9)
Accounts payable to brokerage clients	(26.6)	(20.4)	(6.2)	30.4
Financial assets sold under repurchase agreements	(305.7)	(396.3)	90.6	(22.9)
Borrowings				
wholly repayable within five years	(13,430.2)	(6,004.4)	(7,425.8)	123.7
not wholly repayable within five years	(25.8)	(44.0)	18.2	(41.4)
Amount due to the MOF	(375.8)	(591.5)	215.7	(36.5)
Bonds issued	(1,489.0)	(585.3)	(903.7)	154.4
Placements from banks and a financial institution	(275.5)	(46.2)	(229.3)	496.3
Total	**(15,961.1)**	**(7,803.8)**	**(8,157.3)**	**104.5**

The interest expense increased by 104.5% to RMB15,961.1 million in 2014 as compared to RMB7,803.8 million in 2013, primarily due to the increases in interest expense on the borrowings and bonds issued resulting from the increased borrowings for the rapidly developing core businesses.

The interest expense on borrowings increased by 122.5% to RMB13,456.0 million in 2014 as compared to RMB6,048.4 million in 2013, primarily due to (1) an increase in the borrowings from banks and other financial institutions to support the growing acquisitions of distressed assets classified as receivables; and (2) an increase in borrowings by Cinda Leasing and Cinda Investment to support the growth of their businesses.

The interest expense on bonds issued increased by 154.4% to RMB1,489.0 million in 2014 as compared to RMB585.3 million in 2013, primarily due to (1) the financial bonds of RMB10 billion and RMB20 billion issued in October 2012 and May 2014 by the Company, respectively; and (2) 5-year and 10-year fixed rate Guaranteed Senior Notes with principal of USD1,000 million and USD500 million issued by a wholly-owned subsidiary of Cinda Hong Kong, a subsidiary of the Company, in May 2014.

Income Tax Expense

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

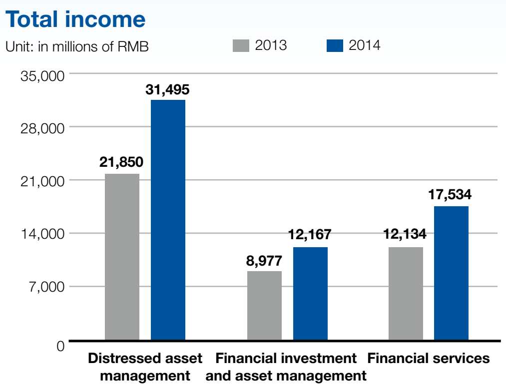
	For the year ended December 31,			
	2014	2013	Change	Change in percentage
	(in millions of RMB)			(%)
Profit before tax	16,306.7	11,772.0	4,534.7	38.5
Income tax expense	(4,164.0)	(2,671.1)	(1,492.9)	55.9
Effective tax rate (%)	**25.5**	**22.7**	**2.8**	**12.3**

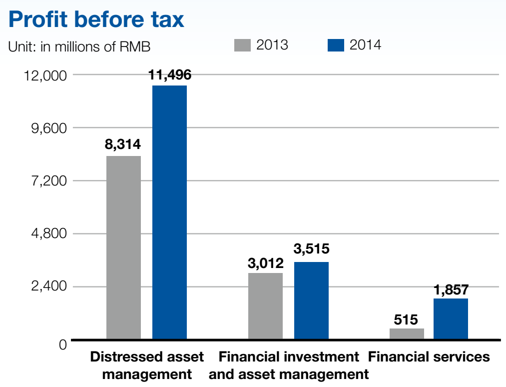
The income tax expense increased by 55.9% to RMB4,164.0 million in 2014 as compared to RMB2,671.1 million in 2013, primarily due to an increase in the taxable income. In 2013 and 2014, the effective tax rates were 22.7% and 25.5%, respectively. The increase in the effective tax rate in 2014 was primarily due to the decrease in non-taxable items of the Company as compared to 2013 and the fact that deferred tax assets of certain subsidiaries could not meet the criteria for recognition.

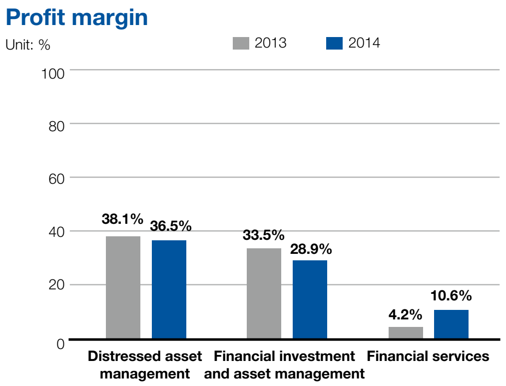
Segment Results of Operations

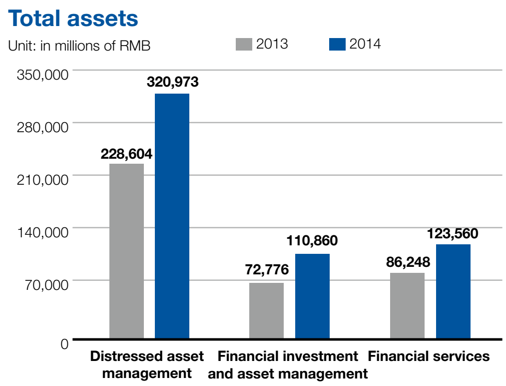
We report the financial results in three segments: (1) distressed asset management business, such as distressed debt asset management, management of DES Assets and custody, liquidation and restructuring services for distressed entities; (2) financial investment and asset management business, such as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

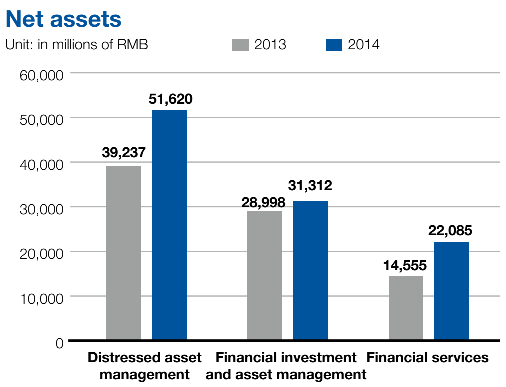
Financial summary of our business segments:

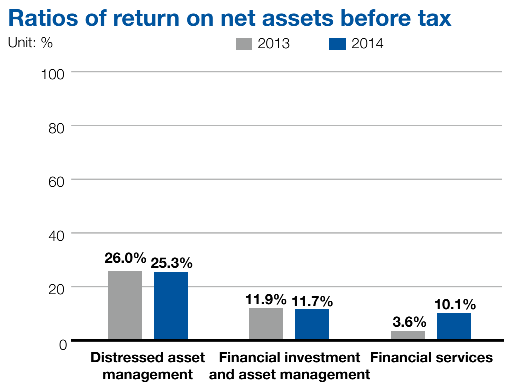












The following table sets forth the segment financial positions of the Group as at the dates and for the years indicated.

	For the year ended December 31,									
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	Distressed asset management		Financial investment and asset management		Financial services (in millions of RMB)		Elimination		Consolidation	
Total income	31,495.1	21,849.8	12,166.9	8,976.8	17,534.0	12,133.9	(1,405.9)	(547.4)	59,790.1	42,413.2
Percentage of total (%)	52.7	51.5	20.3	21.2	29.3	28.6				
Total costs and expenses	(20,065.1)	(13,590.4)	(7,477.0)	(5,853.2)	(15,336.0)	(11,635.9)	844.5	478.6	(42,033.6)	(30,600.9)
Profit before tax	11,496.4	8,314.3	3,515.2	3,011.7	1,856.6	514.9	(561.5)	(68.8)	16,306.7	11,772.1
Percentage of total tax (%)	70.5	70.6	21.6	25.6	11.4	4.4				
Profit margin (%)	36.5	38.1	28.9	33.5	10.6	4.2			27.3	27.8
Return on net assets before tax (%)[1]	25.3	26.0	11.7	11.9	10.1	3.6				

	As at December 31,									
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	Distressed asset management		Financial investment and asset management		Financial services (in millions of RMB)		Elimination		Consolidation	
Total assets	320,973.5	228,603.9	110,860.2	72,776.4	123,560.4	86,248.2	(10,966.7)	(3,843.1)	544,427.4	383,785.4
Percentage of total (%)	59.0	59.6	20.4	19.0	22.7	22.5				
Net assets	51,619.7	39,237.0	31,312.0	28,998.2	22,084.6	14,555.1	(3,153.0)	(28.2)	101,863.3	82,762.2
Percentage of total (%)	50.7	47.4	30.7	35.0	21.7	17.6				

Note:
(1) Return on net assets before tax refers to profit before tax divided by the average of net assets at the beginning and end of the period.

Distressed asset management is our core business and one of our principal income contributors. In 2013 and 2014, the income generated from distressed asset management accounted for 51.5% and 52.7% of our total income, respectively, and the profit before tax generated from distressed asset management accounted for 70.6% and 70.5% of our total profit before tax, respectively. As at December 31, 2013 and 2014, the total assets of our distressed asset management accounted for 59.6% and 59.0% of our total assets and the net assets of our distressed asset management accounted for 47.4% and 50.7%, of our total net assets, respectively.

The profit contribution from the financial investment and asset management services remained stable in 2013 and 2014, accounting for 25.6% and 21.6% of the total profit before tax of the Group, respectively. In 2013 and 2014, the profit margin of this segment accounted for 33.5% and 28.9%, respectively, and average annualized return on net asset before tax were 11.9% and 11.7%, respectively.

As a key component of the Group and an important cross-selling driver, the financial services segment benefited from our synergistic and diversified operations and management strategies. The total income and profit before tax of the segment in 2014 increased by 44.5% and 260.6% from 2013, respectively.

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

Summary of Statement of Financial Position

As at December 31, 2013 and 2014, the total assets of the Group amounted to RMB383,785.4 million and RMB544,427.4 million respectively, representing an increase of 41.9%. Total liabilities amounted to RMB301,023.3 million and RMB442,564.2 million respectively, representing an increase of 47.0%. Total equity amounted to RMB82,762.1 million and RMB101,863.3 million respectively, representing an increase of 23.1%.

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

	2014		2013	
	Amount	Percentage (%)	Amount	Percentage (%)
	(in millions of RMB)			
Assets				
Cash and bank balances	43,891.2	8.1	57,059.1	14.9
Financial assets at fair value through profit or loss	57,220.5	10.5	25,178.5	6.6
Available-for-sale financial assets	85,794.6	15.8	72,747.2	19.0
Financial assets classified as receivables	180,913.1	33.2	116,662.7	30.4
Loans and advances to customers	80,224.7	14.7	48,636.4	12.7
Other assets	96,383.3	17.7	63,501.5	16.5
Total assets	**544,427.4**	**100.0**	**383,785.4**	**100.0**
Liabilities				
Borrowings from central bank	986.1	0.2	4,913.0	1.6
Accounts payable to brokerage clients	11,663.3	2.6	6,480.8	2.2
Borrowings	263,452.4	59.5	173,834.7	57.7
Accounts payable	13,891.2	3.1	22,814.1	7.6
Bonds issued	43,694.9	9.9	13,285.0	4.4
Other liabilities	108,876.3	24.6	79,695.7	26.5
Total liabilities	**442,564.1**	**100.0**	**301,023.3**	**100.0**
Equity				
Equity attributable to equity holders of the Company	93,368.9	91.7	75,998.3	91.8
Non-controlling interests	8,494.4	8.3	6,763.8	8.2
Total equity	**101,863.3**	**100.0**	**82,762.1**	**100.0**
Total equity and liabilities	**544,427.4**		**383,785.4**	

Assets

Cash and Bank Balances

Cash and bank balances primarily consist of cash, our bank deposits and deposits that Cinda Securities holds on behalf of its customers in the securities brokerage business with banks and other financial institutions. As at December 31, 2013 and 2014, cash and bank balances amounted to RMB57,059.1 million and RMB43,891.2 million, respectively, representing a decrease of 23.1%.

Financial Assets at Fair Value through Profit or Loss

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

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

	As at December 31,			
	2014	**2013**	**Change**	**Change in percentage**
	(in millions of RMB)			**(%)**
Held-for-trading financial assets				
Debt securities	7,064.7	4,096.6	2,968.1	72.5
Equity instruments listed or traded on exchanges	2,409.9	736.0	1,673.9	227.4
Mutual funds	1,505.1	1,097.3	407.8	37.2
Derivatives	17.4	18.0	(0.6)	(3.3)
Subtotal	**10,997.1**	**5,947.9**	**5,049.2**	**84.9**
Financial assets designated as at fair value through profit or loss				
Distressed debt assets	42,302.0	16,391.7	25,910.3	158.1
Financial institution convertible bonds	698.3	947.0	(248.7)	(26.3)
Corporate convertible bonds	46.3	106.7	(60.4)	(56.6)
Wealth management products	2,521.6	1,218.4	1,303.2	107.0
Unlisted equity instruments	655.2	566.8	88.4	15.6
Subtotal	**46,223.4**	**19,230.6**	**26,992.8**	**140.4**
Total	**57,220.5**	**25,178.5**	**32,042.0**	**127.3**

As at December 31, 2013 and 2014, held-for-trading financial assets amounted to RMB5,947.9 million and RMB10,997.1 million respectively, representing an increase of 84.9%. The increase was mainly attributable to the significant increases in the debt securities and equity instruments held by Cinda Securities and Happy Life.

As at December 31, 2013 and 2014, financial assets designated as at fair value through profit or loss amounted to RMB19,230.6 million and RMB46,223.4 million, respectively, representing an increase of 140.4%, mainly attributable to the increase in traditional distressed debt assets of the Company. Distressed debt assets designated as at fair value through profit or loss increased by 158.1% from RMB16,391.7 million as at December 31, 2013 to RMB42,302.0 million as at December 31, 2014, mainly attributable to the acquisition of a large amount of such assets by the Company in 2014.

Available-for-sale Financial Assets

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

	As at December 31,			
	2014	2013	Change	Change in percentage (%)
	(in millions of RMB)			
Debt securities	10,785.2	10,738.6	46.6	0.4
Equity instruments	45,492.0	44,767.0	725.0	1.6
Debt instruments issued by financial institutions and asset management plans	15,611.0	9,404.3	6,206.7	66.0
Funds	8,646.3	4,541.9	4,104.4	90.4
Trust products and rights to trust assets	2,870.7	1,913.2	957.5	50.0
Wealth management products	1,238.1	1,273.4	(35.3)	(2.8)
Asset-backed securities	605.2	–	605.2	–
Others	546.0	108.8	437.3	401.9
Total	**85,794.6**	**72,747.2**	**13,047.4**	**17.9**

As at December 31, 2013 and 2014, available-for-sale financial assets amounted to RMB72,747.2 million and RMB85,794.6 million respectively, representing an increase of 17.9%.

Equity instruments are the largest component of available-for-sale financial assets of the Group. As at December 31, 2013 and 2014, equity instruments amounted to RMB44,767.0 million and RMB45,492.0 million, accounting for 61.5% and 53.0% of total available-for-sale financial assets, respectively.

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

	As at December 31,			
	2014	2013	Change	Change in percentage
	(in millions of RMB)			(%)
The Group				
Listed	8,583.3	7,382.8	1,200.5	16.3
Unlisted	36,908.7	37,384.2	(475.5)	(1.3)
Total	**45,492.0**	**44,767.0**	**725.0**	**1.6**
The Company				
Listed	6,431.0	5,524.7	906.3	16.4
Unlisted	33,763.8	35,510.7	(1,746.9)	(4.9)
Sub-total	**40,194.8**	**41,035.4**	**(840.6)**	**(2.0)**
DES Assets[1]	38,381.9	39,151.4	(769.5)	(2.0)
Financial equity investments by the Company[2]	1,812.9	1,884.0	(71.1)	(3.8)
Sub-total	**40,194.8**	**41,035.4**	**(840.6)**	**(2.0)**

Notes:

(1) Represents DES Assets held by the Company under the available-for-sale financial assets, which are recorded under the distressed asset management segment.

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

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

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

	As at and for the year ended December 31,
December 31, 2012	(3,881.8)
Provisions for impairment losses	(4,007.0)
Reversal of impairment losses	–
Disposal	511.1
December 31, 2013	(7,377.7)
Provisions for impairment losses	(1,558.7)
Reversal of impairment losses	1,843.2
Disposal	3,782.6
December 31, 2014	**(3,310.6)**

In 2013 and 2014, provisions for impairment losses on available-for-sale financial assets amounted to RMB4,007.0 million and RMB1,558.7 million respectively, mainly reflecting the market price changes of certain listed companies' equity interests held by the Group.

Financial Assets Classified as Receivables

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

	As at December 31,			
	2014	**2013**	**Change**	**Change in percentage (%)**
	(in millions of RMB)			
Distressed debt assets				
Loans acquired from financial institutions	43,586.5	36,512.9	7,073.6	19.4
Accounts receivable acquired from non-financial institutions	123,877.8	64,400.3	59,477.5	92.4
Subtotal	**167,464.3**	**100,913.2**	**66,551.1**	**65.9**
Allowance for impairment losses	(5,355.4)	(2,942.6)	(2,412.8)	82.0
Debt Securities				
Trust products	3,687.9	2,329.0	1,358.9	58.3
Certificate treasury bonds	117.7	142.7	(25.0)	(17.5)
Asset management plans	1,806.0	230.0	1,576.0	685.2
Subtotal	**5,611.6**	**2,701.7**	**2,909.9**	**107.7**
Allowance for impairment losses	(66.0)	(5.7)	(60.3)	1,057.9
Structured debt arrangements	13,258.6	15,996.1	(2,737.5)	(17.1)
Total	**180,913.1**	**116,662.7**	**64,250.4**	**55.1**

As at December 31, 2013 and 2014, distressed debt assets classified as receivables amounted to RMB100,913.2 million and RMB167,464.3 million, respectively, representing an increase of 65.9%. The increase was mainly because the Company captured the market opportunities and provided products which were tailored to clients' needs and acquired a large amount of distressed debt assets.

As at December 31, 2013 and 2014, the impaired distressed debt assets classified as receivables of the Company were RMB1,010.7 million and RMB2,037.1 million, respectively, accounting for 1.0% and 1.2% of the total distressed debt assets classified as receivables, respectively. As at December 31, 2013 and 2014, the allowance for impairment losses on distressed debt assets classified as receivables was RMB2,942.6 million and RMB5,432.0 million, respectively, the coverage ratio of distressed debt assets classified as receivables was 291.1% and 266.7%, respectively, and the ratio of allowance to total distressed debt assets classified as receivables was 2.92% and 3.19%, respectively.

As at December 31, 2014, the balance of structured debt arrangements amounted to RMB13,258.6 million. Such assets were acquired by the Company from banks through structured fund arrangements, and are non-derivative financial assets with fixed return which have no active market quotes. Such assets were managed as loans and receivables and recorded as financial assets classified as receivables.

Loans and Advances to Customers

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

	As at December 31,			
	2014	2013	Change	Change in percentage
	(in millions of RMB)			(%)
Unsecured loans	2,790.4	50.0	2,740.4	5,480.8
Loans secured by properties	7,394.5	4,132.6	3,261.9	78.9
Other secured loans	1,192.5	1,445.4	(252.9)	(17.5)
Loans to margin clients	6,939.7	2,750.8	4,188.9	152.3
Finance lease receivables	37,020.4	25,700.9	11,319.5	44.0
Entrusted loans	26,677.4	15,498.5	11,178.9	72.1
Subtotal	**82,014.9**	**49,578.2**	**32,436.7**	**65.4**
Allowance for impairment losses	(1,790.2)	(941.8)	(848.4)	90.1
Total	**80,224.7**	**48,636.4**	**31,588.3**	**64.9**

As at December 31, 2013 and 2014, loans and advances to customers amounted to RMB48,636.4 million and RMB80,224.7 million, respectively, representing an increase of 64.9%.

Entrusted loans increased by 72.1% from RMB15,498.5 million as at December 31, 2013 to RMB26,677.4 million as at December 31, 2014, mainly attributable to (1) the rapid development of asset management business and the corresponding increase in consolidated structured entities which engaged in the operation of entrusted loans; and (2) the growth of entrusted loan business of Cinda Investment.

Loans to margin clients increased by 152.3% from RMB2,750.8 million as at December 31, 2013 to RMB6,939.8 million as at December 31, 2014, mainly attributable to the development of margin financing and securities lending business of Cinda Securities.

Loans secured by properties increased by 78.9% from RMB4,132.6 million as at December 31, 2013 to RMB7,394.5 million as at December 31, 2014, mainly attributable to (1) the increase in consolidated structured entities which engaged in the operation of entrusted loans in line with the rapid development of asset management business; and (2) the growth of loans secured by properties of Cinda Hong Kong.

Net finance lease receivables (before allowance for impairment losses) increased by 44.0% from RMB25,700.9 million as at December 31, 2013 to RMB37,020.4 million as at December 31, 2014, mainly attributable to the expansion of Cinda Leasing business. As at December 31, 2013 and 2014, net finance lease receivables accounted for 51.8% and 45.1% of loans and advances to customers respectively. The decrease in percentages was mainly attributable to the rapid growth of entrusted loans, loans to margin clients and loans secured by properties.

The table below sets forth the net amount of finance lease receivables we receive within the years indicated, as at the dates indicated.

	As at December 31,			
	2014	2013	Change	Change in percentage
	(in millions of RMB)			(%)
Gross investment in finance leases	42,361.4	29,306.0	13,055.4	44.5
Less: Unearned finance income	5,341.0	3,605.1	1,735.9	48.2
Net finance lease receivables	**37,020.4**	**25,700.9**	**11,319.5**	**44.0**
Within 1 year (inclusive)	11,432.2	8,989.9	2,442.3	27.2
1 year to 5 years (inclusive)	24,163.9	16,256.8	7,907.1	48.6
Over 5 years	1,424.3	454.2	970.1	213.6
Allowance for impairment losses	(752.1)	(543.1)	(209.0)	38.5
Net carrying value	**36,268.3**	**25,157.8**	**11,110.5**	**44.2**

Liabilities

Liabilities of the Group mainly consist of borrowings, accounts payable and bonds issued, accounting for 59.5%, 2.2% and 9.9% of the total liabilities of the Group as at December 31, 2014, respectively.

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

	As at December 31,			
	2014		2013	
	Amount	Percentage (%)	Amount	Percentage (%)
	(in millions of RMB)			
Borrowings from central bank	986.1	0.3	4,913.0	2.0
Accounts payable to brokerage clients	11,663.3	3.3	6,480.8	2.7
Financial assets sold under repurchase agreements	9,939.6	2.8	9,442.8	3.9
Borrowings	263,452.4	75.0	173,834.7	72.5
Accounts payable	9,710.7	2.8	21,676.7	9.0
Placements from banks and a financial institution	11,827.0	3.4	10,477.0	4.4
Bonds issued	43,694.9	12.4	13,285.0	5.5
Total	**351,274.0**	**100.0**	**240,110.0**	**100.0**

Borrowings

As at December 31, 2013 and 2014, the balance of borrowings of the Group amounted to RMB173,834.7 million and RMB263,452.4 million, respectively. The increase in borrowings was primarily due to (1) the increase of the Company's borrowings by 52.8% from RMB139,069.3 million as at December 31, 2013 to RMB212,495.0 million as at December 31, 2014, to finance the acquisitions of distressed debt assets in 2014; (2) Cinda Leasing's increased borrowings to support the growth of its finance lease receivables portfolio and (3) Cinda Investment's increased borrowings to support the growth of its real estate projects.

Bonds Issued

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

	As at December 31, 2014	2013
	(in millions of RMB)	
10-year 7.2% fixed rate subordinated bonds	504.2	504.2
3-year 4.35% fixed rate financial bonds	5,030.7	5,025.6
5-year 4.65% fixed rate financial bonds	5,027.0	5,024.0
3-year 5.2% fixed rate financial bonds	10,268.4	–
5-year 5.35% fixed rate financial bonds	10,273.7	–
3-year 4% fixed rate RMB bonds	1,996.9	1,989.2
90-day 6% fixed rate commercial papers	–	715.0
5-year 4% fixed rate financial bonds	6,079.0	–
10-year 5.625% fixed rate financial bonds	3,051.2	–
15-year 5.2% fixed rate financial bonds	1,403.0	–
5-year 4% fixed rate HKD bonds	60.6	27.0
Total	**43,694.9**	**13,285.0**

Bonds issued mainly consist of (1) financial bonds issued by the Company in October 2012; (2) bonds issued by Cinda Hong Kong in December 2012 and September, October and December 2013; (3) the subordinated bonds issued by Happy Life in September 2011; (4) short-term financing bills with a term of three months issued by Cinda Securities in November 2013; (5) financial bonds of RMB20.0 billion issued by the Company in May 2014; and (6) 5-year and 10-year fixed rate USD Guaranteed Senior Notes with principal of USD1,000 million and USD500 million issued by a wholly-owned subsidiary of Cinda Hong Kong, a subsidiary of the Company, in May 2014.

Borrowings from Central Bank

The Company had borrowings from the PBOC in connection with the acquisitions of distressed assets from state-owned commercial banks. Borrowings from central bank were borrowings from the PBOC to acquire distressed assets from commercial banks, bearing an interest rate at 2.25% per annum. As at 31 December, 2014, the principal was fully repaid and the balance was outstanding interest.

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 operating results.

As at December 31, 2013 and 2014, the claim amounts of pending litigation were RMB1,811.53 million and RMB1,527.92 million for the Group and RMB1,686.03 million and RMB1,514.53 million for the Company respectively, and provisions of RMB127.97 million and RMB122.38 million for the Group 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.

Difference between Financial Statements Prepared under the PRC GAAP and IFRS

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

Business Overview

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

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

	For the year ended December 31			
	2014		2013	
	Total income (in millions of RMB)	% of total	Total income (in millions of RMB)	% of total
Distressed Asset Management	31,495.1	52.7	21,849.8	51.5
Financial Investment and Asset Management	12,166.9	20.3	8,976.8	21.2
Financial Services	17,534.0	29.3	12,133.9	28.6
Elimination	(1,405.9)	(2.3)	(547.3)	(1.3)
Total	**59,790.1**	**100.0**	**42,413.2**	**100.0**

	For the year ended December 31			
	2014		2013	
	Profit before tax (in millions of RMB)	% of total	Profit before tax (in millions of RMB)	% of total
Distressed Asset Management	11,496.4	70.5	8,314.3	70.6
Financial Investment and Asset Management	3,515.2	21.6	3,011.7	25.6
Financial Services	1,856.6	11.4	514.9	4.4
Elimination	(561.5)	(3.5)	(68.8)	(0.6)
Total	**16,306.7**	**100.0**	**11,772.1**	**100.0**

In 2014, the income from business segments of distressed asset management, financial investment and asset management and financial services represented 52.7%, 20.3% and 29.3% of the total income, respectively, and these segments' profit before tax represented 70.5%, 21.6% and 11.4% of the total profit before tax, respectively.

Distressed Asset Management

Distressed asset management is the core business of the Company and is the primary source of income and profit. In 2013 and 2014, income from the distressed asset management business accounted for 51.5% and 52.7% of the total income, respectively, and profit before tax from the distressed asset management business accounted for 70.6% and 70.5% of the total profit before tax, respectively.

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

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

	As at and for the year ended December 31,	
	2014	2013
	(in millions of RMB)	
Acquisition and disposal of distressed debt assets		
Net balance of distressed debt assets[(1)]	206,803.9	114,754.7
Acquisition cost of distressed debt assets	149,499.7	88,813.1
Income from distressed debt assets[(2)]	22,348.3	14,678.5
Management and disposal of entrusted distressed assets		
Balance of entrusted distressed assets	35,192.5	39,747.5
Management and disposal of DES Assets		
Book value of DES Assets	41,563.9	42,274.8
Dividend income from DES Assets	436.1	1,350.8
Acquisition cost of DES Assets disposed (net of provisions for impairment, if any)	3,589.0	3,847.9
Net gain from the disposal of DES Assets	4,052.2	3,644.6

Notes:

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

(2) Equivalent to the sum of the Company's fair value changes on distressed debt assets, and income from distressed debt assets classified as receivables as appeared in the consolidated financial statements.

Acquisition of Distressed Debt Assets — by source[1]

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

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

	As at and for the year ended December 31,			
	2014		2013	
	Amount (in millions of RMB)	% of total	Amount (in millions of RMB)	% of total
Net balance of distressed debt assets[(1)]				
FI Distressed Assets	83,708.3	40.5	52,345.4	45.6
NFE Distressed Assets	123,095.6	59.5	62,409.3	54.4
Total	**206,803.9**	**100.0**	**114,754.7**	**100.0**
Acquisition cost of distressed debt assets				
FI Distressed Assets	55,616.2	37.2	42,332.0	47.7
NFE Distressed Assets	93,883.5	62.8	46,481.1	52.3
Total	**149,499.7**	**100.0**	**88,813.1**	**100.0**
Income from distressed debt assets[(2)]				
FI Distressed Assets	9,697.3	43.4	8,405.5	57.3
NFE Distressed Assets	12,651.0	56.6	6,273.0	42.7
Total	**22,348.3**	**100.0**	**14,678.5**	**100.0**

Notes:

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

(2) Equivalent to the Company's fair value changes on distressed debt assets, and income from distressed debt assets classified as receivables as appeared in the consolidated financial statements.

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

FI Distressed Assets

The FI Distressed Assets acquired by the Company primarily include NPLs and other distressed debt assets from banks, including large commercial banks, joint-stock commercial banks and city and rural commercial banks. We also acquired distressed debt assets from non-bank financial institutions.

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

	For the year ended December 31,			
	2014		2013	
	Amount	% of total	Amount	% of total
	(in millions of RMB)		(in millions of RMB)	
Large commercial banks	25,419.5	45.7	16,660.9	39.4
Joint-stock commercial banks	12,546.4	22.6	8,665.5	20.5
City and rural commercial banks	2,853.0	5.1	4,870.2	11.5
Non-bank financial institutions	12,606.5	22.7	12,135.4	28.6
Other banks (including policy banks, the PSBC and foreign banks)	2,190.7	3.9	–	–
Total	**55,616.2**	**100.0**	**42,332.0**	**100.0**

NFE Distressed Assets

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

Business Models for Distressed Debt Asset Management

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

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

	As at and for the year ended December 31,			
	2014		2013	
	Amount (in millions of RMB)	% of total	Amount (in millions of RMB)	% of total
Net balance of distressed debt assets				
Traditional Distressed Assets(1)	42,169.4	20.4	16,784.1	14.6
Restructured Distressed Assets(2)	164,634.5	79.6	97,970.6	85.4
Total	**206,803.9**	**100.0**	**114,754.7**	**100.0**
Acquisition cost of distressed debt assets(3)				
Traditional Distressed Assets	30,796.3	20.6	12,278.8	13.8
Restructured Distressed Assets	118,703.4	79.4	76,534.3	86.2
Total	**149,499.7**	**100.0**	**88,813.1**	**100.0**
Income from distressed debt assets				
Traditional Distressed Assets(4)	4,105.5	18.4	4,534.3	30.9
Restructured Distressed Assets(5)	18,242.8	81.6	10,144.2	69.1
Total	**22,348.3**	**100.0**	**14,678.5**	**100.0**

Notes:

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

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

(3) The "acquisition cost of distressed debt assets" indicates the carrying amounts of assets acquired during each period indicated.

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

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

Traditional Distressed Assets

The primary source of the Company's Traditional Distressed Assets is banks. Upon completion of debt acquisition, we assume the pre-existing rights and obligations between the banks and debtors after we acquire the debts. We realize and enhance the value of assets primarily through debt restructuring, litigation and sales.

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

	As at and for the year ended December 31,	
	2014	2013
	(in millions of RMB, except for percentages)	
Net balance of Traditional Distressed Assets	42,169.4	16,784.1
Acquisition cost of Traditional Distressed Assets	30,796.3	12,278.8
Carrying amount of Traditional Distressed Assets disposed[(1)]	5,871.2	3,809.8
Unrealized fair value changes	460.1	293.0
Net income from Traditional Distressed Assets	4,105.5	4,534.3
Internal rate of return (%)[(2)]	18.6	19.3

Notes:

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

(2) Prior to this annual report, the profitability indicator of Traditional Distressed Assets is return on disposal, which calculated as (Net income from Traditional Distressed Assets — Unrealized fair value changes)/(Carrying amount of Traditional Distressed Assets Disposed). In order to reflect the profitability and the annualized return of Traditional Distressed Assets fairly and accurately, the company will replace return on disposal with Internal Rate of Return (IRR) as the profitability indicator. The internal rate of return, or IRR, is the annualized implied discount rate calculated from a series of cash flows. It is the return that equates the present value of all capital invested in the Traditional Distressed Assets to the present value of all returns of capital, or the discount rate that will provide a net present value of all cash flows equal to zero. The table below sets forth the changes of profitability indicator before and after in detail:

	For the year ended December 31, 2014	For the six months ended June 30, 2014	For the year ended December 31, 2013	For the six months ended June 30, 2013
Before:				
Return on disposal (%)	62.1	87.0	111.3	75.1
After:				
Internal rate of return (%)	18.6	18.3	19.3	24.0

Restructured Distressed Assets

The primary sources of our Restructured Distressed Assets are non financial enterprises, as well as banks and non-bank financial institutions. When we acquire debts, we would enter into a tri-parte agreement with 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 amounts, the repayment method, repayment schedule, and any collateral and guarantee agreements. The restructuring returns and payment schedule are fixed at the time of executing the restructuring agreements.

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

	As at and for the year ended December 31,	
	2014	**2013**
	(in millions of RMB, except for percentages)	
Net balance of Restructured Distressed Assets	164,634.5	97,970.6
Acquisition cost of Restructured Distressed Assets	118,703.4	76,534.3
Income from Restructured Distressed Assets	18,242.8	10,144.2
Annualized return on monthly average balance (%)[1]	12.2	13.5
Impaired Restructured Distressed Assets	2,037.1	1,010.7
Impaired Restructured Distressed Assets ratio (%)[2]	1.2	1.0
Allowance for impairment losses	5,432.0	2,942.6
Impaired Restructured Distressed Assets coverage ratio (%)[3]	266.7	291.1

Notes:

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

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

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

Entrusted Distressed Asset Management

In addition to acquiring and disposing of distressed assets, we also manage and dispose of distressed assets entrusted to us by financial institutions, non-financial enterprises and local government authorities, and our income is primarily derived from commissions. As at December 31, 2013 and December 31, 2014, the balance of the entrusted distressed assets was RMB39.75 billion and RMB35.19 billion, respectively.

DES Assets Management

The Company has obtained a significant amount of DES Assets primarily through debt-to-equity swap, receipt of equity in satisfaction of debt and other distressed assets related transactions. The DES Assets can be classified as unlisted shares of DES Companies ("Unlisted DES Assets") or listed shares of DES Companies ("Listed DES Assets"). As at December 31, 2014, we held Unlisted DES Assets in 196 DES Companies, with total book value of RMB32,651.9 million, and Listed DES Assets in 17 DES Companies, with total book value of RMB8,912.0 million.

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

	As at December 31,	
	2014	**2013**
	(in millions of RMB, except number of DES Companies)	
Basic Information about DES Assets		
Number of DES Companies	213	213
Unlisted	196	187
Listed	17	26
Total book value	41,563.9	42,274.8
Unlisted	32,651.9	34,134.9
Listed	8,912.0	8,139.9

DES Assets Disposal Gain

In 2013 and 2014, the Company disposed of the investments in 88 and 33 DES Companies, respectively, with total acquisition cost (net of provisions for impairment, if any) of RMB3,847.9 million and RMB3,589.0 million, respectively, realizing net gain of RMB3,644.6 million and RMB4,052.2 million, respectively. The dividend income amounted to RMB1,350.8 million and RMB436.1 million, respectively. The exit multiple of all the DES Companies[1] was 2.1, and 3.4 for the unlisted ones in 2014.

The table below sets forth details of our disposal of DES Assets as at the dates and for the years indicated.

	As at and for the year ended December 31,	
	2014	**2013**
	(in millions of RMB, except number of DES Companies disposed)	
Number of DES Companies disposed	33	88
Acquisition cost of DES Assets disposed (net of provisions for impairment, if any)	3,589.0	3,847.9
Net gain on DES Assets disposed	4,052.2	3,644.6
Dividend income	436.1	1,350.8

Note: Net gain on DES Assets disposed and the exit multiple do not include the interest income of RMB323.5 million from DES receivables.

1 (Net gain + acquisition cost (net of provisions for impairment, if any))/acquisition cost of DES Assets disposed (net of provisions for impairment, if any)

Financial Investment and Asset Management

The financial investment and asset management business is conducted together by the Company, Cinda Investment, Cinda Hong Kong, Zhongrun Development and Cinda Capital and their subsidiaries, which primarily includes principal investment, asset management (including private fund), and other businesses. In 2013 and 2014, the income from financial investment and asset management business accounted for 21.2% and 20.3% of the total income, respectively.

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

	As at and for the year ended December 31,							
	2014				2013			
	Income	Profit before tax	Total assets	Net assets	Income	Profit before tax	Total assets	Net assets
	(in millions of RMB)							
Cinda Investment	8,555.7	2,569.2	58,859.4	15,296.7	6,585.7	2,071.1	37,946.3	13,417.1
Cinda Hong Kong	1,017.1	375.0	20,881.9	4,221.6	702.9	442.5	9,436.8	3,831.4
Zhongrun Development	315.2	201.6	2,540.8	1,024.3	238.3	141.6	1,089.4	845.3

Principal Investment

Our principal investment business primarily includes (1) equity investments related to our distressed asset management business, (2) real estate investment and development related to our distressed asset management business, and (3) other investments, including investments in fund products, debt securities, trust products and wealth management products. As at December 31, 2013 and 2014, balance of the principal investment totaled RMB19.67 billion and RMB31.92 billion, respectively. In 2013 and 2014, income from the principal investment, primarily including investment income, income from investment properties and hotel operation revenue under the financial investment and asset management business segment, totaled RMB2.34 billion and RMB2.74 billion, respectively. As at December 31, 2014, the equity investments, real estate investments, fund investment and other investments represented 48.7%, 5.0%, 16.5% and 29.8%, respectively of the total principal investments.

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

	As at December, 31			
	2014		2013	
	Amount (in millions of RMB)	% of total	Amount (in millions of RMB)	% of total
Balance of principal investments — by investment type				
Equity investments[1]	15,537.9	48.7	10,797.6	55.0
Real estate investments[2]	1,583.3	5.0	1,858.0	9.4
Fund investments	5,280.1	16.5	3,584.5	18.2
Other investments[3]	9,514.7	29.8	3,429.5	17.4
Total	**31,916.0**	**100.0**	**19,669.6**	**100.0**
Balance of principal investments — by investments entities				
The Company	14,608.1	45.8	9,717.4	49.4
Cinda Investment	11,576.5	36.3	8,410.0	42.8
Cinda Hong Kong	6,640.5	20.8	3,483.8	17.7
Zhongrun Development	1,360.0	4.3	684.9	3.5
(Elimination)	(2,269.2)	(7.2)	(2,626.5)	(13.4)
Total	**31,916.0**	**100.0**	**19,669.6**	**100.0**

Notes:

(1) Equivalent to equity instruments classified under "Financial Assets at Fair Value through Profit or Loss", "Available-for-sale Financial Assets" and "Interests in Associates" as appeared in the consolidated financial statements attributable to financial investment and asset management segment.

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

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

Equity Investment

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

Equity Investments by the Company

The Company is engaged in financial investments and it receives dividend income and investment income from the disposal of its equity holdings. As at December 31, 2013 and 2014, the balance of the Company's direct equity investments classified under Financial Assets at Fair value Through Profit or Loss, Available-for-sale Financial Assets and Interests in Associates in the consolidated financial statements, was RMB3.76 billion and RMB2.55 billion, respectively.

Equity Investments by Cinda Investment

Cinda Investment serves as the Group's professional investment platform. As at December 31, 2013 and 2014, the balance of Cinda Investment's equity investments classified under Financial Assets at Fair Value through Profit or Loss, Available-for-sale Financial Assets and Interests in Associates in the consolidated financial statements was RMB2.51 billion and RMB5.83 billion, respectively.

Equity Investments by Cinda Hong Kong

Cinda Hong Kong and its subsidiaries serve as our overseas business platform. As at December 31, 2013 and 2014, the balance of Cinda Hong Kong's equity investments classified under Financial Assets at Fair Value through Profit or Loss, Available-for-sale Financial Assets and Interests in Associates in the consolidated financial statements was RMB2.84 billion and RMB5.55 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, 2013 and 2014, the balance of Zhongrun Development's equity investments classified under Available-for-sale Financial Assets and Interests in Associates in the consolidated financial statements was RMB650 million and RMB550 million, respectively.

Real Estate Investment and Development

Cinda Investment, together with its certain subsidiaries, serves as the Group's primary platform for real estate investment and development. Cinda Real Estate, one of the subsidiaries controlled by Cinda Investment which is principally engaged in property development, is the operation platform for property development business of the Company. As at December 31, 2013 and 2014, the value of our investment properties amounted to RMB1.86 billion and RMB1.61 billion, respectively. In 2013 and 2014 the real estate development business generated real estate sales revenue are RMB4.13 billion and RMB4.19 billion, respectively.

Other Investments

Other principal investments we conduct include investments in fund products, debt securities, trust products and wealth management products through the Company, Cinda Investment, Cinda Hong Kong and Zhongrun Development. As at December 31, 2013 and 2014, the balance of the investments in all types of funds was RMB3.58 billion and RMB5.28 billion, respectively. We invest in debt securities directly or through investment funds. As at December 31, 2013 and 2014, the balance of the debt securities investments was RMB528 million and RMB789 million, respectively. We also invest in wealth management products from banks and securities companies, as well as trust products. As at December 31, 2013 and 2014, the balance of the investments in wealth management and trust products totaled RMB2.21 billion and RMB4.16 billion, respectively.

Asset Management Business (Private Fund)

The asset management business includes (1) the private fund business under the financial investment and the asset management business and (2) the securities investment management, trust and mutual fund businesses under our financial services business.

As at December 31, 2014, we have established 42 private funds that raised third-party capital and for which our subsidiaries act as a general partner (or manager).

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

	As at and for the year ended December 31,	
	2014	**2013**
Number of funds[1]	42	25
Total committed capital (AUM) (in billions of RMB)	111.66	61.17
Accumulated total paid-in capital (in billions of RMB)	42.44	23.07
Accumulated paid-in capital from third parties (in billions of RMB)[2]	36.90	20.08
Accumulated number of projects invested	115	59
Fund management income for the year (In millions of RMB)	350.5	84.7

Notes:

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

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

Other Businesses

In 2013 and 2014, the aggregate fees and commission income from consulting and advisory services by the Company, Cinda Investment and Cinda Hong Kong totaled RMB229 million and RMB560 million, respectively.

Financial Service

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 2013 and 2014, income from financial services represented 28.6% and 29.3%, respectively, of the total income of the Group.

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

	As at and for the year ended December 31,							
	2014				2013			
	Income	Profit before tax	Total assets	Net assets (in millions of RMB)	Income	Profit before tax	Total assets	Net assets
Securities and Futures[1]	3,981.3	1,580.1	34,868.5	7,563.4	2,083.5	449.5	17,648.5	6,267.0
Jingu Trust	761.6	151.7	3,616.0	3,302.6	1,003.6	350.4	3,516.6	3,233.5
Cinda Leasing	2,651.2	798.8	40,212.9	5,445.9	1,760.0	478.6	30,759.6	2,809.7
First State Cinda Fund	185.4	26.8	302.8	227.5	170.2	15.3	255.0	193.4
Cinda P&C	3,580.6	21.4	6,997.5	2,864.0	3,072.3	2.9	6,052.9	2,635.0
Happy Life	6,320.1	(393.1)	38,397.5	3,763.1	4,053.0	(780.4)	29,811.2	1,212.2

Note:

(1) Including Cinda Securities, Cinda Futures and Cinda International.

Securities and Futures

The Group conducts securities and futures businesses in Mainland China through Cinda Securities and Cinda Futures, a wholly-owned subsidiary of Cinda Securities, and through Cinda International in Hong Kong. In 2013 and 2014, the revenue of Cinda Securities (including Cinda Futures) amounted to RMB1.65 billion and RMB2.91 billion, and the revenue of Cinda International amounted to RMB130.3 million and RMB101.7 million, respectively.

Cinda Securities

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

	As at December 31,			
	2014		2013	
	Amount (in millions of RMB)	% of total	Amount (in millions of RMB)	% of total
Securities brokerage	1,372.6	47.2	778.3	47.2
Futures	156.6	5.4	184.5	11.2
Others[1]	1,381.2	47.4	687.2	41.6
Total	**2,910.4**	**100.0**	**1,650.0**	**100.0**

Note:

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

Securities brokerage: As at December 31, 2013 and 2014, the number of clients of Cinda Securities' securities brokerage business amounted to 1.123 million and 1.159 million, the total value of its AUM amounted to RMB75.6 billion and RMB131.7 billion, respectively. In 2013 and 2014, the total transaction volume of Cinda Securities' securities brokerage business amounted to RMB584.72 billion and RMB1,249.47 billion respectively.

Investment banking: In 2013 and 2014, Cinda Securities' underwriting fee and commission income amounted to RMB105.9 million and RMB340.7 million, respectively.

Asset management: As at December 31, 2013 and 2014, the AUM balance of Cinda Securities amounted to RMB35.4 billion and RMB36.6 billion, respectively. In 2013 and 2014, fee and commission income from Cinda Securities' asset management business amounted to RMB101.0 million and RMB328.6 million, respectively.

Innovative businesses and other businesses: As at December 31, 2013 and 2014, the turnover of margin financing and securities lending business of the Cinda Securities amounted to RMB2.67 billion and RMB6.87 billion, respectively.

Cinda Futures

In 2013 and 2014, income from the futures business of Cinda Futures amounted to RMB184 million and RMB157 million, respectively, and the revenue of Cinda Futures amounted to RMB53.1 million and RMB41.6 million, respectively.

Cinda International

As at December 31, 2014, we held 63.87% of the equity interest in Cinda International through Cinda Hong Kong. In 2013 and 2014, Cinda International generated revenue of RMB130.3 million and RMB101.7 million, respectively.

Trusts

We conduct trust business through Jingu Trust. As at December 31, 2013 and 2014, the outstanding trust AUM totaled RMB93.8 billion and RMB88.5 billion, respectively, and we managed 192 and 185 existing trust projects, respectively. In 2013 and 2014, the fees and commission incomes generated from trust business were RMB880 million and RMB590 million, respectively, accounting for 80.6% and 77.5% respectively, of Jingu Trust's total revenue in respective periods.

Products

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

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

	As at December 31,			
	2014		2013	
	Amount	% of total	Amount	% of total
	(in millions of RMB)		(in millions of RMB)	
Individual trust schemes	75,107.0	84.8	71,571.0	76.3
Collective trust schemes	13,416.0	15.2	22,240.0	23.7
Total	**88,523.0**	**100.0**	**93,811.0**	**100**

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

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

	As at December 31,			
	2014		2013	
	Amount (in millions of RMB)	% of total	Amount (in millions of RMB)	% of total
Financing	39,652.0	44.8	63,951.0	68.2
Investment	20,995.0	23.7	24,878.0	26.5
Non-discretionary	27,876.0	31.5	4,982.0	5.3
Total	**88,523.0**	**100.0**	**93,811.0**	**100.0**

We primarily engage in developing fund trusts for project finance.

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

	As at December 31,			
	2014		2013	
	Amount (in millions of RMB)	% of total	Amount (in millions of RMB)	% of total
Infrastructure	20,001.0	22.6	36,830.0	39.3
Real estate	16,538.0	18.7	21,239.0	22.6
Industry and commerce	13,486.0	15.2	16,959.0	18.1
Financial institutions	2,131.0	2.4	2,103.0	2.2
Others	36,367.0	41.1	16,680.0	17.8
Total	**88,523.0**	**100.0**	**93,811.0**	**100.0**

Clients

As at December 31, 2014, the trust business had a total of 11,733 clients, including 11,035 individual customers and 698 institutional clients.

Financial Leasing

We conduct the financial leasing business through Cinda Leasing. As at December 31, 2013 and 2014, the net lease receivables of the Group was RMB25.16 billion and RMB36.27 billion, respectively. In 2013 and 2014, the revenue generated by the financial leasing business was RMB777.0 million and RMB1,255.2 million, respectively, and the net profit from the financial leasing business of the Group was RMB415.1 million and RMB652.3 million, respectively.

Products

In 2014, the total income from specialized products and non-specialized products was RMB86.7 million and RMB1,168.5 million, respectively, representing 6.9% and 93.1%, respectively, of Cinda Leasing's total revenue for the year.

Clients

The financial leasing clients of the Group are from industries including manufacturing, mining, water conservancy, environment and public utilities management, construction, transportation, logistics and postal services.

The table below sets forth the composition of the outstanding finance lease receivables by industry as at the dates indicated.

	As at December 31,			
	2014		2013	
	Amount (in millions of RMB)	% of total	Amount (in millions of RMB)	% of total
Manufacturing	14,457.6	39.1	10,163.6	39.5
Mining	6,768.5	18.3	3,192.1	12.4
Water conservancy, environment and public utilities management	8,546.2	23.1	6,163.5	24.0
Construction	1,469.7	4.0	1,439.9	5.6
Transportation, logistics and postal services	2,768.3	7.5	2,609.2	10.2
Others	3,010.1	8.0	2,132.6	8.3
Total	**37,020.4**	**100.0**	**25,700.9**	**100.0**

Fund Management

We conduct public fund management business and other asset management business through First State Cinda Fund.

Products

As at December 31, 2014, we managed 10 public securities investment funds, with AUM totaling RMB5.46 billion. In 2014, management fee from such funds totaled RMB69.6 million. Those public funds are classified into equity funds, bond funds and hybrid funds, and are primarily invested in equity assets and fixed income assets.

Clients

First State Cinda Fund has both individual and institutional investors with individual investors constituting the majority. As at December 31, 2014, our fund products had approximately 1.176 million individual clients and 1,241 institutional clients.

Insurance Business

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

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

	For the year ended December 31,			
	2014		2013	
	Amount	% of total	Amount	% of total
	(in millions of RMB)		(in millions of RMB)	
Cinda P&C	3,511.8	31.6	3,043.0	42.5
Happy Life	7,587.1	68.4	4,115.2	57.5
Total	**11,098.9**	**100.0**	**7,158.2**	**100.0**

Cinda P&C

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

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

	For the year ended December 31,			
	2014		2013	
	Amount	% of total	Amount	% of total
	(in millions of RMB)		(in millions of RMB)	
Motor vehicle insurance	2,960.1	84.3	2,543.6	83.6
Compulsory motor vehicle liability insurance	1,198.7	34.1	1,047.8	34.4
Commercial automobile insurance	1,761.4	50.2	1,495.8	49.2
Non-motor vehicle insurance	551.7	15.7	499.4	16.4
Total	**3,511.8**	**100.0**	**3,043.0**	**100.0**

Happy Life

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

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

	For the year ended December 31,			
	2014		2013	
	Amount	% of total	Amount	% of total
	(in millions of RMB)		(in millions of RMB)	
Life insurance	7,232.7	95.3	3,823.8	92.9
Participating life insurance	2,903.2	38.3	3,799.4	92.3
Others	4,329.5	57.1	24.4	0.6
Health insurance	151.8	2.0	129.3	3.1
Accident insurance	202.6	2.7	162.1	3.9
Total	**7,587.1**	**100.0**	**4,115.2**	**100.0**

Business Synergy

In 2014, the Group provided clients with a wide range of services including, equity investment, insurance, asset management, financial and financing advisory services and overseas financial services through its diversified business platform. In 2014, the financial subsidiaries generated total cross-selling income of RMB2.35 billion, representing an increase of 49.2% as compared with year 2013.

In 2014, the Group promoted business cooperation with branches and subsidiaries, and the synergy of financial leasing and asset management business enhanced evidently. The total cross-selling income of traditional financial services including trusts and P&C insurance increased steadily.

Financial leasing: In 2014, the Group had 151 financial leasing projects sourced from cross-selling, representing an increase of 21.8% from 124 projects in 2013. The financial leasing business volume realized through cross-selling was RMB34.39 billion, representing an increase of 73.5% as compared with 2013. Total income derived from these projects amounted to RMB1.91 billion, representing an increase of 54.3% as compared with year 2013.

Asset management business: In 2014, the Group established 16 funds and asset management projects through the collaboration between the platforms provided by the subsidiaries, such as securities, fund, Cinda Capital and Company Branches. The assets under management (total paid-in capital) in aggregate amounted to RMB25.9 billion, representing an increase of 27.6% as compared with year 2013.

Trusts: In 2014, the Group had 22 trust projects sourced from cross-selling. The trust business volume[1] arising from cross-selling reached approximately RMB5.51 billion in 2014. Total income derived from these projects amounted to approximately RMB190 million in 2014.

P&C insurance: In 2014, the Group provided products and services to 153 customers recommended by the Company's branches through the P&C insurance business platform, representing an increase of 22.4% as compared with 2013. Cinda P&C derived total income of RMB49.2 million from these customers in 2014.

Significant Investment and Acquisition

During the Reporting Period, apart from the investment in Sinopec Marketing Co., Ltd. (please refer to the announcement of the Company dated September 15, 2014 for details), the Company did not have any significant investment and acquisition subject to disclosure pursuant to the Listing Rules.

Information Technology

In 2014, the information systems of the Company were under stable operation with enhanced information technology management and services.

Establishment of Information Systems

In 2014, the Company focused on the establishment of information systems in relation to financial control, risk management and information disclosure based on its business development needs. In particular, the establishment of the accounting and finance platforms of the Group has been completed and the internal rating system has been put into operation. It also developed a management accounting system and started setting up a human resources system of the Group for more efficient information management.

Establishment of IT Infrastructure

In 2014, the extension project of virtual application server of the Cinda (Beijing) Data Center commenced operation. The Cinda (Hefei) disaster recovery and support base completed the installation and testing of equipment, interior renovation and server room setting. Research and preparation of the data base project of the Group were completed to ensure resources security for the information systems of the Group.

1 It refers to the outstanding trust AUM of Jingu Trust as at December 31, 2014.

Human Resources Management

In 2014, the Company refined the administration structure of its head office in compliance with the requirements of well-organized business lines, efficient decision-making, effective management and control and reasonable business procedures and division of responsibilities. The Company also improved its staff structure and increased its efforts in attracting professionals. Staff rotation across different departments was encouraged, all above are supposed to further facilitate the Company human resources management more systematic, standardized and competitive.

Employees

As at December 31, 2014, the Group had 18,587 employees (excluding those employed through labour dispatch agency), of which 18,410 were in Mainland China and 177 were in Hong Kong and Macau. In the Company and its tier-one subsidiaries (head offices), employees with master's degree or above, with bachelor's degree and aged 45 or below accounted for 43%, 47% and 85% of the total number of employees, respectively.

Remuneration Policy

Consistent with the strategies, business development and talent recruitment of the Group, remuneration management of the Company adhered to maintaining operation efficiency. The "performance-based" remuneration mechanism of the Group was optimized to achieve its operation targets. Salaries were determined according to the respective positions, duties, competence and contributions of employees under the employee remuneration management mechanism with the principles of "position-based salary and performance-based bonus". The incentive mechanism based on profit contribution was further optimized. Through matching revenue with risks and maintaining the consistency between long-term and short-term incentives, the Company established a healthy and competitive remuneration management system which is consistent with its operating results and fair meanwhile.

Education and Training

In 2014, the Company strengthened the content and coverage of its employee training. On-site training programs targeting different business lines and employees were conducted, such as case study, system analysis, seminar, technical support and research. Employees were encouraged to take part in online learning and self-study for professional qualifications. In 2014, over 920 training programs were held by the Company with more than 41,000 participants, providing sufficient human resources support for the sound and sustainable development of the Company.

Risk Management

In 2014, the Company adhered strictly to its risk management concept of "protecting the bottom-line by managing risks proactively". Through establishment of comprehensive risk management system and continuous refinement of risk management procedures of its businesses, the Company was able to limit its overall business risks within an acceptable level. As such, a solid foundation was laid for the realization of strategic targets and steady development of the Company.

Structure of Risk Management

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

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

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

In 2014, the Company further refined its risk management system. In compliance with the requirements of risk and compliance management, the Company specified relevant duties of risk management and appointed risk and compliance officers for all departments at the Head Office. Its branches assigned their business review departments to serve as risk management departments and designated competent staff as risk compliance officers. Its subsidiaries strengthened the construction of their own risk management departments and carried out pilot risk officer monitoring system in certain subsidiaries. The Company kept improving its risk management structure to ensure its rapid business development.

The Company made steady progress in the establishment of its risk management system. It formulated corresponding measures such as the Administrative Measures for Credit Risk (《信用風險管理辦法》), the Administrative Measures for Market Risk (《市場風險管理辦法》) and the Administrative Measures for Operational Risk (《操作風險管理辦法》), which aim to manage major risks such as credit risk, market risk and operational risk. The Company also revised the Administrative Measures for Connected Transactions (《關聯交易管理辦法》) in compliance with the new regulatory requirements. The depth and breadth of risk management of the Company were extended continuously.

Management of Credit Risk

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

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

In 2014, the Company actively refined its credit risk management policies in response to the changes in the general economy and financial regulatory requirements: (1) the Administrative Measures for Customer Credit Rating (《客戶信用評級管理辦法》) was formulated and refined, and the customer credit rating management was strengthened with specified approval standards of customers to prevent credit risk; (2) the Administrative Measures for Customer Risk Limit (《客戶風險限額管理辦法》) was formulated and refined to control the transaction amount of customers by estimating the customer risk limits so as to avoid the risk of excessive transactions with a particular customer; (3) the Administrative Measures for Risk Classification of Assets (《資產風險分類管理辦法》) was refined to standardize the management of risk classification of assets and accurately reflect asset quality so as to lay a solid foundation for the calculation of risk reverse and enhance its risk and asset management capability comprehensively. In addition, the Company developed and continuously refined its internal rating system based on the need of risk management to evaluate the customer credit rating, customer risk limit and business rating. As such, its credit risk management was improved with the increasing application of credit risk control tools.

In 2014, the Company adjusted the standards for projects acquisition dynamically according to the economic development and its business conditions to improve the asset quality and enhance the risk management of projects, thus facilitating the steady development of its distressed asset business.

Pursuant to the relevant policies of the PRC, the Company reviewed the projects with financing platform of local government and instructed its branches to pay close attention to the condition of the financing platform and control the risk of certain projects. Due to the slowdown in economic growth and the complicated real estate market conditions in China, the Company conducted special stress tests on its real estate business and adjusted the structure of its main business gradually in order to mitigate industry concentration risk.

Management of Market Risk

Market risk refers to the risk that the Company may suffer losses due to adverse movements in interest rates, exchange rates and market prices such as stock and commodity prices.

The market risk management of the Company includes identifying, measuring, supervising, monitoring and reporting of market risk. The Company established and refined the market risk management system to control market risk within acceptable range according to the risk tolerance of the Company, so as to maximize the risk-adjusted returns.

Market risks of the Group primarily arise from interest rate and exchange rate sensitive assets and liabilities and equities vulnerable to market fluctuations owned by the Group, bond and equity stock investments owned by its insurance and securities subsidiaries, as well as interest-sensitive assets and liabilities owned by its financial leasing subsidiary. The Company manages risks arising from interest rate fluctuations by strictly controlling the length of the debt restructuring term and strengthening the matching of the maturities and interest rate structure of the Restructured Distressed Assets with its liabilities.

The Company manages the interest rate risk arising from the fluctuation of interest rate by refining the project repayment plan, improving the FTP system and strengthening the matching of assets and liabilities of different maturities.

We are of the view that the foreign exchange risk of the Company is insignificant. The Company operates mainly in the PRC and its transactions are denominated in RMB. The Company alleviated its foreign exchange risk through speeding up its foreign exchange settlement. As of the end of the Reporting Period, the Company completed its settlement of proceeds from listing and maintained limited foreign exchange position for the payment of post-listing expenses. As to USD Guarantee Senior Notes issued by its overseas subsidiaries, since investment assets are mainly denominated in USD or HKD which is pegged to the exchange rate of USD, and currencies for assets and liabilities are basically the same, the foreign exchange risk is not significant. The Company closely monitors foreign exchange risk resulting from changes in exchange rates and timely hedges foreign exchange risk through currency swap and other measures.

With respect to risks arising from the fluctuation of stock prices of listed companies owned by the Company, it closely monitors the impacts of macro-economic changes and industry trends, fluctuation in commodity prices and other factors on the operations and financial condition and valuation of the enterprises in which the Company owns equities. More research and analysis efforts were made to better formulate and adjust the management strategies of the market value of its equities in listed companies. Cinda Securities provides professional analysis with respect to market value management of the Company's equities in listed companies and closely monitors macro-economic situation and market movements for optimized and effective management.

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

Management of Liquidity Risk

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

The Company adopts a centralized liquidity management system. It strived to enhance its liquidity risk management through stronger market research efforts and more flexible liquidity management strategy, financing strategy and capital operation strategy. Optimized liquidity management measures and methods were adopted, such as capital planning management, FTP management and stress tests. It also improved the mechanisms and procedures of liquidity management to ensure effective prevention of liquidity risks.

The Company strengthened its cash flow gap management by organizing regular meetings for front and middle functional departments to discuss various capital arrangement plans and draft reasonable budgets. The Company enhanced the alert of maturing assets and liabilities by setting and monitoring indicators in accordance with regulatory requirements for effective supervision and control of liquidity risk. It also formulated management plans of liquidity risk based on its regular stress tests.

The Company consolidated the foundation of liability management and financing management, improved its financing capability and refined its liabilities structure through various measures. The Company expanded funding sources of financial bonds and from non-banking financial institutions, and established a sound, diversified and decentralized financing system with an emphasis on exploring low-cost financing channels. Based on the changes in asset maturity, the Company adjusted the maturity of liabilities to closely matching with that of assets.

Management of Operational Risk

Operational risk refers to the risk of losses resulting from an inadequacy or deficiency of internal processes, working staff and information technology systems or from external events. In 2014, the Company strengthened its control over operational risk and further adjusted its risk management organization structure and approach. Risk management systems and mechanisms for all levels were optimized to facilitate the normal operation of its businesses. The Company actively conducted assessment and supervision of operational risks for all business lines, promoted the establishment of standardized systems and internal control system with an aim to enhance its operational risk management.

In 2014, the Company has conducted a thorough operational risk detection which has prevented and resolved the operational risk effectively. The Company has also established a risk inspection system to identify potential risks and encouraged its branches and subsidiaries to enhance their risk control awareness and strengthen the risk management. The Company formulated the Provisional Rules on Risk Inspection (Trail) (《風險巡視工作辦法（暫行）》), Risk Inspection Procedures (《風險檢查工作規程》) and Administrative Measures for Operational Risk (《操作風險管理辦法》). Authorization Management Procedures (《授權管理規程》) was revised to tighten requirements on internal authorization management. The Company also adjusted the basic authorization of branches according to the economic environment for more effective operational risk prevention.

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

Management of Reputation Risk

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

Anti-money Laundering

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

Internal Audit

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

In 2014, the Company conducted its audit work with caution. The Company took risk and benefit as guide and centre, and carried out regular and special audits, economic responsibility audit and internal control assessment. The Company promoted the establishment of internal audit system, enhanced the professional capability of the audit team and completed its annual audit plans in an orderly manner.

Enhanced the internal audit system. The Company conducted studies and researches on specific areas to explore an appropriate internal audit system that caters to its development needs as a listed company. It integrated relative audit and management policies and further improved their specificity and applicability. Assessment mechanism of internal audit was refined to further strengthen the daily supervision and management of internal auditing of its branches and subsidiaries.

Carried out regular and special audits. The Company carried out regular and special audits for its branches and subsidiaries in respect of significant projects, key business, financial matters and internal control. As for its core business, the Company conducted special audit researches in respect of financial investment, asset acquisition and follow-up management and internal control. It also carried out economic responsibility audit on the performance of mid-level and Senior Management of the Group during their term of offices.

Organized evaluation on internal control. Through self-evaluation of all departments of the headquarters, branches and subsidiaries, and onsite tests and inspection of key aspects, the Company evaluated the effectiveness of internal control in various aspects, including risk management, internal supervision, financial management, business operation and information communication. It made recommendations for improvement and supervised the implementation of rectification measures for the continuous improvement of its internal control system.

Improved the capability of internal audit. The Company improved the capability of the audit team through providing courses and training programs in laws and regulations, internal auditing system and industry knowledge. It also enhanced its auditing methodology and established an off-site monitoring system for all its businesses. The Company coordinated its audit resources and designated internal auditors of its branches and subsidiaries to participate in key audit projects of the Head Office in order to improve overall auditing level of the Group.

For more details on the risk management of the Company, please see Note V.67 “Financial risk management” to the consolidated financial statements.

Capital Management

Based on the regulatory requirements in relation to capital and in line with its development strategies, the Company improved its capital management systems. According to its capital adequacy ratio, the Company adjusted its operation strategy and focused on the development of asset management and other less capital-intensive business so as to optimize the capital allocation. The growth rate of risk asset was under control to ensure the stability of its capital adequacy ratio and the sustainable development of the Group.

As at December 31, 2013 and 2014, the capital adequacy ratio were 21.58% and 18.08% respectively, which were higher than the standard set by the regulatory authorities. As at December 31, 2013 and 2014, the leverage ratio were 2.9:1 and 3.4:1 respectively. The increase in leverage ratio was mainly due to higher growth in borrowings in the interest-bearing liabilities.

Prospects

In 2015, the global economy will continue its substantial adjustments post the global financial crisis. Economic growth may record slightly growth but the overall lackluster economy will be unlikely to improve significantly. In addition, the PRC economy will experience changes in various aspects such as consumer demand, investment demand, export and international payments, production capacity and industrial organization, comparative advantages of production factors, market competition characteristics, resource and environmental constraints, accumulation and mitigation of economic risks, resource allocation mode and macro-regulation policy. Such changes signify that the PRC economy is entering into a new development stage with upgraded form, complex division of labor and further rationalized structure. Particularly, the economic growth rate is shifting from high to medium-to-high; the development mode is changing from extensive and speedy to intensive and efficient; and the economic development is driven by new growth points rather than traditional growth points. Under the new normal economy, the Company will stay alert to the macro-economic and financial market conditions and actively seize the opportunities in the financial market and distressed assets market. Further efforts will be made to accelerate its reform while protecting the bottom-line of risk and enhancing the capability of innovation.

In line with the slower economic growth and in-depth adjustment of industrial structure, various hidden risks in the economic and financial systems will become apparent. However, considering the stringent regulatory systems of China and sufficient risk provisions made by financial institutions, the overall risks in the financial system of China will be under control with limited risk of hard landing. Under this backdrop, the market demands for resolving various risks with the characteristic of high leverage and bubbles are expected to increase. The Company will strive to seek the progress while keep the performance stable in its overall business. Committed to higher operation efficiency and performance, the Company will expand its market and further consolidate the leading position of its core distressed asset business.

On one hand, non-performing loan balance and ratio of banks in China keep increasing. Commercial banks will endeavor to write off, revitalize, restructure and transform the non-performing assets in compliance with the regulatory requirements so as to provide market opportunities for the traditional distressed asset business of the Company.

On the other hand, with slower macro-economic growth, the scale of non-banking distressed assets in China may continue to increase, and liquidity problems of some industrial enterprises may be serious increasingly, so as to provide more opportunities for the Company to develop its restructured distressed asset business and special situation investments.

In general, the new normal of economy will bring favorable opportunities to the major businesses of the Company. The competitiveness of its distressed asset business is expected to maintain. Firstly, with the increasing supply of distressed assets, the Company will face more opportunities of acquisitions, which will benefit its continuous development. Secondly, with the business expansion of special situations investments and alternative assets management relevant to capital market, the Company will further extend the connotation of its core business. Thirdly, with the development of financial innovations in line with government policies to support asset management and financial business, the Company optimized its sustainable business and profit mode. Besides, in 2015, the Company will integrate various financial instruments in line with the implementation of government strategies. It will also keep a close eye on the optimization and upgrade of the industry and resolution of financial risks, as well as the potential opportunities from the implementation of the strategic plans of China, such as "The Belt and Road Initiatives", the coordinated development of Beijing-Tianjin-Hebei region and the development of the Yangtze River Economic Belt, so as to enhance the capability of serving the real economy.

Social Responsibility

In 2014, the Company seized its listing opportunity to fulfil its missions and responsibilities of "providing excellent services to customers; securing best returns for Shareholders; developing career platforms for employees; resolving financial risks for the PRC; and shouldering more responsibilities for the society". Fully committed to its corporate image of "realizing its goal with confidence and action", it made an active contribution to boost the social and economic development of the PRC.

Promoting social value

The Company made full use of the advantages of its main business distressed asset business to prevent and resolve the financial risks and safeguard the social and economic stability. With the essential requirements of serving the real economy, the Company provided excellent financial services in its endeavor to support the reforms of state-owned enterprises, facilitate structural reorganization of the industry, and coordinate regional development. In order to achieve inclusive finance, the Company also strengthened its cooperation with agricultural enterprises, supporting development of small and micro enterprises and put emphasis on major infrastructure projects in line with its social values.

Providing comprehensive financial services

As the pioneer and leader in the distressed asset management industry of the PRC, the Company adhered to its customer-oriented philosophy in its continuous pursuit of better customer services and professional competitive edges as a first-class brand. The Company provided comprehensive and integrated financial services such as securities, funds, futures, insurances, trusts, leases, investments, custody and liquidation tailored to different life stages, characteristics and requirements of customers. Through flexible transaction structure and quality products and services, the Company created a flexible investment environment for customers.

Developing green business

Advocating green development concept, the Company promoted the environmental protection culture by organizing green charity plantation activities, developing "Clear your plate" Campaign (光盤行動) for resources saving, participating in used book recycling in the communities, supporting coastal ecology conservation, protecting biodiversity and promoting the sustainable development of environmental protection. The Company accelerated innovation in green finance and carried out electronic insurance document business. It also encouraged reduction in energy consumption and advocated green office with a view to achieving energy saving and low carbon emission to further promote the green culture continuously.

Enhancing corporate harmony and motivation

The Company is committed to standardizing labor management and protecting the legal rights of employees. Continuous efforts were made to optimize the remuneration management systems to ensure that the remuneration of its staff is closely in line with their performance. Adhering to democratic management, the second meeting of the second session of the employee representative meeting of the Company was held in 2014 to amend the Implementation Rules of Employee Representative Meeting (《職工代表大會實施細則》) and Rules of Procedures of Employee Representative Meeting (《職工代表大會操作規程》). The amendments were essential in enhancing the democratic management and transformation of the Company. To safeguard the best interests of its staff, the Company purchased insurance and expedited insurance compensation for employees. It also attached great importance to the all-round development and growth of young employees by implementing comprehensive vocational training through various channels. The Company has shown compassion to the people in need by participating in relief activities such as providing humanitarian aid to staff and families in need and organizing various health seminars, fitness and recreational activities.

Making contribution

The Company actively participated in public welfare work and launched various volunteering activities in the community and schools to show its love and care for specific groups, such as the disabled, the elderly, children and students with financial difficulties. The Company also took part in relief works of earthquakes and the super typhoon, which hit Hainan in July 2014. The Company provided support to affected staff and invited its staff to donate money and resources to people affected. The Company extended its regular on-site poverty alleviation activities in rural areas and enhanced community development planning to develop rural infrastructure, strength human resources construction and provide more education opportunities for poverty-stricken students.

Changes in Share Capital and Information on Substantial Shareholders

Changes in Share Capital

The share capital of the Company as at December 31, 2014 was as follows:

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

Substantial Shareholders and De Facto Controller

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

The Company had 2,179 Shareholders as at December 31, 2014. So far as Directors and Supervisors are aware, the following persons had, or were deemed to have, an interest or short position in the Shares and underlying Shares which have been recorded in the register kept by the Company pursuant to Rule 336 of the SFO:

Name of substantial shareholders	Capacity	Number of shares held directly and indirectly	Class of Share	Nature of interest	Approximate percentage to the total issued Share capital	Approximate percentage to the relevant class of Shares
MOF	Beneficial owner	24,596,932,316	Domestic Shares	Long position	67.84%	100%
NSSF	Beneficial owner	2,914,843,174	H Shares	Long position	8.04%	25.00%
UBS AG	Beneficial owner	1,751,348,017	H Shares	Long position	4.83%	15.02%
	Beneficial owner	1,568,253,515	H Shares	Short position	4.33%	13.45%
	Person holding a security interest in shares	67,812,696	H Shares	Long position	0.19%	0.58%
	Interest of controlled corporation	1,312,903,969	H Shares	Long position	3.62%	11.26%
	Interest of controlled corporation	2,655,770	H Shares	Short position	0.01%	0.02%
UBS Group AG(1)	Person holding a security interest in shares	67,812,696	H Shares	Long position	0.19%	0.58%
	Interest of controlled corporation	3,064,251,986	H Shares	Long position	8.45%	26.28%
	Interest of controlled corporation	1,570,909,285	H Shares	Short position	4.33%	13.47%

Note:

(1) UBS Group AG holds 96.64% equity interest in UBS AG and is deemed to be interested in 3,132,064,682 H Shares (long position) and 1,570,909,285 H Shares (short position).

Major Shareholders

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

MOF

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

Directors, Supervisors and Senior Management

Directors

No.	Name	Gender	Age	Position	Term of office
Current Directors					
1	Hou Jianhang	Male	58	Chairman of the Board Executive Director	From June 2013 to the expiration of the term of the current session of the Board
2	Zang Jingfan	Male	59	Executive Director President	From June 2013 to the expiration of the term of the current session of the Board
3	Li Honghui	Male	50	Non-executive Director	From August 2014 to the expiration of the term of the current session of the Board
4	Song Lizhong	Male	55	Non-executive Director	From August 2014 to the expiration of the term of the current session of the Board
5	Xiao Yuping	Female	54	Non-executive Director	From June 2013 to the expiration of the term of the current session of the Board
6	Yuan Hong	Female	50	Non-executive Director	From June 2013 to the expiration of the term of the current session of the Board
7	Lu Shengliang	Male	47	Non-executive Director	From June 2013 to the expiration of the term of the current session of the Board
8	Li Xikui	Male	70	Independent non-executive Director	From June 2013 to the expiration of the term of the current session of the Board
9	Qiu Dong	Male	57	Independent non-executive Director	From June 2013 to the expiration of the term of the current session of the Board
10	Chang Tso Tung, Stephen	Male	66	Independent non-executive Director	From June 2013 to the expiration of the term of the current session of the Board
11	Xu Dingbo	Male	51	Independent non-executive Director	From June 2013 to the expiration of the term of the current session of the Board
Resigned Directors					
1	Wang Shurong	Female	59	Non-executive director	From June 2013 to August 2014
2	Yin Boqin	Male	58	Non-executive director	From June 2013 to August 2014
3	Xu Zhichao	Male	55	Executive director	From June 2013 to January 2015

Executive Directors

Mr. Hou Jianhang

Mr. Hou Jianhang, aged 58, 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 Hong Kong Stock Exchange, stock code: 00939; and 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 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

Mr. Zang Jingfan, aged 59, 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 graduated from Shaanxi Institute of Finance and Economics (currently known as Xi'an Jiaotong University) in July 1999 with a master's degree in currency banking.

Non-executive Directors

Mr. Li Honghui

Mr. Li Honghui, aged 50, has been non-executive Director of the Company since August 2014. Mr. Li served as the officer, associate chief officer and chief officer of the General Office of the Department of Industry and Communication Financing, deputy head of the General Information Division of the Department of Industry and Communication, deputy head of the Industry Division and Industry Division I of the Economic and Trade Department, deputy head and head of the Planning and Investment Division, head of the General Office, head of the Environment and Resources Division of the Economic Construction Department and deputy director of the Investment Appraisal and Censoring Centre under the MOF from August 1990 to June 2014. Mr. Li obtained a bachelor's degree in industrial accounting from Hunan College of Finance and Economics (currently known as Hunan University) in September 1987, a master's degree in economics, majoring in finance, from the Graduate School of the Finance Science Institute of the MOF in August 1990, and a doctoral degree in economics, majoring in accounting, from the Graduate School of the Finance Science Institute of the MOF in August 1998.

Mr. Song Lizhong

Mr. Song Lizhong, aged 55, has been non-executive Director of the Company since August 2014. Mr. Song served as the officer, associate chief officer and chief officer of Division II of the Bureau of Retired Veteran Cadres, deputy director and director (chief officer level) and deputy director-general of the CPC Branch Office of the Bureau of Retired Cadres under the MOF from September 1989 to June 2005, temporary post of the deputy head of the Department of Finance of Ningxia Hui Autonomous Region from June 2005 to August 2007, and the deputy head of the Bureau of Retired Cadres of the MOF from August 2007 to June 2014. Mr. Song graduated from the Faculty of Chinese of Renmin University of China (with an associate degree) in Chinese language in July 1987, and graduated from the Correspondence Institute of Central Communist Party School (with an undergraduate degree) in economic management in December 1999.

Ms. Xiao Yuping

Ms. Xiao Yuping, aged 54, 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 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

Ms. Yuan Hong, aged 50, 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 Agricultural Development Bank of China from January 2009 to June 2013 and a part-time supervisor of the board of supervisors of Export-Import Bank of China from June 2009 to June 2013. Ms. Yuan graduated from Nankai University in July 1987 with a bachelor's degree in economics.

Mr. Lu Shengliang

Mr. Lu Shengliang, aged 47, 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 from January 2010 to July 2014, and non-executive director of China UnionPay Company Limited from February 2011 to August 2014. Mr. Lu graduated from Zhongnan University of Economics and Law in July 1987 with a bachelor's degree in economics, and graduated from CASS Graduate School with a master's degree and a doctoral degree in economics in July 1990 and July 1999, respectively.

Independent Non-executive Directors

Mr. Li Xikui

Mr. Li Xikui, aged 70, has been independent non-executive Director of the Company since June 2010. He was accredited as a researcher of CCB's head office by CCB in January 1993, and receives special allowance from the State Council. Mr. Li successively served as deputy director, deputy department director, vice president of head office, and director of the Research Institute of CCB from August 1982 to January 1994. He worked as vice general manager of Shougang Group and president of Hua Xia Bank Co., Limited from January 1994 to February 2000. He served as vice president of China Galaxy Securities Co., Ltd. from February 2000 to February 2006, chairman of the board of directors of Galaxy Fund Management Co., Ltd from February 2006 to April 2010, and independent non-executive director of Chiho-Tiande Group Limited from July 2010 to December 2014. Mr. Li graduated from Liaoning Finance and Economics College (currently known as Dongbei University of Finance and Economics) in August 1970, and graduated from the Finance Science Institute of the MOF with a master's degree in economics in July 1982.

Mr. Qiu Dong

Mr. Qiu Dong, aged 57, 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 Agricultural Bank of China Limited (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, 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

Mr. Chang Tso Tung, Stephen, aged 66, 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. Mr. Chang has been practising as a certified public accountant in Hong Kong for about 30 years and has extensive experience in accounting, auditing and financial management. Mr. Chang was the deputy chairman of Ernst & Young Hong Kong and China until his retirement at the end of 2003. Mr. Chang is also a member of the Investment Committee of Shanghai Fudan University Education Development Foundation and Shanghai Fudan University Education Development Foundation (Overseas). Mr. Chang 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 director of China World Trade Center Co., Ltd (listed on the SSE, stock code: 600007) from December 2004 to November 2010, and 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. Since September 2014, Mr. Cheung has served as independent non-executive director and chairman of the audit committee of Hua Hong Semiconductor Ltd. (listed on Hong Kong Stock Exchange, stock code: 01347). Since October 20, 2014, Mr. Cheung has served as independent director, chairman of the nomination and remuneration committee and member of the audit committee of the board of directors of China Life Insurance Co. Ltd. (listed on Hong Kong Stock Exchange, stock code: 02628; and the SSE, stock code: 601628). Mr. Chang graduated from the University of London in August 1973 with a bachelor's degree in science.

Mr. Xu Dingbo

Mr. Xu Dingbo, aged 51, has been independent non-executive Director of the Company since June 2013 and is a member of the American Accounting Association. Mr. Xu was a teaching assistant in the University of Pittsburgh and the University of Minnesota and an assistant professor in The Hong Kong University of Science & Technology from 1986 to 2003, and was an adjunct professor in Peking University from April 1999 to April 2009. Mr. Xu joined China Europe International Business School in January 2004. He currently serves as the Essilor Chair Professor of Accounting, Associate Dean and member of Management Committee, and has also served as a member of Financial Budget Committee since October 2009. Mr. Xu has been appointed as independent non-executive Director and 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 Shanghai Stock Exchange, stock code: 601116). Mr. Xu has served as independent director and chairman of the Audit Committee of DongyiRisheng Home Decoration Group Limited Company since December 2010. Since December 2012, Mr. Xu has served as independent director and chairman of the Audit Committee of Shanghai Shyndec Pharmaceutical Co., Ltd. (listed on the Shanghai Stock Exchange, stock code: 600420). Mr. Xu has served as independent director of Sany Heavy Industry Co., Ltd (listed on the Shanghai Stock Exchange, stock code: 600031) since January 2013 and as 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 graduated from the University of Minnesota in October 1996 with a doctoral degree in accounting.

Supervisors

No.	Name	Gender	Age	Position	Term of office
Current Supervisors					
1	Gong Jiande	Male	51	Chairman of the Board of Supervisors Shareholder Representative Supervisor	From February 2015 to the expiration of the term of the current session of the Board of Supervisors
2	Liu Yanfen	Female	61	External Supervisor	From February 2015 to the expiration of the term of the current session of the Board of Supervisors
3	Li Chun	Male	57	External Supervisor	From February 2015 to the expiration of the term of the current session of the Board of Supervisors
4	Wei Jianhui	Male	52	Employee Representative Supervisor	From June 2013 to the expiration of the term of the current session of the Board of Supervisors
5	Gong Hongbing	Female	48	Employee Representative Supervisor	From July 2014 to the expiration of the term of the current session of the Board of Supervisors
Resigned Supervisors					
1	Chen Weizhong	Male	60	Chairman of the Board of Supervisors Shareholder Representative Supervisor	From June 2013 to February 2015
2	Dong Juan	Female	62	External Supervisor	From June 2013 to February 2015
3	Liu Xianghui	Male	60	External Supervisor	From June 2013 to June 2014
4	Lin Jian	Male	58	Employee Representative Supervisor	From June 2013 to July 2014

Mr. Gong Jiande

Mr. Gong Jiande, aged 51, has served as deputy secretary of the Party Committee of the Company since September 2014 and has been Shareholder Representative Supervisor and Chairman of the Board of Supervisors of the Company since February 2015. Mr. Gong served as secretary to general office, deputy secretary and secretary of department level to the State Ethnic Affairs Commission of the PRC from August 1995 to October 2000. He also held various positions such as department cadre, research consultant, deputy director and director of the organization department of the CPC Central Financial Work Committee from October 2000 to July 2003, the secretary to the Discipline Supervisory Committee (deputy director level) of the CBRC, the chairman of the labor union (deputy director level) of the CBRC, the member of Discipline Supervisory Committee (during which he worked for the central financial inspection team) of the CBRC, general deputy secretary to the Party Committee (director level) of the CBRC, member of the informatization panel of the CBRC, head of the government sourcing administration office of the CBRC, deputy chairman of the Research Institute of the Party Construction of the government authorities and deputy director of the Chamber of Financial Street from July 2003 to September 2014. Mr. Gong graduated from the Party School of the Central Committee of C.P.C. majoring in economic management in December 1996, and graduated from the postgraduate program of the Party School of the Central Committee of C.P.C. in July 2007.

Ms. Liu Yanfen

Ms. Liu Yanfen, aged 61, has been External Supervisor of the Company since February 2015 and is a senior accountant and certified public accountant of the PRC. Ms. Liu joined Bank of China (listed on the Hong Kong Stock Exchange, stock code: 3988; listed on the Shanghai Stock Exchange, stock code: 601988) in 1982. She served as the general manager of the financial and accounting department of the head office of Bank of China from June 1998 to February 2007, as general manager of the Singapore branch of Bank of China from June 2007 to December 2011, and as chief auditor of Bank of China from December 2011 to November 2014. Prior to the above, Ms. Liu had held various positions such as the general manager of China Dongfang Trust and Investment Company and deputy general manager of the financial and accounting department of the head office of Bank of China. Ms. Liu graduated from Liaoning Finance and Economics College (currently known as Dongbei University of Finance and Economics) with a bachelor's degree in 1982 and obtained a master's degree in finance from Wuhan University in 1999.

Mr. Li Chun

Mr. Li Chun, aged 57, has been External Supervisor of the Company since February 2015 and is the founding partner and executive partner of Grandall Law Firm, the managing partner of the Hong Kong office of Grandall Law Firm, the president and chief researcher of the Grandall Research Institute. Mr. Li served as solicitor of Changchun Law Firm, deputy director of Jilin Institute of Law of Chinese Academy of Social Sciences, general manager of Jilin Economic and Legal Consultation Centre, chief legal adviser of China Merchants Shekou Industrial Zone Ltd., deputy general manager and chief legal counsel of Shenzhen Property Rights Exchange, president of Shenzhen Lawyers Association, vice president of Guangdong Lawyers Association, member of the first session of the Listing Committee of Shenzhen Stock Exchange, Secretary-general to Lawyer Development Strategy Special Committee of All China Lawyers Association. Mr. Li concurrently holds the positions as chief executive and chief researcher of China Private Funds and Risk Investment Legal Consultation Centre, honorable president of Shenzhen Lawyers Association, adjunct professor and researcher of Peking University, Renmin University of China, East China University of Political Science and Law and Shenzhen University. He has participated in the drafting and consultation process for the PRC Company Law and PRC Securities Law. At present, he is the independent director of Shangdong Airlines Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 200152), Shenzhen Laibao Hi-Tech Co., Ltd. (listed on the Shenzhen Stock Exchange, stock code: 002106) and EDAN Instruments, INC. (listed on the Shenzhen Stock Exchange, stock code: 300206). Mr. Li graduated from Jilin University in July 1996 and obtained his master degree from the Legal Department.

Mr. Wei Jianhui

Mr. Wei Jianhui, aged 52, has been Employee Representative Supervisor of the Company since June 2013. He was accredited as an economist by CCB in November 1993. Mr. Wei worked as senior staff member of Hebei Branch Office of CCB from April 1990 to February 1992, vice president of Baoding Central Sub-branch of CCB from February 1992 to February 1993, and secretary of deputy director level, deputy director and director of the General Office of CCB's Hebei Branch from February 1993 to November 1999. Mr. Wei joined the Company in November 1999 and served as 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 General Office of the Company since June 2011. Mr. Wei graduated from Hebei Banking School in October 1983, Correspondence College of Renmin University of China in June 1988 majoring in economics of capital construction, and graduated from the Law Department, Graduate School of Chinese Academy of Social Sciences in April 1998 majoring in economic law.

Ms. Gong Hongbing

Ms. Gong Hongbing, aged 48, has been Employee Representative Supervisor of the Company since July 2014, and was accredited as senior political worker by the Company in 2000. From August 1988 to August 1999, Ms. Gong served as the officer, associate chief officer and chief officer of the personnel department of Yantai branch and the personnel division of Shandong branch of CCB. Ms. Gong joined the Company in August 1999 and served as the senior deputy manager and senior manager of the general office, general management department and policy and business department of Jinan Branch of the Company, and the senior manager of the Human Resources Department of the Company until January 2010. Ms. Gong served as an assistant to general manager of the Administration Division and assistant to the director of the Board of Directors' Office of the Company from January 2010 to June 2012, deputy general manager of the General Office of the Company from June 2012 to March 2014, and has served as the deputy director of the Labor Union and deputy general manager of the General Office of the Company since March 2014. Ms. Gong graduated from Harbin Senior Finance College majoring in bank management in July 1988 and graduated from Shangdong Branch of the Central Party School majoring in economics and management in 2002. She obtained a master's degree in business administration from Beijing Jiaotong University in June 2008.

Senior Management

No.	Name	Position	Gender	Age	Beginning of term of office
Current Senior Management					
1	Zang Jingfan	President	Male	59	From May 2011
2	Chen Xiaozhou	Member of Senior Management	Male	52	From September 2000
3	Yang Junhua	Member of Senior Management	Male	58	From September 2005
4	Xiao Lin	Member of Senior Management(1)	Male	60	From February 2007
5	Zhuang Enyue	Vice President	Male	54	From March 2007
6	Li Yuejin	Vice President	Male	57	From February 2011
7	Wu Songyun	Vice President	Male	50	From June 2013
8	Gu Jianguo	Vice President	Male	52	From June 2013
9	Liu Ligeng	Member of Senior Management	Male	50	From January 2014
10	Zhang Weidong	Assistant to President	Male	48	From June 2013
		Board Secretary			From February 2011
11	Luo Zhenhong	Chief Risk Officer	Male	49	From October 2013
Resigned Senior Management					
1	Xu Zhichao	Vice President	Male	55	From June 2013 to January 2015

Note:

(1) Mr. Xiao Lin has served as the secretary of Disciplinary Committee of the Company since February 2007 and was the Vice President of the Company from June 2013 to December 2014. Mr. Xiao resigned as Vice President due to other work arrangement in December 2014.

Mr. Zang Jingfan

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

Mr. Chen Xiaozhou

Mr. Chen Xiaozhou, aged 52, has been a member of Senior Management of the Company since September 2000, and is responsible for the investment and asset management business of the Company. He was accredited as a senior economist by CCB in December 1995. Mr. Chen had held various positions successively in CCB, including director of Projects Financing Division of International Business Department 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 of Cinda Hong Kong from April 2011 to January 2015. Mr. Chen worked as chairman and executive director of Silver Grant International Industries Limited (listed on Hong Kong Stock Exchange, stock code: 00171) since February 2006, and served as chairman and non-executive director since September 2006. He worked as executive director and chairman of Cinda International (listed on Hong Kong Stock Exchange, stock code: 00111) from December 2008 to January 2015. Mr. Chen graduated from Hangzhou University in July 1983 with a bachelor's degree in economics, the Graduate School of Finance Research Institute of PBOC in November 1988 with a master's degree in economics, and the University of New South Wales in Australia in November 2002 with a master's degree in business.

Mr. Yang Junhua

Mr. Yang Junhua, aged 58, has been a member of Senior Management of the Company since September 2005, and is responsible for the general affairs of the Head Office of the Company. He was accredited as a senior economist by CCB in December 1992. Mr. Yang had held various positions successively in CCB, including director of Construction & 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 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

Mr. Xiao Lin, aged 60, has been a member of Senior Management of the Company since February 2007, and is responsible for the general affairs of the Head Office of the Company. Mr. Xiao was accredited as senior political engineer (高級政工師) 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, the director of Labor Union from August 2007 to January 2014, the Vice President from June 2013 to December 2014, and has served as the secretary of Disciplinary Committee since February 2007. 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

Mr. Zhuang Enyue, aged 54, 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 graduated from the Department of Management of Shanghai Maritime University in July 1983 with a bachelor's degree in accounting, and graduated from Renmin University of China in July 1990 with a master's degree in economics.

Mr. Li Yuejin

Mr. Li Yuejin, aged 57, has been Vice President of the Company since February 2011. He was accredited as a senior economist by CCB in December 1995. Mr. Li had held various positions successively in CCB, including chief of the Credit Planning Department and deputy general manager of Dongying Branch, Shandong Province from November 1989 to September 1996, deputy general manager of Zibo Branch from September 1996 to November 1997 and branch general manager of Tai'an Branch from November 1997 to December 1999. Mr. Li joined the Company in December 1999, and had served as deputy director of Jinan office from December 1999 to March 2006, director of Xi'an office from August 2006 to July 2010, general manager of Shaanxi Branch from July 2010 to August 2010, and general manager of Shandong Branch from August 2010 to January 2011. Mr. Li graduated from Shandong University in July 1999 majoring in currency banking, and graduated from Peking University in July 2007 with an EMBA degree.

Mr. Wu Songyun

Mr. Wu Songyun, aged 50, 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 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

Mr. Gu Jianguo, aged 52, has served as Vice President of the Company since June 2013. He was accredited as a senior accountant by CCB in March 1997. Mr. Gu had served successively as deputy manager of Securities Department, 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 Group Co., Ltd. from March 1999 to March 2002. Mr. Gu served as executive director and general manager of Well Kent International Group Co., Ltd. from March 2002 to February 2011, and served as Assistant to the President of the Company from February 2011 to June 2013. He was the executive director of Cinda International Holdings Limited (listed on Hong Kong Stock Exchange, stock code: 00111) from December 2008 to December 2012. He is 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 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. Liu Ligeng

Mr. Liu Ligeng, aged 50, has been the chairman of the labor union of the Company since January 2014. He was accredited as an economist by the PBOC in June 1993. Mr. Liu had served as an officer and deputy head of the Education Division, Human Resources Division and Staff Training Division of the PBOC from July 1988 to September 2003 and as a researcher, the head and the deputy director (deputy head) of the Human Resources Department of the CBRC from September 2003 to January 2014. He graduated from Beijing Normal University in July 1988 with a bachelor's degree in education and obtained a postgraduate diploma from Hunan College of Finance and Economics (currently known as Hunan University) in July 1998.

Mr. Zhang Weidong

Mr. Zhang Weidong, aged 48, has been Assistant to the President of the Company since June 2013. He has served as the Board Secretary of the Company since February 2011 and was accredited 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 Chief Executive Office, senior manager of the Review Committee, deputy director and general manager of the Asset Appraisal Department from May 1999 to February 2006, and general manager of the Market Development Department from February 2006 to November 2008. He has also served successively as director of the Reorganization Leading Panel Office, the Strategic Investors Introduction and Listing 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. 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

Mr. Luo Zhenhong, aged 49, 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 to April 1999. Mr. Luo joined the Company in April 1999 and had served successively as senior manager, deputy general manager and general manager of Legal Department of the Company until April 2009. Since April 2009, Mr. Luo has served as the general manager of the Legal & Compliance Department of the Company. Mr. Luo was vice president of the Banking Law Division of China Law Society from October 2008 to November 2012, and has worked as vice president of China Banking Law Society since November 2012. Mr. Luo graduated from Peking University with a bachelor's degree in law in July 1988, a master's degree in law in July 2002, and an EMBA degree in July 2012.

Changes in Directors, Supervisors and Senior Management

Changes in Directors

On June 30, 2014, Mr. Li Honghui and Mr. Song Lizhong were elected as the Non-executive Directors of the Company at the annual general meeting for 2013. Mr. Li Honghui and Mr. Song Lizhong took office on August 13, 2014, upon the approval of the CBRC on their directorship qualifications.

Since August 13, 2014, Ms. Wang Shurong and Mr. Yin Boqin ceased to be the Non-executive Directors of the Company due to other work arrangement.

Since January 20, 2015, Mr. Xu Zhichao ceased to be the Executive Director of the Company due to other work arrangement.

Changes in Supervisors

Since June 5, 2014, Mr. Liu Xianghui ceased to act as the External Supervisor of the Company due to work arrangement.

Since July 16, 2014, Mr. Lin Jian ceased to act as the Employee Representative Supervisor of the Company due to work arrangement.

Pursuant to the resolution of the second meeting of the second session of employee representative meeting of the Company, Ms. Gong Hongbing has acted as the Employee Representative Supervisor of the Company with effect from July 16, 2014.

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

Due to age reason, Mr. Chen Weizhong ceased to be the Shareholder Representative Supervisor with effect from February 10, 2015. Due to other work arrangement, Ms. Dong Juan ceased to be the External Supervisor.

Changes in Senior Management

Mr. Xiao Lin ceased to be the Vice President of the Company due to other work arrangement with effect from December 22, 2014.

Since January 20, 2015, Mr. Xu Zhichao ceased to be the Vice President of the Company due to other work arrangement.

Annual remuneration

Remuneration of Directors, Supervisors and Senior Management

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

Highest paid individuals

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

Corporate Governance Report

Summary

During the Reporting Period, the Company had strictly complied with the requirements of the Company Law of the People's Republic of China, the Listing Rules, other laws and regulations, regulatory documents and the Articles. The Company has adhered to its high corporate governance principle and refined its corporate governance mechanism. Through enhancing its risk management and internal control and improving its information disclosure and investor relationship management, the Company had maintained its sound growth and achieved a continuous increase in shareholders' value. During the Reporting Period, the Company won four awards, including "2013 Gold LACP International Annual Report Award", "Top 80 Annual Reports in Asia-Pacific Region (39th)", "Top 20 Chinese Annual Reports" and "The Best Letter to Shareholders" from the selection committee of the League of American Communications Professionals, or the LACP.

Corporate Governance Code

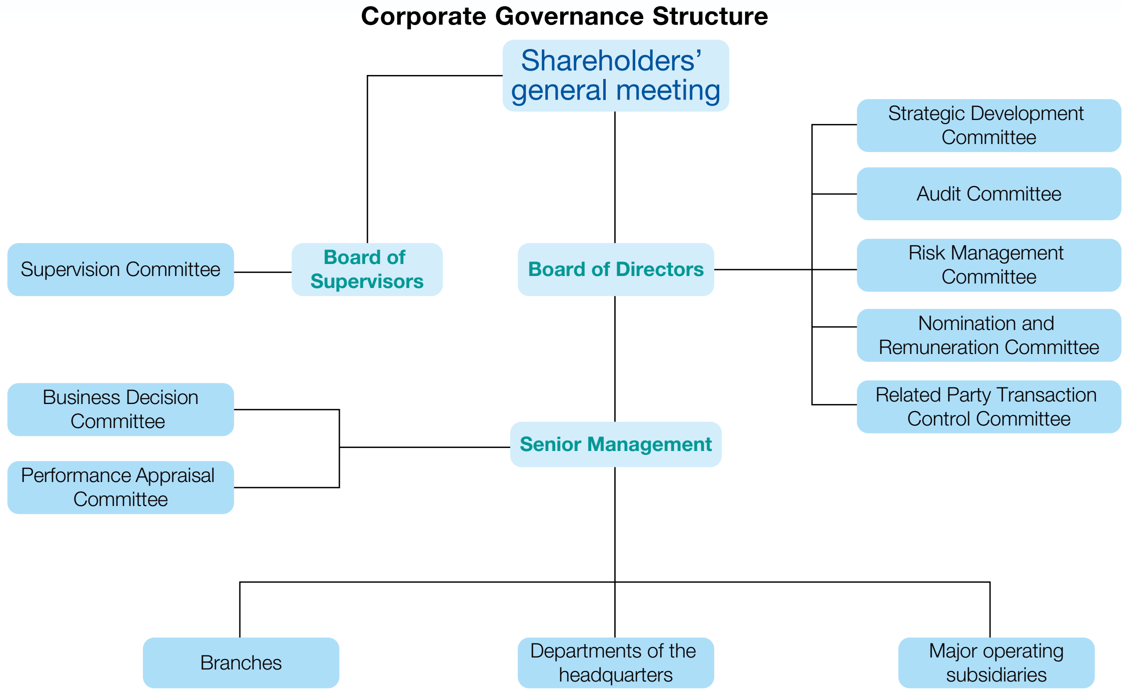
During the Reporting Period, the Company had complied with the Corporate Governance Code under Appendix 14 of the Listing Rules and most of the recommended best practices therein.

Corporate Governance Functions

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

Corporate Governance Structure

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



Amendments to the Articles of Association

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

Shareholders' general meeting

Responsibilities of Shareholders' general meeting

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

Details of Shareholders' general meetings

During the Reporting Period, the Company held the Shareholders' general meeting for 2013 in Beijing, and approved eight resolutions. The Company strictly complied with the legal procedures applicable to Shareholders' general meetings to ensure Shareholders are able to attend the meetings and exercise their rights. Shareholders of the Company voted at the Shareholders' general meeting by poll according to the Listing Rules, and they were fully informed of the voting procedures by poll. The Company engaged lawyers to attend Shareholders' general meeting as scrutinisers and to provide legal advice. Matters considered and approved at the meeting include:

- resolution on the Work Report of the Board of the Company for 2013;
- resolution on the Work Report of the Board of Supervisors of the Company for 2013;
- resolution on the Final Financial Account of the Company for 2013;
- resolution on the Profit Distribution Plan of the Company for 2013;

- resolution on the fixed asset investment budget of the Company for 2014;
- resolution on the appointment of accounting firm for 2014;
- resolution on the appointment of Mr. Li Honghui and Mr. Song Lizhong as the non-executive Directors of the Company;
- resolution on the capital injection in Happy Life.

Shareholders' rights

Right to propose to convene extraordinary general meetings

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

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

Shareholders' right to propose resolutions

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

Right to convene extraordinary Board meetings

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

Right to propose resolutions for Board meetings

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

Shareholders' right to raise proposal and enquiry

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

Other rights

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

Attendance of Directors at Shareholders' general meetings

Directors' attendance at Shareholders' general meetings

Members of the Board	Number of meetings attended/ required to attend	Attendance rate
Executive Directors		
Hou Jianhang	1/1	100%
Zang Jingfan	1/1	100%
Xu Zhichao	1/1	100%
Non-executive Directors		
Li Honghui	–	–
Song Lizhong	–	–
Xiao Yuping	1/1	100%
Yuan Hong	1/1	100%
Lu Shengliang	1/1	100%
Independent non-executive Directors		
Li Xikui	1/1	100%
Qiu Dong	1/1	100%
Chang Tso Tung, Stephen	1/1	100%
Xu Dingbo	1/1	100%
Resigned Directors during the Reporting Period		
Wang Shurong	1/1	100%
Yin Boqin	1/1	100%

Notes:

1. Please see "Directors, Supervisors and Senior Management" — "Changes in Directors, Supervisors and Senior Management" in this annual report for changes in directors.
2. Attendance includes on-site attendance and attendance through electronic means such as telephone and video online.
3. Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

Independence from controlling shareholder

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

Board of Directors

Composition and responsibilities of the Board

From January 1, 2014 to August 13, 2014, the Board had 12 members, including three executive Directors, namely Mr. Hou Jianhang (Chairman), Mr. Zang Jingfan and Mr. Xu Zhichao, five non-executive Directors, namely Ms. Wang Shurong, Mr. Yin Boqin, Ms. Xiao Yuping, Ms. Yuan Hong and Mr. Lu Shengliang, and four independent non-executive Directors, namely Mr. Li Xikui, Mr. Qiu Dong, Mr. Chang Tso Tung, Stephen and Mr. Xu Dingbo. Mr. Li Honghui and Mr. Song Lizhong were appointed as the non-executive directors of the Company at 2013 Shareholders' general meeting on June 30, 2014 and such appointments were approved by the CBRC on August 13, 2014. On the same day, Ms. Wang Shurong and Mr. Yin Boqin resigned as non-executive Directors of the Company due to change of work arrangements. On January 20, 2015, Mr. Xu Zhichao resigned as the executive director of the Company due to change of work arrangements. As at the date of this annual report, the Board has 11 members, including two executive Directors, namely Mr. Hou Jianhang (chairman) and Mr. Zang Jingfan, five non-executive Directors, namely Mr. Li Honghui, Mr. Song Lizhong, Ms. Xiao Yuping, Ms. Yuan Hong and Mr. Lu Shengliang, and four independent non-executive Directors, namely Mr. Li Xikui, Mr. Qiu Dong, Mr. Chang Tso Tung, Stephen and Mr. Xu Dingbo. Their term of office shall end on the expiry of the current session of the Board.

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

The Board is responsible for the Shareholders' general meeting in accordance with the Articles. The major duties of the Board include: (1) to convene and report its work at the Shareholders' general meeting; (2) to implement the resolutions of the Shareholders' general meetings; (3) to determine the development strategies, operation plans and investment plans of the Company; (4) to formulate annual financial budget and final account plans, profit distribution plan and loss recovery plan of the Company; (5) to appoint or dismiss the president and the Board secretary of the Company; to appoint or dismiss vice presidents, assistants to president and other Senior Management members (excluding the Board secretary) according to the president's nominations; (6) to formulate plans for the increase or reduction of the registered capital, merger, division, dissolution and repurchase of shares of the Company; (7) to formulate the assessment methods and remuneration package of directors for approval at the Shareholders' general meeting; (8) to determine the remuneration, performance review and award and punishment mechanism of Senior Management members of the Company; (9) to determine the risk management, compliance and internal control policies of the Company and formulate systems in relation to the internal control and compliance management of the Company; (10) within the scope of 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 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.

Board Meetings

In 2014, the Board conducted four regular meetings. 25 resolutions were passed and ten work reports were reviewed at the meetings. Before the meetings, Directors were provided with appropriate notice and information necessary for making informed decision. Among the resolutions passed, there were six resolutions on management matters, three resolutions on project approval, six resolutions on work report, four resolutions on appointment or dismissal of employees, three resolutions on remuneration and insurance matter and three other resolutions. The major issues were as follows:

- considered and approved the final account plan and the profit distribution plan of the Company for 2013 and fixed assets investment budget for 2014;

- considered and approved the annual report of the Company for 2013 (annual results announcement) and the interim report of the Company for 2014 (interim results announcement);

- considered and approved the work report of the Board, internal control evaluation report and social responsibility report of the Company for 2013;

- considered and approved audit working plan for 2014 and appointment of accounting firm of the Company for 2014 and 2015;

- considered and approved the financial bonds issuance plan for 2015;
- considered and approved the remuneration plan for Directors and Senior Management for 2013;
- received the reports on risk management and new related parties of the Company for 2013.

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

Directors' Attendance at Board Meetings

Directors' attendance at Board meetings

Directors	Number of meeting attended/ required to attend	Attendance rate
Executive Directors		
Hou Jianhang	4/4	100%
Zang Jingfan	4/4	100%
Xu Zhichao	4/4	100%
Non-executive Directors		
Li Honghui	2/2	100%
Song Lizhong	2/2	100%
Xiao Yuping	4/4	100%
Yuan Hong	4/4	100%
Lu Shengliang	4/4	100%
Independent non-executive Directors		
Li Xikui	4/4	100%
Qiu Dong	3/4	75%
Chang Tso Tung, Stephen	4/4	100%
Xu Dingbo	4/4	100%
Resigned Directors during the Reporting Period		
Wang Shurong	2/2	100%
Yi Boqin	2/2	100%

Notes:

1. Please see "Directors, Supervisors and Senior Management" — "Changes in Directors, Supervisors and Senior Management" in this annual report for changes in Directors.
2. Attendance includes on-site attendance and attendance through electronic means such as telephone and video online.
3. Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.
4. Director who was absent from the Board meeting appointed another director to attend and vote at the meetings on his/her behalf.

Special Committees of the Board

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

Strategic Development Committee

From January 1, 2014 to August 13, 2014, the Strategic Development Committee had nine members. Mr. Hou Jianhang (Chairman of the Board) served as the chairman. The members included an executive Director, Mr. Zang Jingfan, five non-executive Directors, Ms. Wang Shurong, Mr. Yin Boqin, Ms. Xiao Yuping, Ms. Yuan Hong and Mr. Lu Shengliang and two independent non-executive Directors, Mr. Li Xikui and Mr. Chang Tso Tung, Stephen. Ms. Wang Shurong and Mr. Yin Boqin resigned from the office of the members of the Strategic Development Committee with effect from August 13, 2014. After the election at the third meeting of the Board for 2014 on August 27, 2014, non-executive Directors, Mr. Li Honghui and Mr. Song Lizhong were elected as the members of the Strategic Development Committee.

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

During the Reporting Period, the Strategic Development Committee conducted three meetings to consider five resolutions, including the 2013 final accounts, 2014 annual operation plan, 2014 fixed asset investment budget and the financial bonds issuance plan of the Company, and received corporate governance report of the Company for 2013.

Directors' attendance at Strategic Development Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Hou Jianhang	3/3	100%
Zang Jingfan	3/3	100%
Li Honghui	1/1	100%
Song Lizhong	1/1	100%
Xiao Yuping	3/3	100%
Yuan Hong	3/3	100%
Lu Shengliang	3/3	100%
Li Xikui	3/3	100%
Chang Tso Tung, Stephen	3/3	100%
Resigned members during the Reporting Period		
Wang Shurong	2/2	100%
Yin Boqin	2/2	100%

Notes:

1. Attendance in person includes on-site attendance and attendance through electronic means such as telephone and video online.
2. Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

Audit Committee

From January 1, 2014 to August 13, 2014, the Audit Committee had five members. Mr. Xu Dingbo (independent non-executive Director) served as the chairman. The members included two non-executive Directors, Ms. Wang Shurong and Mr. Yin Boqin and two independent non-executive Directors, Mr. Li Xikui and Mr. Chang Tso Tung, Stephen. Ms. Wang Shurong and Mr. Yin Boqin resigned from the office of the members of the Audit Committee with effect from August 13, 2014. After the election at the third meeting of the Board for 2014 on August 27, 2014, Mr. Li Honghui (non-executive Director) was elected as the member of the Audit Committee.

The Audit Committee shall perform the following duties, among others, to review significant financial policies of the Company and their implementation, and supervise financial activities of the Company; to review the financial information and relevant disclosure of the Company; to consider and approve the internal control evaluation proposal 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 in accordance with the authorization of the Board; to propose the appointment or dismissal of the external auditor; and to monitor the non-compliance of the Company in respect of financial reporting and internal controls; and to evaluate whether the resources, qualification and experience of relevant personnel in accounting and financial reporting as well as the training provided to the staff and the relevant budget were sufficient.

In 2014, the Audit Committee conducted five meetings to review eight resolutions including the 2013 annual report and results announcement, the internal control evaluation report for 2013, the internal audit work plan for 2014, the appointment of external accounting firms, the interim report and interim results announcement for 2014 and the implementation plan for internal control evaluation of the Company, and received six reports including the progress of the reporting mechanism of the Company, recommendations on audit management for 2013 and audit plan for financial statements for 2014.

On March 26, 2015, the Audit Committee conducted a meeting to resolve the submission of the 2014 annual financial report to the Board for review. The Audit Committee together with the Board and the external auditing firm jointly reviewed the accounting standards and practice adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2014.

During the Reporting Period, the Audit Committee duly performed its duties to regularly review financial reports of the Company and supervise operating activities of the Company; to supervise and guide the implementation of the internal control evaluation of the Company; to strengthen the communication with the external auditor, consider their recommendations on audit management and work together to determine audit plans and work arrangements; to supervise the appointment of external accounting firms, review the remuneration and appointment agreements of external accounting firms and make recommendations to the Board on the appointment of accounting firms.

Directors' attendance at Audit Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Xu Dingbo	5/5	100%
Li Honghui	2/2	100%
Li Xikui	5/5	100%
Chang Tso Tung, Stephen	5/5	100%
Resigned members during the Reporting Period		
Wang Shurong	3/3	100%
Yin Boqin	3/3	100%

Notes:

1. Attendance in person includes on-site attendance and attendance through electronic means such as telephone and video online.
2. Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

Risk Management Committee

From January 1, 2014 to August 13, 2014, the Risk Management Committee had five members. Ms. Xiao Yuping (non-executive Director) served as the chairman. The members included an executive Director, Mr. Xu Zhichao, two non-executive Directors, Ms. Wang Shurong and Mr. Lu Shengliang and an independent non-executive Director, Mr. Xu Dingbo. Ms. Wang Shurong resigned from the office of the member of the Risk Management Committee on August 13, 2014. After the election at the third meeting of the Board for 2014 on August 27, 2014, Mr. Li Honghui (non-executive Director) was elected as the member of the Risk Management Committee. On January 20, 2015, Mr. Xu Zhichao resigned from the office of the member of the Risk Management Committee.

The Risk Management Committee shall perform the following duties, among others, to examine risk management strategies and risk management policies of the Company, and supervise their implementation and effectiveness; to review risk management reports of the Company; and to evaluate the risk exposure of the Company; to supervise the risk control of the Senior Management members in respect of credit, market and operation risks; and to formulate and amend the compliance policies of the Company, evaluate and supervise the compliance of the Company.

In 2014, the Risk Management Committee had conducted five meetings to consider five resolutions, including the review of the 2013 risk management report and quarterly risk management reports for 2014.

Directors' attendance at Risk Management Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Xiao Yuping	5/5	100%
Xu Zhichao	5/5	100%
Li Honghui	1/1	100%
Lu Shengliang	4/5	80%
Xu Dingbo	5/5	100%
Resigned member during the Reporting Period		
Wang Shurong	3/3	100%

Notes:

1. Attendance in person includes on-site attendance and attendance through electronic means such as telephone and video online.
2. Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

Nomination and Remuneration Committee

From January 1, 2014 to August 13, 2014, the Nomination and Remuneration Committee had three members. Mr. Li Xikui (independent non-executive Director) served as the chairman. The members included a non-executive Director, Ms. Wang Shurong and an independent non-executive Director, Mr. Qiu Dong. Ms. Wang Shurong resigned from the office of the member of the Nomination and Remuneration Committee with effect from August 13, 2014. After the election at the third meeting of the Board for 2014 on August 27, 2014, Mr. Song Lizhong (non-executive Director) was elected as the member of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee shall perform the following duties, among others, to formulate procedures and standards for the election of Directors and Senior Management members; to preliminarily examine the eligibility of the candidates for Directors and Senior Management roles; to make recommendation to the Board on the candidates for Directors, presidents, Board Secretary, chairmen and members of the special committees of the Board (other than the chairman of the strategic development committee); to review the structure and composition of the Board; and to organize the formulation of remuneration package of Directors and Senior Management members for the approval of the Board.

In 2014, the Nomination and Remuneration Committee had conducted three meetings to consider six resolutions, including the verification of the qualification of candidates for non-executive Director; the nomination of members of certain special committees of the Board; the payroll plan of Directors and Senior Management for 2013; the review of the structure, size and composition (in respect of knowledge, skills and experience) of the Board, the duty performance of Directors and the independence of independent non-executive Directors.

Directors' attendance at Nomination and Remuneration Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Li Xikui	3/3	100%
Song Lizhong	1/1	100%
Qiu Dong	3/3	100%
Resigned member during the Reporting Period		
Wang Shurong	2/2	100%

Notes:

1. Attendance in person includes on-site attendance and attendance through electronic means such as telephone and video online.
2. Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

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

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

   - personal particulars such as education background, working experience and any part-time positions;
   - whether there is any connected relationship with the Company or the controlling shareholders and actual controller of the Company;
   - their shareholdings in the Company; and
   - whether there are any penalties or punishments imposed by the securities regulatory authorities of the State Council and other related authorities and/or the stock exchange.

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

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

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

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

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

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

Mr. Li Honghui and Mr. Song Lizhong joined the Board as non-executive Directors in August 2014. Mr. Li and Mr. Song had worked for various government authorities. Their extensive experience in public service expands the horizons of the Board and is beneficial to the business development of the Company.

Related Party Transaction Control Committee

During the Reporting Period, the Related Party Transaction Control Committee had three members. Mr. Qiu Dong served as the chairman, an independent non-executive Director. The members included Ms. Yuan Hong, a non-executive Director, and Mr. Xu Dingbo, an independent non-executive Director.

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

In 2014, the Related Party Transaction Control Committee conducted three meetings to consider six resolutions, mainly the resolution on the identification of related parties of the Company, the 2013 related party transaction management report, the resolution on the amendments to the related party transaction management regulations, the report of the development of the related party transaction management system and the internal transaction report of the Group for 2013.

Directors' attendance at Related Party Transaction Control Committee meetings

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

Notes:

1. Attendance in person includes on-site attendance and attendance through electronic means such as telephone and video online.
2. Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

Board of Supervisors

Duties of the Board of Supervisors

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

Composition of Board of Supervisors

From January 1, 2014 to June 5, 2014, the Board of Supervisors of the Company consisted of five supervisors, including a Shareholder Representative Supervisor, Mr. Chen Weizhong, and two External Supervisors, Ms. Dong Juan and Mr. Liu Xianghui, and two Employee Representative Supervisors, Mr. Lin Jian and Mr. Wei Jianhui.

On June 5, 2014, Mr. Liu Xianghui resigned as External Supervisor of the Company. On July 16, 2014, Mr. Lin Jian resigned as Employee Representative Supervisor of the Company due to other work arrangements. On July 16, 2014, Ms. Gong Hongbing was elected as Employee Representative Supervisor of the Company at the second employee representative meeting of the Company. On February 10, 2015, Mr. Chen Weizhong resigned as Shareholder Representative Supervisor of the Company due to his age and Ms. Dong Juan resigned as External Supervisor of the Company due to other work arrangements. On February 10, 2015, Mr. Gong Jiande was elected as Shareholder Representative Supervisor of the Company while Ms. Liu Yanfen and Mr. Li Chun were elected as External Supervisors of the Company at the first extraordinary general meeting for 2015.

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

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

Chairman of the Board of Supervisors

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

Operation of the Board of Supervisors

The meetings of the Board of Supervisors are divided into regular meetings and extraordinary meetings. Regular meetings of the Board of Supervisors shall be convened at least once every six months and all Supervisors shall be informed in writing ten days prior to the holding of meeting. To convene an extraordinary meeting of the Board of Supervisors, written notice shall be given seven days before the date of meeting. The resolutions of the meeting of the Board of Supervisors shall be passed by not less than two-thirds of all the Supervisors.

Meetings of the Board of Supervisors

The Board of Supervisors of the Company conducted ten meetings in 2014 and approved 21 resolutions, mainly:

- the resolutions regarding the 2013 Annual Report (the Annual Results Announcement), the Work Report of the Board of Supervisors for 2013, the Supervision Report of the Board of Supervisors for 2013, the Final Financial Account for 2013, the Profit Distribution Plan for 2013, the Social Responsibility Report of the Company for 2013, the Work Plan of the Board of Supervisors for 2014 and the Interim Report (the Interim Results Announcement) of the Company for 2014;

- the resolutions regarding the Performance Appraisal Report of the Directors and Senior Management for 2013 and the Internal Control Evaluation Report for 2013;

- the resolutions regarding the Election of the Members of the Supervision Committee of the Board of Supervisors, the Nomination of the Candidates of Supervisors and the Submission of "the Remuneration Settlement Scheme of China Cinda Asset Management Co., Ltd. for 2013" to the Shareholders' General Meeting for Approval; and

- the resolution regarding the Terms of Reference of the Board of Supervisors.

Supervisors attendance at meetings of the Board of Supervisors

Supervisors	Number of meetings attended/ required to attend	Attendance rate
Current members		
Chen Weizhong	10/10	100%
Dong Juan	10/10	100%
Wei Jianhui	10/10	100%
Gong Hongbing	5/5	100%
Resigned members during the Reporting Period		
Liu Xianghui	5/5	100%
Lin Jian	5/5	100%

Notes:

1. Attendance in person includes on-site attendance and attendance through electronic means such as telephone and video on-line.
2. Attendance rate is the percentage of number of meetings attended to the total number of meetings required to attend.

Special committee of the Board of Supervisors

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

From January 1, 2014 to June 5, 2014, the Supervision Committee of the Board of Supervisors consisted of four members, including External Supervisor, Ms. Dong Juan (chairperson), External Supervisor, Mr. Liu Xianghui, and Employee Representative Supervisors, Mr. Lin Jian and Mr. Wei Jianhui. On June 5, 2014, Mr. Liu Xianghui resigned as member of the Supervision Committee of the Board of Supervisors. On July 16, 2014, Mr. Lin Jian resigned as member of the Supervision Committee of the Board of Supervisors. On August 27, 2014, Ms. Gong Hongbing, Employee Representative Supervisor, was elected as member of the Supervision Committee of the Board of Supervisors at the sixth meeting of the Board of Supervisors for 2014. As at December 31, 2014, the Supervision Committee of the Board of Supervisors consisted of three members, including External Supervisor, Ms. Dong Juan (chairperson), and Employee Representative Supervisors, Mr. Wei Jianhui and Ms. Gong Hongbing. On February 10, 2015, Ms. Liu Yanfen and Mr. Li Chun were elected as members of the Supervision Committee of the Board of Supervisors at the second meeting of the Board of Supervisors for 2015. As at the date of this annual report, the Supervision Committee of the Board of Supervisors of the Company consists of four members, including External Supervisor, Ms. Liu Yanfen (chairperson), Mr. Li Chun, Mr. Wei Jianhui and Ms. Gong Hongbing.

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

In 2014, the Supervision Committee conducted six meetings to review and approve the following:

- resolutions regarding the Supervision Report of the Board of Supervisors of the Company for 2013, the Final Financial Account of the Company for 2013 and the Interim Report of the Company for 2014 (Interim Results Announcement);

- resolutions regarding the Performance Appraisal Report of the Directors and Senior Management of the Company for 2013 and the Internal Control Evaluation Report of the Company for 2013; and

- resolutions regarding the Performance Appraisal Plan of the Board of Supervisors for the Directors and Senior Management for 2014 and the Internal Control Evaluation Plan of the Board of Supervisors for 2014.

Chairman of the Board and President

In accordance with A.2.1 of the Corporate Governance Code (Appendix 14 to the Listing Rules) and the Articles, the Chairman of the Board and the President shall be assumed by different individuals, and the Chairman of the Board shall not be assumed by the legal representative or other key management of the controlling shareholder.

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

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

Senior Management

Composition and duties of Senior Management

The Senior Management is the execution body of the Company and is accountable to the Board. As at the date of this annual report, the Senior Management of the Company comprises 11 members. For details of its composition, please see "Directors, Supervisors and Senior Management" — "Senior Management" in this annual report. There is a strict separation of power between the Senior Management and the Board. The Senior Management determines the operation management and decisions within its terms of reference as authorized by the Board. The Company regularly reviews such authorization in accordance with its needs. The Board, in turn, conducts appraisal on the Senior Management and its members in accordance with the evaluation requirements of the MOF, the results of which form the basis of their remuneration and performance arrangements.

Supervision and evaluation of the performance of Senior Management

The Board of Supervisors of the Company conducted appraisal of the Board, Senior Management and its members based on the Measures on the Supervision of the Board of Directors, Senior Management and its Members (《監事會對董事會、高級管理層及其成員履職監督管理辦法》). The appraisal initiatives included examination of minutes of Shareholders' general meetings, Board meetings and meetings of the special committees of the Board, review of the annual performance reports of the Board, the special committees of the Board, Senior Management and its members and site visits regarding the performance of the Board, Senior Management and its members.

Remuneration of Directors and Senior Management

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

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

Communication with shareholders

Investor relations and information disclosure

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

Contacts of Board of Directors' Office

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

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

Insider information management

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

Auditor's Remuneration

As approved by the second meeting and second regular meeting of the Board in 2014, and the annual general meeting for 2013, the Company appointed Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu as its onshore and offshore auditors for 2014, respectively, to provide audit of the annual financial report, review of the interim financial report, audit of internal control and other professional services for the Company for 2014. The audit fee was RMB23.82 million, including an audit (review) fee for financial reports of RMB21.62 million and an internal control audit fee of RMB2.20 million.

Responsibilities of Directors in respect of financial statements

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

Securities transactions by Directors, Supervisors and Senior Management

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

Independence of independent non-executive Directors

All independent non-executive directors of the Company are independent individuals. The Company has received annual confirmation letters from each of the independent non-executive directors to confirm their independence. As at the latest practicable date prior to the issue of this annual report, the Company considered that all independent non-executive directors are independent. The independence of independent non-executive directors complies with the relevant guidelines set out in Rule 3.13 of the Listing Rules.

Trainings for Directors

During the Reporting Period, the Board focused on the continuing professional development of our Directors by encouraging them to take part in and organizing trainings for them. In accordance with A.6.5 of the Corporate Governance Code under Appendix 14 of the Listing Rules, the Directors of the Company participated in relevant trainings organized by trade organizations, professional organizations and the Company. In addition, the Directors of the Company further improved their professionalism through various methods such as attending conferences and conducting on-site research on local and overseas peers as well as our branches and subsidiaries. The major topics of trainings the Directors of the Company participated in are as follows:

In April 2014, Mr. Hou Jianhang, Mr. Zang Jingfan and Mr. Xu Zhichao, executive Directors, participated in a training regarding austerity policies and financial reform after the third Plenary Session of the 18th Central Committee of the Communist Party of China organized by the Company. Ms. Xiao Yuping and Ms. Yuan Hong, non-executive Directors, participated in a specialized training regarding strategies, audit and remuneration committee operation and rights and obligations as well as legal responsibilities of directors of listed companies organized by Shanghai Stock Exchange. Mr. Chang Tso Tung, Stephen, independent non-executive Director, participated in training of The Hong Kong Institute of Directors regarding the Environmental, Social and Governance Reporting Guide, sustainable development of enterprises and crisis management of directors of listed companies.

In July 2014, Ms. Wang Shurong, Mr. Yin Boqin, Ms. Yuan Hong and Mr. Lu Shengliang, non-executive Directors, and Mr. Li Xikui, Mr. Qiu Dong and Mr. Xu Dingbo, independent non-executive Directors, participated in a specialized training regarding the latest development of the PRC and international accounting standards organized by the auditors of the Company. Mr. Li Honghui and Mr. Song Lizhong, newly appointed non-executive Directors, participated in a training regarding details of the Listing Rules organized by the legal advisors as to Hong Kong law of the Company. Topics of the training mainly included responsibilities of directors, securities trading by directors, corporate governance, information disclosure and market misconduct.

In September 2014, Mr. Hou Jianhang, Mr. Zang Jingfan and Mr. Xu Zhichao, executive Directors, participated in a training regarding distressed asset cycles, financial system liquidity and system risks in China organized by the Company. Mr. Song Lizhong and Ms. Yuan Hong, non-executive Directors, participated in a training course for senior management of PRC companies listed in Hong Kong organized by the Hong Kong Institute of Chartered Secretaries.

In December 2014, Mr. Hou Jianhang, Mr. Zang Jingfan and Mr. Xu Zhichao, executive Directors, participated in a training regarding economic trends, hot issues, and the spirit of the Central Economic Work Conference organized by the Company. Mr. Li Honghui and Ms. Yuan Hong, non-executive Directors, participated in a specialized training regarding annual financial audit and results reporting organized by the Hong Kong Institute of Chartered Secretaries. Ms. Xiao Yuping and Mr. Song Lizhong, non-executive Directors, participated in a training regarding the newly amended accounting standards, management and control of the Group and the risk prevention and control organized by the Company.

Joint company secretaries

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

Internal Control

Statement of the Board in relation to internal control responsibilities

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

Pursuant to the relevant regulatory requirements set out in the Basic Internal Control Norms for Enterprises (《企業內部控制基本規範》) and its matching guidelines jointly promulgated by the MOF and four other ministries, the Company adopted an implementation plan for internal control assessment for 2014, which has defined the scope, procedures and methods of internal control assessment, and actively conducted on-site test and off-site assessment of internal control.

The internal control assessment of the Company for 2014 covered all departments at the headquarters, branches, subsidiaries and major products and business lines, and consisted of comprehensive self-assessment by all departments at the headquarters, branches and subsidiaries, on-site tests and inspection of key aspects. No material or significant deficiencies in internal control were identified during the assessment while matters to be addressed did not constitute a substantial impact on the operation and management of the Company. The Company attaches great importance to the matters to be addressed and will continue to take further rectification measures.

Basis of internal control system of the Company

During the Reporting Period, the Board of the Company established a sound internal control system in line with its management objectives in accordance with the regulatory requirements as set out in the Basic Internal Control Norms for Enterprises (《企業內部控制基本規範》) and its supporting guidelines, the Measures on the Internal Control of Financial Asset Management Companies (《金融資產管理公司內部控制辦法》) and Guidelines on the Internal Control of Commercial Banks (《商業銀行內部控制指引》) and the regulatory requirement under Corporate Governance Code and Corporate Governance Report as contained in Appendix 14 to the Listing Rules.

Establishment of internal control system

During the Reporting Period, the Company further refined its top level design of internal control system and clearly stated the three key elements, namely governance structure, management mechanism and management foundation.

In respect of governance structure, the Company have further clarified the organizational structure and duties of internal control, clearly separated the duties of the Board, the Board of Supervisors and the management and established three lines of defense of internal control. The business departments act as the first line of defense. These departments have an internal control system that regulates self-initiated internal control, risk inspection and rectification. The internal control and compliance departments and risk management departments act as the second line of defense. They supervise and inspect the operation of internal control through daily and special inspections. The audit department acts as the third line of defense to conduct independent review and evaluation of the effectiveness of internal control. Internal control responsibilities are clearly assigned to the management and all staff. The Company is committed to establishing a long-term internal control system.

Management mechanism is composed of internal control policy, assessment system and monitoring mechanism. In respect of internal control policy, sound corporate regulations and policies are adopted in response to the risk control and regulatory requirement. In respect of assessment system, an internal control mechanism has been established for daily inspection, special inspection and independent assessment. Close-loop management process is put in place for the identification and rectification of problems, follow-up supervisions, assessment and accountability. In respect of monitoring mechanism, risk monitoring indicators system have been established based on major risks, key controls and compliance requirements relating to business and management in order to improve the monitoring, warning, analysis and reporting procedures.

Management foundation is composed of a sound internal control culture, personnel training and information management system. The Company has organized propagation and training relating to internal control in order to cultivate the culture of internal control and consolidate employees' concept of internal control and risk prevention.

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

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

Report of the Board of Directors

Principal Business

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

Profit and dividend distribution

The profit and financial condition of the Company for the year ended December 31, 2014 are set out in the "Management Discussion and Analysis" — "Analysis of Financial Statements" in this annual report.

Having considered the long-term development requirement and the interests of investors of the Company, the Board proposed to distribute cash dividends for 2014 of RMB0.985 per 10 shares (tax inclusive) to holders of domestic shares and H shares whose names appear in the register of shareholders on the record date, representing total cash dividends of approximately RMB3,571 million on the basis of 36,256,690,035 domestic and H shares in issue on December 31, 2014.

The 2014 profit distribution plan of the Company shall be subject to approval at the Shareholders' annual general meeting for 2014. Subject to approval, the cash dividend of the Company for 2014 will be denominated and declared in Renminbi and will be paid in Renminbi to holders of domestic shares and in Hong Kong dollars to holders of H shares. The amount of Hong Kong dollar will be calculated on the basis of the average basic exchange rate between Renminbi and Hong Kong dollar quoted by the People's Bank of China in one week prior to the date of the Shareholders' annual general meeting for 2014 (including the date of the meeting).

The Company will announce the date of the Shareholders' general meeting for 2014 and the period of closure of register of members of the Company for the determination of the entitlement of Shareholders to attend the meeting and vote thereat in due course. The Company will announce the record date for dividend of 2014, closure of register of members of the Company and expected dividend payment date separately.

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

Pursuant to the PRC Individual Income Tax Law (《中華人民共和國個人所得税法》), the Implementation Regulations of the PRC Individual Income Tax Law (《中華人民共和國個人所得税法實施條例》), the Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative) (Guo Shui Fa [2009] No. 124) (《國家税務總局關於印發〈非居民享受税收協定待遇管理辦法（試行）〉的通知》(國税發[2009]124號)), the Notice of the State Administration of Taxation on the Questions Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 45 (Guo Shui Han [2011] No. 348) (《國家税務總局關於國税發[1993]45號文件廢止後有關個人所得税徵管問題的通知》(國税函[2011]348號)), other relevant laws and regulations and other regulatory documents, the Company shall, as a withholding agent, withhold and pay individual income tax for the individual holders of H shares in respect of the dividend for 2014 to be distributed to them. However, the individual holders of H shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled and the tax arrangements between Mainland China, Hong Kong or Macau. For individual holders of H shares in general, the Company will withhold and pay individual income tax at the rate of 10% on behalf of the individual holders of H shares in the distribution of the dividend. However, the tax rates applicable to individual holders of H Shares overseas may vary depending on the tax treaties between the PRC and the countries (regions) in which the individual holders of H shares are domiciled, and the Company will withhold and pay individual income tax on behalf of the individual holders of H shares in the distribution of the dividend accordingly.

For non-resident enterprise holders of H shares, the Company will withhold and pay enterprise income tax at the tax rate of 10% for such holders of H shares pursuant to the Notice of the State Administration of Taxation on the Issues Concerning Withholding the Enterprises Income Tax on the Dividends Paid by Chinese Resident Enterprises to H Share Holders Who Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《國家税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税有關問題的通知》(國税函[2008]897號)).

For investors who acquired the H shares of the Company through the Shanghai Stock Exchange, the Company is in the process of discussing with the relevant authorities of China for the payment of cash dividend of 2014 to such investors and will announce the arrangement as soon as possible (if necessary).

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

Reserves

Reserves of the Group for the year ended December 31, 2014 are set out in the Consolidated Statement of Changes in Equity in the consolidated financial statements.

Distributable Reserves

Details of distributable reserves of the Group for the year ended December 31, 2014 are set out in the Consolidated Statement of Financial Position in the consolidated financial statements.

Financial Highlights

The operating results and summary of assets and liabilities of the Group for the year ended December 31, 2014 are set out in the "Financial Summary" in this annual report.

Donations

Donations made by the Group for the year ended December 31, 2014 amounted to RMB1.97 million.

Property and Equipment

None of the properties held by the Group had any percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) of more than 5%. Details in relation to the changes in property and equipment of the Group for the year ended December 31, 2014 are set out in Note V.41 "Property and equipment" to the consolidated financial statements.

Pension plan

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

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

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

Major Clients

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

Major Suppliers

During the Reporting Period, the top five entities (in terms of the amounts of distressed assets acquired) from which we acquired distressed assets combined accounted for less than 30% of total costs for distressed assets acquisition in 2014.

Share Capital and Public Float

As at December 31, 2014, the Company had a total of 36,256,690,035 shares in issue and 2,179 registered shareholders. Please see "Changes in Share Capital and Information on Substantial Shareholders" in this annual report for details. As at the latest practicable date for the purpose of the publication of this report, based on the information available to the Company and to the knowledge of the directors, the public float of the Company was 32.16%, which was in compliance with the relevant laws and regulations and the requirement of the Listing Rules.

Pre-emptive Right

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

Purchase, Sale and Redemption of Shares

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

Issuance of Securities

During the Reporting Period, as approved by the CBRC (Yin Jian Fu [2014] No. 42) and the People's Bank of China (Yin Shi Chang Xu Zhun Yu Zi [2014] No. 42), the Company issued financial bonds of RMB20 billion on May 27, 2014. The bonds comprised two types, which were three-year fixed rate bond with coupon rate of 5.20% and five-year fixed rate bond with coupon rate of 5.35%. The proceeds from the issuance were used to replenish the working capital of the Company, optimize the assets and liabilities structure of the Company, promote the business development and financial innovation of the Company as well as for other purposes approved by the competent authorities.

In May 2014, China Cinda Finance (2014) Limited (中國信達金融有限公司), a wholly-owned subsidiary of Cinda Hong Kong, issued 5-year USD1 billion fixed rate guaranteed senior notes and 10-year USD500 million fixed rate guaranteed senior notes in Hong Kong, with coupon rates of 4% and 5.625% respectively. In December 2014, China Cinda Finance (2014) Limited (中國信達金融有限公司) issued 15-year USD230 million non-callable fixed rate USD guaranteed senior notes in Hong Kong, with a coupon rate of 5.2%.

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

Material Interests and Short Positions

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

Use of Proceeds

The proceeds from the share offering were used to consolidate the capital base of the Company so as to support the sustainable growth of its businesses, which was in line with the uses and purposes disclosed in the prospectus.

Borrowings

The borrowings of the Group as of December 31, 2014 amounted to approximately RMB263,450 million. Details of our borrowings are set out in Note V.48 "Borrowings" to the consolidated financial statements.

Directors, Supervisors and Senior Management

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

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

As at December 31, 2014, none of the Directors, Supervisors and chief executive officer of the Company had any interests or short positions in the shares and underlying shares of the Company or its associated corporations (within the meaning of Part XV of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Appendix 10 Model Code for Securities Transactions by Directors of Listed Companies to the Listing Rules.

Interests in Contracts of Significance and Service Contracts of Directors and Supervisors

None of the Directors and Supervisors of the Company had any beneficial interests, directly or indirectly, in any contracts of significance (except service contracts) regarding the business of the Group entered into with the Company or any of its controlling companies, subsidiaries or fellow subsidiaries in 2014.

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

Material Contracts with Controlling Shareholders

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

Management Contracts

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

Interests of Directors in Business Competing with the Company

None of the Directors of the Company holds any interest in business which directly or indirectly competes, or is likely to compete with the business of the Company.

Remuneration Policy of Directors, Supervisors and Senior Management

The remuneration policy of Directors, Supervisors and Senior Management of the Company is in compliance with the Regulatory Measures for Examining Remuneration of Representatives of Central Financial Enterprises (the "Regulatory Measures") promulgated by the Ministry of Finance. In accordance with the Regulatory Measures and relevant requirements of the Supervisory Guidelines on Sound Compensation in Commercial Banks of the CBRC, payment of 50% of the performance-based annual salary (before tax) shall be deferred for three years with one third to be paid in each year. The remuneration policy of Directors, Supervisors and Senior Management consists of incentive and restriction based on their performance and the risks and responsibilities of their positions and is subject to government supervision and adjustment along with market condition. The remuneration system comprises basic salary, bonus and other benefits, as well as corporate pension scheme in accordance with relevant national requirements. The Company has not implemented any mid-to-long-term incentive plan for Directors, Supervisors and Senior Management.

Relationship between Directors, Supervisors and Senior Management

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

Connected Transactions

During the Reporting Period, the Company did not conduct any connected transactions or continuing connected transactions required to be reported, announced or approved by independent shareholders under Chapter 14A "Connected Transactions" of the Listing Rules. Please see Note V.66 "Related party transactions" to the consolidated financial statements for details of related party transactions as defined in the IFRS which do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules.

Auditors

The consolidated financial statements of the Group for 2014 prepared under the IFRS and PRC GAAP have been audited by Deloitte Touche Tohmatsu and Deloitte Touche Tohmatsu Certified Public Accountants LLP., respectively.

Statement for Changes of Auditors in the Past Three Years

There was no change in the auditors of the Company for the past three years.

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

By Order of the Board of Directors
Hou Jianhang
Chairman

March 27, 2015

Report of the Board of Supervisors

In 2014, pursuant to the national laws and regulations, Articles and regulatory requirements focusing on the development strategies of the Company, the Board of Supervisors of the Company performed its supervisory duties by conducting daily supervision and evaluation so as to improve the corporate governance and maintain the sustainable and sound development of the Company.

Major Work Completed

The Board of Supervisors convened meetings pursuant to the laws. In 2014, the Board of Supervisors held ten meetings to review and approved 21 resolutions including the reports of the Board of Supervisors, the supervision report of the Board of Supervisors, the internal control evaluation report and performance evaluation reports. Meanwhile, the Board of Supervisors reviewed four special reports regarding the audit of the annual report of the Company, comprehensive risk management and internal controls and compliance, overall operating performance, asset management and fund business, and discussed important matters including the implementation of resolutions of the Board of Supervisors and the Supervision Committee. In 2014, the Supervision Committee of Board of Supervisors held six meetings.

The Board of Supervisors duly implemented performance supervision and evaluation. It strengthened the supervision of the performance, the implementation of major decisions and the lawful operation of the Board, Senior Management and their members, through attending meetings, studying and analyzing relevant information, reviewing performance reports, conducting visits and interviews and carrying out performance examination. It organized the annual performance supervision and evaluation, issued performance evaluation reports of directors and Senior Management and made reports and disclosure in accordance with relevant requirements.

The Board of Supervisors enhanced financial supervision by supervising regular reports, review and disclosure of regular reports to analyze major issues which may affect the truthfulness, accuracy and completeness of financial reports, conducting special investigation regarding financial management of the Group, conducting special financial investigations and supervising the use of proceeds. It also supervised and evaluated the independence and effectiveness of work of auditors.

The Board of Supervisors further implemented internal supervision. It focused on the construction of the internal control system of the Company by regularly reviewing reports regarding internal control and compliance and major issues identified during internal audits, following up the rectification of identified issues and conducting on-site examination of internal control of the Company, so as to strengthen the supervision on the internal control system and evaluation of its effectiveness.

The Board of Supervisors continuously strengthened risk management supervision with emphasis on the supervision of the comprehensive risk management system of the Company. It regularly reviewed special reports regarding risk management, further conducted investigations of risk management and asset quality, and provided relevant opinions and suggestions.

The Board of Supervisors continued to monitor and promote the implementation of the Company's strategies. It organized and initiated special investigation and evaluation, and provided opinions and suggestions on the implementation of strategies and the planning of new strategies to promote the implementation of researches of relevant aspects.

The Board of Supervisors improved its capability. It studied and formulated working regulations for the Board of Supervisors and further improved the supervision mechanisms. It arranged trainings for supervisors of the Company and its subsidiaries and strived to improve overall supervision. All members of the Board of Supervisors duly performed their duties in accordance with laws and regulations, attended meetings of the Board of Supervisors timely, and participated in the studying, consideration and voting of resolutions, conducted in-depth investigation and research. They also attended Board meetings and meetings of the special committees of the Board and meetings of the Senior Management to perform their duties.

Independent opinions on relevant matters

Lawful operation

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

Financial reports

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

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

The results of the performance evaluation of all Directors and Senior Management for 2014 were competent.

Internal control

During the Reporting Period, the Company continued to improve internal control and the Board of Supervisors had no objection to the evaluation opinions on internal control of the Company for 2014.

Implementation of resolutions adopted at Shareholders' general meetings

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

Use of proceeds

During the Reporting Period, the use of proceeds of the Company was in line with the use stated in the prospectus.

Performance of social responsibilities

During the Reporting Period, the Company duly performed its social responsibilities and the Board of Supervisors had no objection to the report on social responsibilities of the Company for 2014.

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

March 27, 2015

Material Litigation and Arbitration

During the Reporting Period, save as the litigation initiated by Junefield Real Estate (please refer to the announcements of the Company dated December 23, 2014 and January 27, 2015, respectively, for details), the Company was not involved in any litigation and arbitration which was material to our operation.

Such litigation did not have any material adverse effect on the operating results and financing condition of the Company.

Major Acquisition and Disposal of Assets and Merger

During the Reporting Period, save as the investment in Sinopec Marketing Co., Ltd. and the disposal of shares in Bank of Xi'an Co., Ltd. (please refer to the announcements of the Company dated September 15, 2014 and September 24, 2014, respectively, for details), the Company did not enter into any material acquisition and disposal of assets or merger of enterprises.

Use of Funds by the Controlling Shareholder and other Related Parties

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

Implementation of Share Incentive Plan

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

Major Contracts and their Implementation

Major Custodies, Underwriting and Leasings

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

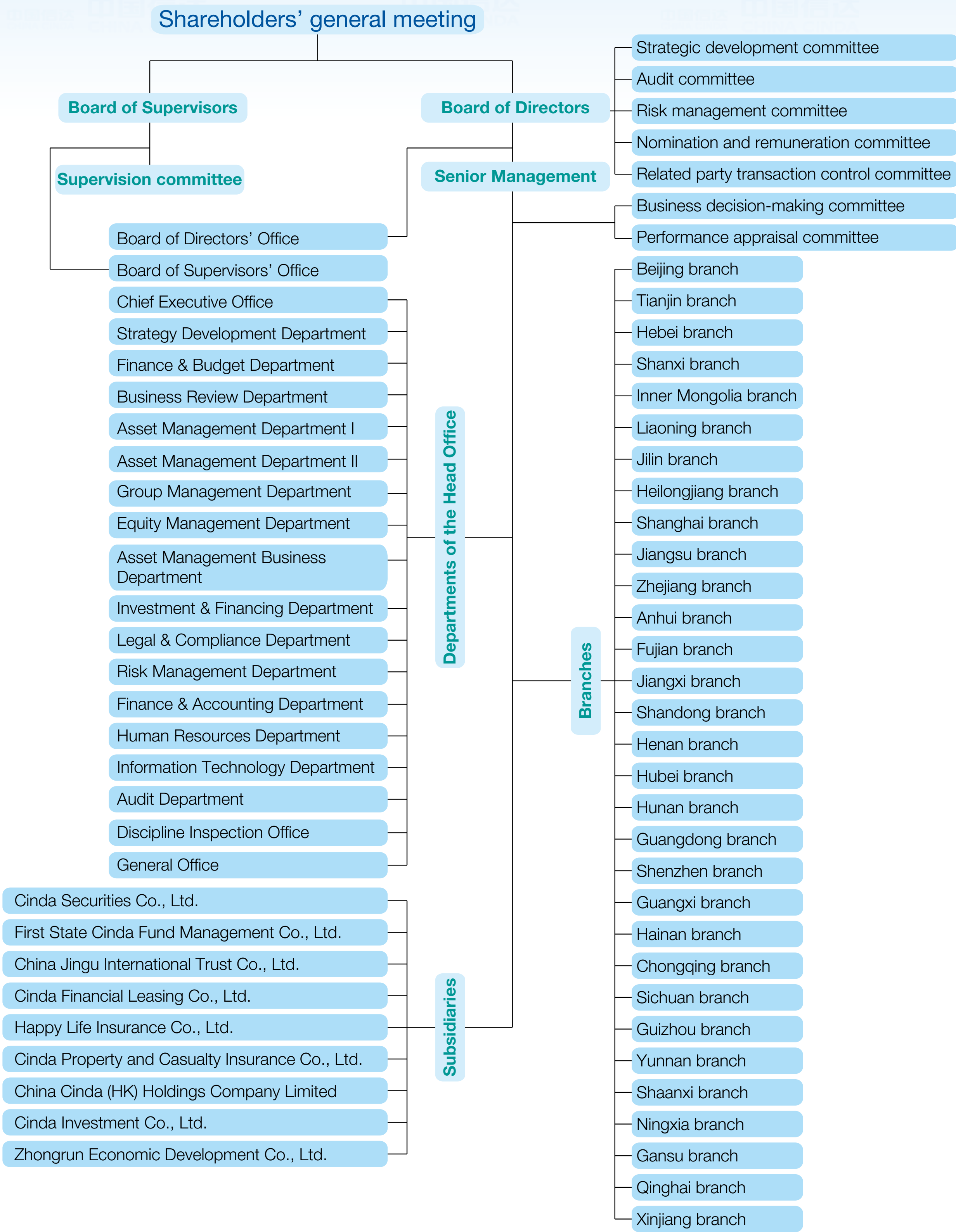
Material Guarantees

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

Penalty Imposed on the Company and Directors, Supervisors and Senior Management of the Company during the Reporting Period

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

Organizational Chart



Audit Report and Financial Statements

Independent Auditor's Report

Deloitte.
德勤

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

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

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

We have audited the consolidated financial statements of China Cinda Asset Management Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 140 to 362 which comprise the consolidated and company statements of financial position as at December 31, 2014, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at December 31, 2014 and of the Group's profit and cash flows for the year then ended, in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

March 27, 2015

Consolidated Income Statement

For the year ended December 31, 2014

(Amounts in thousands of RMB, unless otherwise stated)

	Notes V	Year ended December 31, 2014	2013
Income from distressed debt assets classified as receivables	1	**18,113,566**	10,144,157
Fair value changes on distressed debt assets	2	**4,077,498**	4,617,634
Fair value changes on other financial instruments	3	**2,180,533**	539,004
Investment income	4	**9,116,469**	7,043,846
Net insurance premiums earned	5	**7,442,985**	5,771,868
Interest income	6	**8,810,539**	5,059,204
Revenue from sales of inventories	7	**4,340,500**	4,321,948
Commission and fee income	8	**3,008,181**	2,520,108
Net gains on disposal of subsidiaries and associates	9	**642,948**	200,517
Other income and other net gains or losses	10	**2,056,843**	2,194,906
Total		**59,790,062**	42,413,192
Interest expense	11	**(15,961,121)**	(7,803,756)
Insurance costs	12	**(6,865,310)**	(5,018,782)
Employee benefits	13	**(4,600,557)**	(3,797,444)
Purchases and changes in inventories	7	**(2,824,007)**	(2,720,323)
Commission and fee expense	14	**(1,034,318)**	(869,443)
Business tax and surcharges		**(1,981,262)**	(1,233,873)
Depreciation and amortization expenses		**(456,360)**	(443,789)
Other expenses		**(2,872,582)**	(2,560,256)
Impairment losses on assets	15	**(5,438,067)**	(6,153,281)
Total		**(42,033,584)**	(30,600,947)
Change in net assets attributable to other holders of consolidated structured entities	38	**(1,909,945)**	(540,461)
Profit before share of results of associates and tax		**15,846,533**	11,271,784
Share of results of associates		**460,166**	500,259
Profit before tax	16	**16,306,699**	11,772,043
Income tax expense	17	**(4,163,950)**	(2,671,071)
Profit for the year		**12,142,749**	9,100,972

(Amounts in thousands of RMB, unless otherwise stated)

	Notes V	Year ended December 31,	
		2014	2013
Profit attributable to:			
Equity holders of the Company		**11,896,243**	9,027,278
Non-controlling interests		**246,506**	73,694
		12,142,749	9,100,972
Earnings per share attributable to equity holders of the Company *(Expressed in RMB Yuan per share)*	18		
— Basic		**0.33**	0.30
— Diluted		**0.33**	0.30

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2014

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31,	
	2014	2013
Profit for the year	**12,142,749**	9,100,972
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	**5,162,379**	(4,055,637)
— amounts reclassified to profit or loss upon disposal	**(964,519)**	858,993
— amounts reclassified to profit or loss upon impairment	**554,379**	3,436,227
Income tax effect	**(1,010,362)**	(160,264)
	3,741,877	79,319
Share of other comprehensive income of associates	**498**	48,869
Exchange differences arising on translation of foreign operations	**11,250**	(28,402)
Other comprehensive income for the year, net of income tax	**3,753,625**	99,786
Total comprehensive income for the year	**15,896,374**	9,200,758
Total comprehensive income attributable to:		
Equity holders of the Company	**15,147,822**	9,323,396
Non-controlling interests	**748,552**	(122,638)
	15,896,374	9,200,758

Consolidated Statement of Financial Position

As at December 31, 2014

(Amounts in thousands of RMB, unless otherwise stated)

	Notes V	As at December 31, 2014	2013
Assets			
Cash and bank balances	22	**43,891,249**	57,059,107
Clearing settlement funds	23	**5,145,163**	1,707,859
Deposits with exchanges and a financial institution	24	**918,240**	831,073
Placements with financial institutions	25	**3,000,000**	290,000
Financial assets at fair value through profit or loss	26	**57,220,521**	25,178,498
Financial assets held under resale agreements	27	**11,454,214**	1,053,527
Available-for-sale financial assets	28	**85,794,554**	72,747,155
Financial assets classified as receivables	29	**180,913,089**	116,662,697
Loans and advances to customers	30	**80,224,726**	48,636,362
Accounts receivable	31	**7,022,083**	6,448,944
Held-to-maturity investments	33	**7,042,523**	7,592,298
Properties held for sale	34	**29,932,835**	17,789,854
Investment properties	35	**1,606,297**	1,857,970
Interests in associates	39	**10,079,555**	8,961,606
Property and equipment	41	**3,687,619**	3,620,195
Goodwill		**324,109**	323,721
Other intangible assets		**183,978**	159,608
Deferred tax assets	42	**3,442,600**	3,937,398
Other assets	43	**12,544,062**	8,927,535
Total assets		**544,427,417**	383,785,407
Liabilities			
Borrowings from central bank	44	**986,058**	4,912,977
Accounts payable to brokerage clients	45	**11,663,334**	6,480,797
Financial liabilities at fair value through profit or loss		**37,005**	48,465
Financial assets sold under repurchase agreements	46	**9,939,649**	9,442,824
Placements from banks and a financial institution	47	**11,827,000**	10,477,000
Borrowings	48	**263,452,411**	173,834,689
Accounts payable	49	**13,891,177**	22,814,138
Investment contract liabilities for policyholders	50	**6,251,226**	3,244,367
Tax payable	51	**1,742,755**	2,060,566
Insurance contract liabilities	52	**25,219,005**	20,722,452
Bonds issued	53	**43,694,852**	13,285,017
Deferred tax liabilities	42	**664,465**	450,849
Other liabilities	54	**53,195,218**	33,249,145
Total liabilities		**442,564,155**	301,023,286

Consolidated Statement of Financial Position

As at December 31, 2014

(Amounts in thousands of RMB, unless otherwise stated)

	Notes V	As at December 31, 2014	2013
Equity			
Share capital	55	**36,256,690**	35,458,864
Capital reserve	56	**17,328,518**	15,903,578
Investment revaluation reserve	57	**3,970,903**	730,574
Surplus reserve	58	**3,394,304**	2,483,115
General reserve	59	**4,461,263**	3,866,093
Retained earnings	60	**28,366,310**	17,976,426
Foreign currency translation reserve		**(409,130)**	(420,380)
Equity attributable to equity holders of the Company		**93,368,858**	75,998,270
Non-controlling interests		**8,494,404**	6,763,851
Total equity		**101,863,262**	82,762,121
Total equity and liabilities		**544,427,417**	383,785,407

The consolidated financial statements on pages 140 to 362 are authorized for issue by the Board of Directors and signed on its behalf by:

侯建杭

CHAIRMAN

臧景范

PRESIDENT

Statement of Financial Position

As at December 31, 2014

(Amounts in thousands of RMB, unless otherwise stated)

	Notes V	As at December 31, 2014	2013
Assets			
Cash and bank balances	22	**11,521,730**	30,660,624
Placements with financial institutions	25	**2,000,000**	640,000
Financial assets at fair value through profit or loss	26	**42,837,267**	17,419,393
Financial assets held under resale agreements	27	**8,795,500**	—
Available-for-sale financial assets	28	**57,996,590**	51,050,342
Financial assets classified as receivables	29	**177,893,099**	113,966,668
Accounts receivable	31	**6,053,629**	5,647,620
Amounts due from subsidiaries	32	**876,392**	1,509,756
Held-to-maturity investments	33	**210,000**	499,928
Investment properties	35	**367,723**	374,570
Interests in subsidiaries	36	**25,502,767**	22,398,334
Interests in consolidated structured entities	38	**7,204,057**	2,540,901
Interests in associates	39	**3,916,062**	6,010,243
Property and equipment	41	**853,913**	573,243
Other intangible assets		**15,609**	22,046
Deferred tax assets	42	**2,253,176**	3,117,264
Other assets	43	**4,954,478**	2,864,982
Total assets		**353,251,992**	259,295,914
Liabilities			
Borrowings from central bank	44	**986,058**	4,912,977
Financial liabilities at fair value through profit or loss		**431,742**	226,786
Placements from banks	47	**10,000,000**	8,000,000
Borrowings	48	**212,495,000**	139,069,331
Accounts payable	49	**10,160,682**	21,676,664
Tax payable	51	**722,159**	1,373,430
Bonds issued	53	**30,544,927**	10,025,296
Other liabilities	54	**4,250,323**	4,025,986
Total liabilities		**269,590,891**	189,310,470

Statement of Financial Position

As at December 31, 2014

(Amounts in thousands of RMB, unless otherwise stated)

	Notes V	As at December 31, 2014	2013
Equity			
Share capital	55	**36,256,690**	35,458,864
Capital reserve	56	**16,513,787**	15,127,873
Investment revaluation reserve	57	**2,573,161**	193,135
Surplus reserve	58	**3,394,304**	2,483,115
General reserve	59	**3,348,747**	2,967,886
Retained earnings	60	**21,574,412**	13,754,571
Total equity		**83,661,101**	69,985,444
Total equity and liabilities		**353,251,992**	259,295,914

Consolidated Statement of Cash Flows

For the year ended December 31, 2014

(Amounts in thousands of RMB, unless otherwise stated)

	Notes V	Year ended December 31, 2014	2013
OPERATING ACTIVITIES			
Profit before tax		**16,306,699**	11,772,043
Adjustments for:			
Impairment losses on assets		**5,438,067**	6,153,281
Depreciation of property and equipment, and investment properties		**343,810**	351,559
Amortization of intangible assets and other long-term assets		**112,550**	92,230
Share of results of associates		**(460,166)**	(500,259)
Net gains on disposal of property and equipment, and investment properties		**(319,409)**	(721,831)
Net gains on disposal of subsidiaries and associates		**(642,948)**	(200,517)
Fair value changes on financial assets		**(1,411,614)**	(90,155)
Investment income		**(9,116,469)**	(7,043,846)
Borrowing costs		**2,709,840**	1,643,737
Change in reserves for insurance contracts		**4,280,446**	3,136,784
Operating cash flows before movements in working capital		**17,240,806**	14,593,026
(Increase)/decrease in bank balances		**(3,571,278)**	1,796,148
Increase in financial assets at fair value through profit or loss		**(30,634,969)**	(8,165,369)
Increase in financial assets held under resale agreements		**(10,603,333)**	(416,609)
Increase in financial assets classified as receivables		**(48,437,583)**	(67,358,783)
Increase in loans and advances to customers		**(32,436,806)**	(24,098,155)
Decrease in accounts receivable		**1,348,024**	1,065,782
Increase in properties held for sale		**(12,177,509)**	(3,943,388)
Decrease in borrowings from central bank		**(3,926,919)**	(2,140,465)
Increase/(decrease) in accounts payable to brokerage clients		**5,182,537**	(148,728)
Increase/(decrease) in financial assets sold under repurchase agreements		**2,315,752**	(3,917,115)
Increase in borrowings		**82,859,619**	93,058,646
Increase/(decrease) in accounts payable		**3,043,022**	(289,646)
Increase in other operating assets		**(8,904,511)**	(10,389,246)
Increase in other operating liabilities		**16,077,076**	25,069,522
Cash generated from operations		**(22,626,072)**	14,715,620
Income taxes paid		**(4,786,215)**	(4,134,298)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES		**(27,412,287)**	10,581,322

Consolidated Statement of Cash Flows

For the year ended December 31, 2014

(Amounts in thousands of RMB, unless otherwise stated)

	Notes V	Year ended December 31, 2014	2013
INVESTING ACTIVITIES			
Cash receipts from disposals and recovery of investment securities and debt-to-equity assets		**31,649,348**	14,911,000
Dividends received from investment securities		**1,005,502**	1,645,352
Dividends received from associates		**367,812**	254,088
Interest received from investment securities		**1,678,407**	2,048,469
Cash receipts from disposals of property and equipment, investment properties and other intangible assets		**570,287**	981,230
Net cash flows from disposals of subsidiaries	69	**1,199,317**	416,185
Net cash flows from disposals of associates		**—**	335,271
Cash payments to acquire investment securities		**(64,850,754)**	(42,303,173)
Net cash flows from consolidated structured entities		**11,068,707**	10,812,640
Cash payments for purchase of property and equipment, investment properties and other assets		**(359,678)**	(488,563)
Cash payments for establishment and acquisition of interests in associates		**(3,378,453)**	(1,538,666)
NET CASH USED IN INVESTING ACTIVITIES		**(21,049,505)**	(12,926,167)
FINANCING ACTIVITIES			
Net proceeds from issue of shares		**2,183,740**	14,974,565
Capital contribution from non-controlling interests of subsidiaries of the Company		**1,105,417**	927,100
Proceeds from disposal of partial interests in subsidiaries that does not involve loss of control		**78,942**	95,783
Cash payments to acquire additional interests in subsidiaries		**(6,200)**	(35,240)
Cash receipts from borrowings raised		**23,820,864**	9,854,515
Cash receipts from bonds issued		**30,867,390**	734,678
Cash receipts from financial assets sold under repurchase agreements		**3,997,729**	5,816,656
Cash repayments on financial assets sold under repurchase agreements		**(5,816,656)**	(4,450,363)
Cash repayments of borrowings		**(17,062,761)**	(5,082,453)
Cash repayment of bonds		**(1,007,068)**	(95,179)
Interest expenses on borrowings paid		**(2,140,622)**	(1,620,529)
Dividends paid		**(1,202,804)**	(1,613,059)
Dividends paid to non-controlling interests of subsidiaries		**(193,387)**	(93,434)
Cash payments for transaction cost of bonds issued		**(132,930)**	(7,423)
NET CASH FROM FINANCING ACTIVITIES		**34,491,654**	19,405,617

(Amounts in thousands of RMB, unless otherwise stated)

	Notes V	Year ended December 31, 2014	2013
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(13,970,138)**	17,060,772
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**48,192,046**	31,093,404
Effect of foreign exchange changes		**255,012**	37,870
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	61	**34,476,920**	48,192,046
Net cash flows from operating activities include:			
Interest received		**8,246,753**	4,579,020
Interest paid		**12,535,945**	6,160,019

Consolidated Statement of Changes in Equity

For the year ended December 31, 2014

(Amounts in thousands of RMB, unless otherwise stated)

	Notes V	Equity attributable to equity holders of the Company									
		Share capital (Note V.55)	Capital reserve (Note V.56)	Investment revaluation reserve (Note V.57)	Surplus reserve (Note V.58)	General reserve (Note V.59)	Retained earnings	Foreign currency translation reserve	Subtotal	Non-controlling interests	Total
As at January 1, 2014		35,458,864	15,903,578	730,574	2,483,115	3,866,093	17,976,426	(420,380)	75,998,270	6,763,851	82,762,121
Profit for the year		–	–	–	–	–	11,896,243	–	11,896,243	246,506	12,142,749
Other comprehensive income/(expense) for the year		–	–	3,240,329	–	–	–	11,250	3,251,579	502,046	3,753,625
Total comprehensive income/(expense) for the year		–	–	3,240,329	–	–	11,896,243	11,250	15,147,822	748,552	15,896,374
Shares issued	55, 56	797,826	1,385,914	–	–	–	–	–	2,183,740		2,183,740
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	1,105,417	1,105,417
Acquisition of additional interests in subsidiaries		–	3,117	–	–	–	–	–	3,117	(9,317)	(6,200)
Disposal of partial interests in subsidiaries		–	35,909	–	–	–	–	–	35,909	90,319	126,228
Disposal of interests in subsidiaries		–	–	–	–	–	–	–	–	(11,031)	(11,031)
Appropriation to surplus reserve	58	–	–	–	911,189	–	(911,189)	–	–	–	–
Appropriation to general reserve	59	–	–	–	–	595,170	(595,170)	–	–	–	–
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(193,387)	(193,387)
As at December 31, 2014		36,256,690	17,328,518	3,970,903	3,394,304	4,461,263	28,366,310	(409,130)	93,368,858	8,494,404	101,863,262

(Amounts in thousands of RMB, unless otherwise stated)

		Equity attributable to equity holders of the Company									
	Notes V	Share capital (Note V.55)	Capital reserve (Note V.56)	Investment revaluation reserve (Note V.57)	Surplus reserve (Note V.58)	General reserve (Note V.59)	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	1,468,835	14,869,946	(391,978)	54,773,568	6,111,175	60,884,743
Profit for the year		–	–	–	–	–	9,027,278	–	9,027,278	73,694	9,100,972
Other comprehensive income/(expense) for the year		–	–	324,520	–	–	–	(28,402)	296,118	(196,332)	99,786
Total comprehensive income/(expense) for the year		–	–	324,520	–	–	9,027,278	(28,402)	9,323,396	(122,638)	9,200,758
Shares issued	55, 56	5,318,840	9,305,983	–	–	–	–	–	14,624,823	–	14,624,823
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	578,921	578,921
Acquisition of additional interests in subsidiaries		–	(324,000)	–	–	–	11,587	–	(312,413)	276,815	(35,598)
Acquisition of interests in subsidiaries		–	–	–	–	–	–	–	–	9,288	9,288
Disposal of partial interests in subsidiaries		–	400,949	–	–	–	3,810	–	404,759	42,985	447,744
Disposal of interests in subsidiaries		–	–	–	–	–	–	–	–	(39,261)	(39,261)
Appropriation to surplus reserve	58	–	–	–	723,074	–	(723,074)	–	–	–	–
Appropriation to general reserve	59	–	–	–	–	2,397,258	(2,397,258)	–	–	–	–
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(93,434)	(93,434)
Dividends recognized as distribution	19	–	–	–	–	–	(2,815,863)	–	(2,815,863)	–	(2,815,863)
As at December 31, 2013		35,458,864	15,903,578	730,574	2,483,115	3,866,093	17,976,426	(420,380)	75,998,270	6,763,851	82,762,121

Notes to the Consolidated Financial Statements

For the year ended December 31, 2014

(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 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 listed on The Stock Exchange of Hong Kong Limited on December 12, 2013. Details of the share issue are included in note V.55.

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 consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

(Amounts in thousands of RMB, unless otherwise stated)

II. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In current year, the Group has applied a number of amendments to IFRSs and a new interpretation that are effective for the Group's annual period beginning on January 1, 2014.

Amendments to IFRS 10, IFRS 12 and IAS 27	Investment Entities
Amendments to IAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to IAS 39	Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21	Levies

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

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

IFRS 9	Financial Instruments(1)
IFRS 15	Revenue from Contracts with Customers(2)
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations(4)
Amendments to IAS 1	Disclosure Initiative(4)
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation(4)
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions(3)
Amendments to IFRSs	Annual Improvements to IFRSs 2010-2012 Cycle(5)
Amendments to IFRSs	Annual Improvements to IFRSs 2011-2013 Cycle(3)
Amendments to IFRSs	Annual Improvements to IFRSs 2012-2014 Cycle(4)
Amendments to IAS 27	Equity Method in Separate Financial Statements(4)
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture(4)
Amendments to IFRS 10, IFRS 12 and IAS 28	Investment Entities: Applying the Consolidation Exception(4)

(1) Effective for annual periods beginning on or after 1 January 2018
(2) Effective for annual periods beginning on or after 1 January 2017
(3) Effective for annual periods beginning on or after 1 July 2014
(4) Effective for annual periods beginning on or after 1 January 2016
(5) Effective for annual periods beginning on or after 1 July 2014, with limited exceptions

II. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9 are described below:

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

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

II. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 9 Financial Instruments (continued)

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

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

IFRS 15 Revenue from Contracts with Customers

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

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

- Step 1: Identify the contract(s) with a customer.

- Step 2: Identify the performance obligations in the contract.

- Step 3: Determine the transaction price.

- Step 4: Allocate the transaction price to the performance obligations in the contract.

- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

II. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

IFRS 15 Revenue from Contracts with Customers (continued)

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

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash-generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

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

Amendments to IFRS 10:

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

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

II. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") (continued)

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

Amendments to IAS 28:

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance (Cap.32).

2. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 Share-based payment, leasing transactions that are within the scope of IAS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 Inventories or value in use in IAS 36 Impairment of Assets.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Basis of consolidation

The consolidated financial statements incorporate 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 or up to the effective date of disposal, as appropriate.

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Basis of consolidation (continued)

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

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.

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 recognized as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Business combinations

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

5. 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.

6. 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Foreign currency transactions

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

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

8. 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.

8.1 Determination of fair value

Fair value is determined in the manner described in note V.68.

8.2 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.

8.3 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Financial instruments (continued)

8.3 Classification, recognition and measurement of financial assets (continued)

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

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

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

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

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

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

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

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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Financial instruments (continued)

8.3 Classification, recognition and measurement of financial assets (continued)

Loans and receivables

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

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

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

Available-for-sale financial assets

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

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

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

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

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Financial instruments (continued)

8.4 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; and

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

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

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Financial instruments (continued)

8.4 Impairment of financial assets (continued)

(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 collaterised 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Financial instruments (continued)

8.4 Impairment of financial assets (continued)

Impairment of available-for-sale financial assets

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in other comprehensive income and 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 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Financial instruments (continued)

8.5 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Financial instruments (continued)

8.6 Classification, recognition and measurement of financial liabilities

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

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

Financial liabilities at fair value through profit or loss

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

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

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

Other financial liabilities

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

8.7 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Financial instruments (continued)

8.8 Derivatives and embedded derivatives

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

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

8.9 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.

9. 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets and 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 and 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 of disposal) 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Interests in associates (continued)

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

11. Investment properties

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

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

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

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

Investment properties are depreciated on a straight-line basis over the shorter of the term of the lease and 40 years.

(Amounts in thousands of RMB, unless otherwise stated)

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

12. 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 statements 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

13. 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.

14. Other intangible assets

Other 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 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

Recoverable amount is the higher of fair value less costs of disposal 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

16. Resale and repurchase agreements

16.1 Financial assets held under resale agreements

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

16.2 Financial assets sold under repurchase agreements

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

17. 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

18. 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 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.

19. 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contracts liabilities (continued)

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

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

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

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

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

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

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

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the 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 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contracts liabilities (continued)

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 of cash outflows. For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the portfolios backing the liabilities.

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

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

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contracts liabilities (continued)

Unearned premium reserves

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

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

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

Incurred but not reported reserves ("IBNR") are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using methods such as the chain ladder method, average claim per case method, expected loss ratio method or Bornhuetter-Ferguson method, based on a reasonable estimate of ultimate claim amounts as well as margins.

Claim reserves

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 methods such as the case-by-case estimate method or average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contracts liabilities (continued)

Liability adequacy test

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

Investment contracts

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

- Premium receipts are recognized not as premium income, but rather as liabilities, presented as investment contract liabilities. For those non-life investment type policies without guaranteed benefits, the related contract liabilities are measured at fair value and the related transaction costs are recognized in the 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contracts liabilities (continued)

Universal life contracts (continued)

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

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

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

Reinsurance

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

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

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

20. 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:

20.1 Income from distressed assets

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

Income from distressed debt assets includes interest income arising on distressed debt assets classified as receivables, gains or losses from disposal of distressed debt assets designated as at fair value through profit or loss and unrealized fair value changes on such assets, both of which are accounted for as fair value changes on distressed debt assets. Any interest income arising from distressed debt assets designated as at fair value through profit or loss is also included in fair value changes of such assets. Income is also generated from the disposal of assets in satisfaction of debts. The accounting policy for interest income arising on distressed debt assets classified as receivable is detailed in note III.20.5.

Income from equity instruments relating to distressed asset business classified as available-for-sale financial assets includes dividend income and gains or losses from disposal of these instruments and are presented under investment income. The accounting policy for dividend income is detailed in note III.20.6.

20.2 Fee and commission income

Income from investment contracts

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

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

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

20. Revenue recognition (continued)

20.2 Fee and commission income (continued)

Other fee and commission income

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

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

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

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

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

20.3 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

20. Revenue recognition (continued)

20.4 Revenue from sale of goods

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

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

20.5 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.

20.6 Dividend income

Dividend income from investments is recognized when the shareholder’s rights to receive the payment has been established and is recognized provided that the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group.

20.7 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

21. Taxation

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

21.1 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.

21.2 Deferred tax

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

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

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

21. Taxation (continued)

21.2 Deferred tax (continued)

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities.

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

22. 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.

22.1 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

22. Leasing (continued)

22.2 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.

22.3 Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

To the extent the allocation of the lease payments can be made reliably, leasehold interests in land (i.e. land use rights) are accounted for as operating leases and amortized over the lease term on a straight-line basis. When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property and equipment, unless it is clear that both elements are operating leases, in which case the entire lease is classified as an operating lease.

23. 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.

III. SIGNIFICANT ACCOUNTING POLICIES (continued)

24. Employee benefits

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

Social welfare

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

Defined Contribution Plan

The employees of the Company participate in Defined contribution plan set up by the Company (the "Defined Contribution Plan"). 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 Defined contribution plan does not have sufficient assets for payment of supplementary retirement benefits to employees.

25. 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.

IV. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

The following are the critical judgments and key estimation uncertainties that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements and/or in the next financial year.

1. Classification of financial assets

The Group's management needs to make critical judgment in classifying financial assets based on the purpose and nature on the initial recognition date. Due to the differences of the subsequent measurement of financial assets, the classification will affect the financial position and operating results. If the Group sold more than an insignificant amount of held-to-maturity investments before maturity, it is required to reclassify the entire portfolio of held-to-maturity investments as available-for-sale financial assets.

2. Fair value of financial instruments

The Group uses valuation technique for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, option pricing models or other valuation methods as appropriate. To the extent that is 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.

IV. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION (continued)

5. Impairment of loans and advances to customers and financial assets classified as receivables

The Group reviews its loans and advances to customers and financial assets classified as receivables to assess impairment on a periodic basis. In determining whether there are objective evidence of impairment, the Group makes judgments as to whether the estimated future cash flows from loans and advances to customers and financial assets classified as receivables would likely be lower than those stated on the repayment schedule as stipulated in the loan agreements. The Group first makes the assessment on an individual basis to determine allowance for impairment losses. When the decrease may not have been identified individually or the individual loans and advances to customers or financial assets classified as receivables is not significant, management uses estimates based on historical loss experience and industrial experience data on a collective basis to assess the impairment loss while estimating expected future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

6. Measurement method of insurance contract reserve

At the end of each reporting period, the Group needs to make reasonable estimations on the future cash layout for carrying out insurance contract obligations, such estimations are based on current available information obtainable at the end of each reporting period, and determined by taking into account all different circumstances and relevant probability calculation. The Group makes estimations on the assumptions in measurement of the insurance contract reserves, which are determined based on the current information available at the end of each reporting period.

7. Taxes

There are certain transactions and activities for which the ultimate tax determination is subject to the final approval of annual tax return the Group filed with relevant tax authorities. Where the final tax outcome of these matters is different from the amounts that were initially estimated, such differences will impact the current income tax and deferred income tax in the period during which such a determination is made.

IV. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION (continued)

8. Control on structured entities

The Group's management needs to assess whether the Group has the power 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 V.38.

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 III.3.

V. EXPLANATORY NOTES

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 V.29).

2. Fair value changes on distressed debt assets

The amounts represent fair value changes on distressed debt assets designated by the Group as at fair value through profit or loss during the year (see note V.26).

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.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

3. Fair value changes on other financial instruments

	Year ended December 31, 2014	2013
Held-for-trading financial assets	**1,776,025**	467,707
Financial assets designated as at fair value through profit or loss	**413,491**	106,577
Financial liabilities designated as at fair value through profit or loss	**(8,983)**	(35,280)
Total	**2,180,533**	539,004

4. Investment income

	Year ended December 31, 2014	2013
Net realized gain from disposal of		
— available-for-sale financial assets	**4,822,711**	3,850,322
Interest income from investment securities		
— available-for-sale financial assets	**865,693**	596,506
— debt instruments classified as receivables	**2,011,801**	426,132
— held-to-maturity financial assets	**348,780**	354,603
Dividend income from		
— available-for-sale financial assets	**1,067,484**	1,816,283
Total	**9,116,469**	7,043,846

5. Net insurance premiums earned

	Year ended December 31, 2014	2013
Gross written premiums	**11,096,037**	7,148,270
Less: Premiums ceded to reinsurers	**(3,488,405)**	(1,311,584)
Change of unearned premium reserves	**(164,647)**	(64,818)
Total	**7,442,985**	5,771,868

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

5. Net insurance premiums earned (continued)

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

	Year ended December 31,	
	2014	2013
Life insurance	**7,579,569**	4,107,239
Property and casualty insurance	**3,516,468**	3,041,031
Total	**11,096,037**	7,148,270

6. Interest income

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

	Year ended December 31,	
	2014	2013
Loans and advances to customers	**6,191,460**	3,224,367
Bank balances	**1,861,456**	1,242,152
Accounts receivable	**360,979**	362,223
Placements with financial institutions	**77,713**	105,067
Financial assets held under resale agreements	**236,798**	28,921
Others	**82,133**	96,474
Total	**8,810,539**	5,059,204

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

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

	Year ended December 31,	
	2014	2013
Revenue from sales of inventories	**4,340,500**	4,321,948
Purchases and changes in inventories	**(2,824,007)**	(2,720,323)
Including:		
Revenue from sales of properties held for sales	**4,194,009**	4,132,782
Purchases and changes in properties held for sales	**(2,706,164)**	(2,589,136)
Gross profit from sales of properties	**1,487,845**	1,543,646
Revenue from other trading operations	**146,491**	189,166
Purchase and changes in inventories of other trading operations	**(117,843)**	(131,187)
Gross profit from other trading operations	**28,648**	57,979

8. Commission and fee income

	Year ended December 31,	
	2014	2013
Securities and futures brokerage	**1,207,123**	1,013,811
Trustee services	**553,063**	754,660
Consultancy and financial advisory	**559,641**	361,575
Fund and asset management business	**277,714**	213,660
Securities underwriting	**323,675**	115,920
Agency business	**66,458**	42,224
Others	**20,507**	18,258
Total	**3,008,181**	2,520,108

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

9. Net gains on disposal of subsidiaries and associates

	Year ended December 31, 2014	2013
Net gains on disposal of subsidiaries	**642,948**	199,149
Net gains on disposal of associates	**—**	1,368
Total	**642,948**	200,517

10. Other income and other net gains or losses

	Year ended December 31, 2014	2013
Net gains on disposal of investment properties	**291,053**	679,134
Net gains on disposal of other assets	**231,001**	363,890
Net gains/(losses) on exchange differences	**244,148**	(55,671)
Rental income	**289,607**	454,887
Revenue from hotel operation	**482,266**	386,789
Revenue from property management business	**234,290**	186,235
Government grant and compensation	**30,706**	36,370
Others	**253,772**	143,272
Total	**2,056,843**	2,194,906

11. Interest expense

	Year ended December 31, 2014	2013
Borrowings from central bank		
— wholly repayable within five years	**(32,500)**	(115,669)
Accounts payable to brokerage clients	**(26,609)**	(20,435)
Financial assets sold under repurchase agreements	**(305,666)**	(396,335)
Borrowings		
— wholly repayable within five years	**(13,430,214)**	(6,004,377)
— not wholly repayable within five years	**(25,827)**	(43,980)
Amount due to the MOF	**(375,831)**	(591,534)
Bonds issued	**(1,488,971)**	(585,340)
Placements from banks and a financial institution	**(275,503)**	(46,086)
Total	**(15,961,121)**	(7,803,756)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

12. Insurance costs

	Year ended December 31,	
	2014	2013
Reserves for insurance contracts	**(4,115,798)**	(3,024,986)
Interest credited and policyholder dividends	**(481,555)**	(388,294)
Refund of reinsurance premiums	**3,374,357**	1,210,831
Other insurance expenses	**(5,642,314)**	(2,816,333)
Total	**(6,865,310)**	(5,018,782)

13. Employee benefits

	Year ended December 31,	
	2014	2013
Wages or salaries, bonuses, allowances and subsidies	**(3,615,122)**	(3,016,764)
Social insurance	**(437,818)**	(344,913)
Defined Contribution Plan	**(63,499)**	(29,961)
Housing funds	**(168,550)**	(159,017)
Labor union and staff education expenses	**(124,341)**	(96,788)
Others	**(191,227)**	(150,001)
Total	**(4,600,557)**	(3,797,444)

14. Commission and fee expense

	Year ended December 31,	
	2014	2013
Insurance sales	**(807,746)**	(682,603)
Securities brokerage	**(150,462)**	(88,301)
Others	**(76,110)**	(98,539)
Total	**(1,034,318)**	(869,443)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

15. Impairment losses on assets

	Year ended December 31,	
	2014	2013
(Allowances)/reversal of impairment losses on assets		
— Distressed debt assets classified as receivables	**(2,744,368)**	(1,501,093)
— Available-for-sale financial assets	**(1,512,263)**	(4,006,986)
— Loans and advances to customers	**(856,469)**	(503,311)
— Properties held for sale	**(82,891)**	—
— Interests in associates	**(60,413)**	—
— Debt securities classified as receivables	**(60,353)**	2,253
— Property and equipment	**(17,261)**	—
— Accounts receivable	**(5,744)**	(7,220)
— Other assets	**(98,305)**	(136,924)
Total	**(5,438,067)**	(6,153,281)

16. Profit before tax

	Year ended December 31,	
	2014	2013
Profit before tax for the year has been arrived at after charging:		
Auditor's remuneration	**(23,820)**	(19,820)
Operating lease expenses	**(288,262)**	(245,253)
Depreciation of property and equipment	**(255,588)**	(244,646)
Depreciation of investment properties	**(88,222)**	(106,913)
Amortization of intangible assets	**(112,550)**	(92,230)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

17. Income tax expense

	Year ended December 31,	
	2014	2013
Current income tax:		
— PRC Enterprise Income Tax	**(4,272,709)**	(3,967,973)
— PRC Land Appreciation Tax ("LAT")	**(175,054)**	(230,350)
— Hong Kong Profits Tax	**(6,764)**	(4,354)
(Under)/Over-provision in prior years:		
— PRC Enterprise Income Tax	**(13,878)**	139,888
Subtotal	**(4,468,405)**	(4,062,789)
Deferred income tax		
— Current year (Note V.42)	**304,455**	1,391,718
Total	**(4,163,950)**	(2,671,071)

The statutory income tax rate applicable to PRC enterprise is 25% for the year (2013: 25%). A subsidiary of the Company set up in the Western Region (as defined in note V.67.1) of the PRC is taxed at 15% subject to an annual special approval by the tax bureau.

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profit for the year.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

17. Income tax expense (continued)

Reconciliation of profit before tax to income tax expense is as follows:

	Year ended December 31, 2014	Year ended December 31, 2013
Profit before tax	**16,306,699**	11,772,043
Income tax calculated at the tax rate of 25%	**(4,076,675)**	(2,943,011)
Tax effect of expenses not deductible for tax purpose[1]	**(225,227)**	(206,601)
Tax effect of income not taxable for tax purpose[2]	**284,046**	573,047
Tax effect of share of results of associates	**115,042**	125,065
Effect of tax losses not recognized	**(213,943)**	(284,082)
Effect of utilization of tax losses not previously recognized	**63,536**	61,961
LAT	**(175,054)**	(230,350)
Tax effect of LAT	**43,764**	57,588
(Under)/Over-provision in prior years	**(13,878)**	139,888
Effect of different tax rates of subsidiaries	**34,439**	35,424
Income tax expense	**(4,163,950)**	(2,671,071)

(1) Expenses not deductible for tax purpose mainly include employee benefits and entertainment expenses in excess of the tax deduction limits according to the PRC tax regulations.

(2) Income not taxable for tax purpose mainly include interest income on treasury bonds and dividend income.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

18. Earnings per share

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

	Year ended December 31,	
	2014	2013
Earnings:		
Profit attributable to equity holders of the Company	**11,896,243**	9,027,278
Number of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	**36,243,575**	30,416,895
Effect of dilutive potential ordinary shares — Over-allotment option (in thousand)	**3,611**	41,531
Weighted average number of shares in issue for the purpose of diluted earnings per share (in thousand)	**36,247,186**	30,458,426
Basic earnings per share (RMB Yuan)	**0.33**	0.30
Diluted earnings per share (RMB Yuan)	**0.33**	0.30

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

19. Dividends

	Year ended December 31,	
	2014	2013
Special dividend[1]	–	1,202,804
Final dividend for 2012[2]	–	1,613,059
	–	2,815,863

(1) Distribution of Special Dividend

At 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 reporting periods of the financial information included in the prospectus of the initial public offering to the last day of the month immediately prior to the completion of its initial public offering (the "Special Dividend Period") (the "Special Dividend") in an amount equal to the audited net profit of the Company for the Special Dividend Period, after the required appropriations to the statutory reserve and the general reserve ("Distributable Profits"). The Company's Distributable Profits are determined in accordance with People's Republic of China Generally Accepted Accounting Principles (PRC GAAP) and IFRSs, whichever is lower. Based on the audited Distributable Profits, a cash dividend of RMB1,202.80 million in total was determined.

The above Special Dividend had been recognized as distribution during the year ended December 31, 2013.

(2) 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 year ended December 31, 2013.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

20. Emoluments of directors and supervisors

	Year ended December 31, 2014				
	Fees	Paid Remuneration	Employer's contribution to pension scheme	Other benefits in kind	Total (before tax)
Executive directors					
HOU Jianhang	–	873	75	285	1,233
ZANG Jingfan(1)	–	803	71	281	1,155
XU Zhichao	–	782	69	273	1,124
Non-executive directors					
WANG Shurong(2)	–	–	–	–	–
YIN Boqin(2)	–	–	–	–	–
XIAO Yuping(2)	–	–	–	–	–
LI Honghui(2)(3)	–	–	–	–	–
SONG Lizhong(2)(3)	–	–	–	–	–
YUAN Hong(2)	–	–	–	–	–
LU Shengliang(2)	–	–	–	–	–
Independent non-executive directors					
LI Xikui	250	–	–	–	250
QIU Dong	250	–	–	–	250
CHANG Tso Tung Stephen	250	–	–	–	250
XU Dingbo	250	–	–	–	250
Supervisors					
CHEN Weizhong	–	795	70	278	1,143
DONG Juan(4)	80	–	–	–	80
LIU Xianghui(5)	–	–	–	–	–
LIN Jian(7)	10	–	–	–	10
WEI Jianhui(7)	20	–	–	–	20
GONG Hongbin(6)(7)	10	–	–	–	10
Total	1,120	3,253	285	1,117	5,775

(1) Zang Jingfan is also the President and his emoluments disclosed above include those for services rendered by him as the Chief Executive during the year.

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

(3) Li Honghui and Song Lizhong were appointed as non-executive director in August 2014.

(4) Dong Juan did not receive any fee after June 2014.

(5) Liu Xianghui ceased to be external supervisor in June 2014 and did not receive any fee from the Company during the year.

(6) Gong Hongbin was elected as employee representative supervisor in July 2014.

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

20. Emoluments of directors and supervisors (continued)

	Year ended December 31, 2013						
	Fees	Basic Salary	Discretionary Bonus Paid	Discretionary Bonus Deferred	Employer's contribution to pension scheme	Other benefits in kind	Total (before tax)
Executive directors							
HOU Jianhang	–	493	582	582	65	263	1,985
ZANG Jingfan[1]	–	444	524	524	62	253	1,807
ZHUANG Enyue[9]	–	431	498	498	31	121	1,579
XU Zhichao	–	434	501	501	63	244	1,743
Non-executive directors							
WANG Shurong[2]	–	–	–	–	–	–	–
YIN Boqin[2]	–	–	–	–	–	–	–
XIAO Yuping[2]	–	–	–	–	–	–	–
LI Yanping[2][10]	–	–	–	–	–	–	–
LIU Xianghui[2][3]	–	–	–	–	–	–	–
LU Shengliang[2]	–	–	–	–	–	–	–
YUAN Hong[2][4]	–	–	–	–	–	–	–
Independent non-executive directors							
LI Xikui	250	–	–	–	–	–	250
QIU Dong	250	–	–	–	–	–	250
YUEN Tin Fan Francis[11]	140	–	–	–	–	–	140
CHANG Tso Tung Stephen[5]	63	–	–	–	–	–	63
XU Dingbo[5]	63	–	–	–	–	–	63
Supervisors							
CHEN Weizhong	–	439	518	518	63	249	1,787
DONG Juan	200	–	–	–	–	–	200
ZHANG Guoying[6]	10	–	–	–	–	–	10
WU Deqiao[6]	10	–	–	–	–	–	10
WANG Ting[7]	10	–	–	–	–	–	10
LIU Xianghui[3][12]	–	–	–	–	–	–	–
LIN Jian[8]	10	–	–	–	–	–	10
WEI Jianhui[8]	10	–	–	–	–	–	10
Total	1,016	2,241	2,623	2,623	284	1,130	9,917

V. EXPLANATORY NOTES (continued)

20. Emoluments of directors and supervisors (continued)

(1) Zang Jingfan is also the President and his emoluments disclosed above include those for services rendered by him as the Chief Executive during the year.

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

(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 July 2013.

(5) Chang Tso Tung Stephen and Xu Dingbo were appointed as independent non-executive directors in September 2013. The amounts only included fees for their services as independent non-executive directors.

(6) Zhang Guoying and Wu Deqiao ceased to be employee representative supervisors in June 2013. The amounts only included fees for their services as employee representative supervisors.

(7) Wang Ting ceased to be shareholder representative supervisor in June 2013. The amounts only included fee for her services as shareholder representative supervisor.

(8) Lin Jian and Wei Jianhui were elected as employee representative supervisors in June 2013. The amounts only included fees for their services as employee representative supervisors.

(9) Zhuang Enyue ceased to be executive director in June 2013. The amount only included emolument for his services as executive director.

(10) Li Yanping ceased to be non-executive director in June 2013.

(11) Yuen Tin Fan Francis ceased to be independent non-executive director in June 2013. The amount only included fee for his services as independent non-executive director.

(12) Liu Xianghui did not receive any fee as external supervisor from the Company during the year.

The total compensation packages for the above executive directors, supervisors and President for the year ended December 31, 2014 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed in a separate announcement when determined.

During the year, no emolument was paid by the Group to any of the directors, supervisors, key management personnel or the five highest paid individuals as set out in note V.21 below as an inducement to join or upon joining the Group or as a compensation for loss of office. None of them waived any emoluments during the year. Bonus was determined based on the performance of individuals by the Group on a discretionary basis.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

21. Key management personnel and five highest paid individuals

(1) Key management personnel

Group

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

	Year ended December 31,	
	2014	2013
Emoluments of key management personnel		
Basic Salary	**4,136**	4,086
Discretionary bonus		
— Paid	**4,327**	4,688
— Deferred	**—**	4,689
Employer's contribution to pension scheme	**659**	616
Other benefits in kind	**2,678**	2,588
Total (before tax)	**11,800**	16,667

The total compensation packages for the above key management personnel for the year ended December 31, 2014 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed in a separate announcement when determined.

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

	Year ended December 31,	
	2014	2013
RMB100,001 to RMB500,000	**1**	1
RMB1,000,001 to RMB1,500,000	**9**	2
RMB1,500,001 to RMB2,000,000	**1**	8
	11	11

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

21. Key management personnel and five highest paid individuals (continued)

(2) Five highest paid individuals

The emoluments of the five individuals whose emoluments were the highest in the Group for the year ended December 31, 2014 were as follows:

	Year ended December 31,	
	2014	2013
Remuneration	**33,769**	14,741
Employer's contribution to pension scheme	**155**	183
Other benefits in kind	**666**	588
Total	**34,590**	15,512

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

	Year ended December 31,	
	2014	2013
RMB2,000,001 to RMB4,500,000	**—**	4
RMB4,500,001 to RMB7,000,000	**2**	1
RMB7,000,001 to RMB9,500,000	**3**	—
	5	5

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

22. Cash and bank balances

Group

	As at December 31,	
	2014	2013
Cash	**3,319**	3,358
Bank balances		
— House accounts	**37,482,898**	52,588,913
— Cash held on behalf of clients	**6,405,032**	4,466,836
Total	**43,891,249**	57,059,107
Including:		
Restricted bank balances	**12,497,491**	9,936,264
— including pledged bank deposits	**2,157,830**	732,000

Company

	As at December 31,	
	2014	2013
Cash	**745**	689
Bank balances		
— House accounts	**11,520,985**	30,659,935
Total	**11,521,730**	30,660,624

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

23. Clearing settlement funds

Group

	As at December 31,	
	2014	2013
Clearing settlement funds held with clearing houses for:		
— House accounts	**312,049**	149,816
— Clients	**4,659,664**	1,387,613
held with commodity and futures exchanges for:		
— Clients	**173,450**	170,430
Total	**5,145,163**	1,707,859
Including:		
Restricted clearing settlement funds	**4,833,114**	1,558,043

As at December 31, 2014 and 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 2014 and 2013.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

24. Deposits with exchanges and a financial institution

Group

	As at December 31,	
	2014	2013
Shanghai Stock Exchange	**31,491**	18,795
Shenzhen Stock Exchange	**20,332**	14,673
Hong Kong Stock Exchange	**2,383**	4,004
China Securities Finance Corporation Limited	**282,474**	123,961
Shanghai Futures Exchange	**126,487**	124,293
China Financial Futures Exchange	**179,958**	242,107
Hong Kong Futures Exchange	**1,339**	1,463
Dalian Commodity Exchange	**210,520**	251,984
Zhengzhou Commodity Exchange	**62,298**	49,793
Other	**958**	—
Total	**918,240**	831,073

The Company had no deposits with exchanges and a financial institution at the end of 2014 and 2013.

25. Placements with financial institutions

Group

	As at December 31,	
	2014	2013
Placements with the domestic financial institutions	**3,000,000**	290,000
Total	**3,000,000**	290,000

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

25. Placements with financial institutions (continued)

Company

	As at December 31,	
	2014	2013
Placements with the domestic financial institutions	**2,000,000**	640,000
Total	**2,000,000**	640,000

The placements with financial institutions as at December 31, 2014 and 2013 were repayable within three months after the end of the reporting period.

26. Financial assets at fair value through profit or loss

Group

	As at December 31,	
	2014	2013
Held-for-trading financial assets		
Debt securities		
— Government bonds	**38,691**	—
— Public sector and quasi-government bonds	**932,062**	1,646,201
— Corporate bonds	**6,093,985**	2,450,365
	7,064,738	4,096,566
Equity instruments listed or traded on exchanges	**2,409,893**	735,989
Mutual funds	**1,505,083**	1,097,289
Derivatives	**17,355**	18,083
Subtotal	**10,997,069**	5,947,927

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

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

Group (continued)

	As at December 31,	
	2014	2013
Financial assets designated as at fair value through profit or loss		
Distressed debt assets	**42,302,037**	16,391,690
Financial institution convertible bonds	**698,301**	947,024
Corporate convertible bonds	**46,322**	106,677
Wealth management products	**2,521,569**	1,218,363
Unlisted equity instruments	**655,223**	566,817
Subtotal	**46,223,452**	19,230,571
Total	**57,220,521**	25,178,498
Analyzed as:		
Listed in Hong Kong	**911,101**	262,817
Listed outside Hong Kong[(1)]	**10,004,321**	6,297,453
Unlisted	**46,305,099**	18,618,228
Total	**57,220,521**	25,178,498
Including:		
Debt securities analyzed as:		
Listed in Hong Kong	**64,896**	28,226
Listed outside Hong Kong[(1)]	**6,999,842**	4,068,340
Total	**7,064,738**	4,096,566
Held-for-trading equity instruments analyzed as:		
Listed in Hong Kong	**846,205**	234,591
Listed outside Hong Kong	**1,563,688**	501,398
Total	**2,409,893**	735,989

(1) Debt securities listed outside Hong Kong included those traded in interbank market and stock exchange in China.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

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

Company

	As at December 31, 2014	2013
Financial assets designated as at fair value through profit or loss		
Distressed debt assets	**42,169,392**	16,784,112
Investment fund[1]	**667,875**	635,281
Total	**42,837,267**	17,419,393
Analyzed as:		
Unlisted	**42,837,267**	17,419,393

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

27. Financial assets held under resale agreements

Group

	As at December 31, 2014	2013
By collateral type:		
Bonds	**10,587,290**	568,683
Equity instruments	**868,869**	484,844
Funds	**1,260**	—
Subtotal	**11,457,419**	1,053,527
Less: Allowance for impairment losses	**3,205**	—
Total	**11,454,214**	1,053,527

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

27. Financial assets held under resale agreements (continued)

Company

	As at December 31,	
	2014	2013
By collateral type:		
Bonds	**8,795,500**	—
Less: Allowance for impairment losses	**—**	—
Total	**8,795,500**	—

According to the resale agreements, 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, 2014, the Group and the Company had received securities with a fair value of approximately RMB13,043.77 million and RMB8,870.54 million respectively (December 31, 2013: RMB1,848.51 million and nil) that the Group or the Company can resell or repledge. The Group and the Company did not repledge any of such securities at the end of 2014 and 2013. The Group and the Company has an obligation to return the securities to its counterparties on the maturity date of the resale agreements.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

28. Available-for-sale financial assets

Group

	As at December 31, 2014	2013
Debt securities		
— Government bonds	**76,889**	73,081
— Public sector and quasi-government bonds	**3,956,771**	4,479,842
— Financial institution bonds	**1,639,576**	1,647,823
— Corporate bonds	**5,111,992**	4,537,896
Subtotal	**10,785,228**	10,738,642
Equity instruments	**45,492,029**	44,767,005
Debt instruments(1)	**13,002,708**	8,502,079
Funds	**8,646,276**	4,541,891
Trust products and rights to trust assets	**2,870,706**	1,913,179
Asset management plans	**2,608,289**	902,151
Wealth management products	**1,238,116**	1,273,424
Asset backed securities	**605,156**	—
Others	**546,046**	108,784
Total	**85,794,554**	72,747,155
Analyzed as:		
Listed in Hong Kong	**630,613**	187,538
Listed outside Hong Kong(2)	**21,252,986**	18,960,655
Unlisted	**63,910,955**	53,598,962
Total	**85,794,554**	72,747,155
Including:		
Debt securities analyzed as:		
Listed in Hong Kong	**461,657**	—
Listed outside Hong Kong(2)	**10,323,571**	10,738,642
Subtotal	**10,785,228**	10,738,642
Equity instruments analyzed as:		
Listed in Hong Kong	**168,955**	187,538
Listed outside Hong Kong	**8,414,339**	7,195,236
Unlisted	**36,908,735**	37,384,231
Subtotal	**45,492,029**	44,767,005
Including:		
Equity instruments pledged for borrowings	**480,232**	182,469

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

28. Available-for-sale financial assets (continued)

Company

	As at December 31,	
	2014	2013
Equity instruments	**40,194,825**	41,035,352
Debt instruments[1]	**13,002,708**	8,502,079
Funds	**3,447,658**	1,413,347
Asset management plans	**740,697**	—
Asset backed securities	**571,156**	—
Others	**39,546**	99,564
Total	**57,996,590**	51,050,342
Analyzed as:		
Listed outside Hong Kong[2]	**6,431,019**	5,524,665
Unlisted	**51,565,571**	45,525,677
Total	**57,996,590**	51,050,342
Including:		
Equity instruments analyzed as:		
Listed outside Hong Kong	**6,431,019**	5,524,665
Unlisted	**33,763,806**	35,510,687
Subtotal	**40,194,825**	41,035,352

The Company had no available-for-sale financial assets pledged as securities for borrowings at the end of each reporting period.

(1) Debt instruments refer to asset portfolios with inter-bank assets as underlying assets.

(2) Debt securities listed outside Hong Kong included those traded in interbank market and stock exchanges in China.

Included in the balances are amounts of unlisted equity instruments, funds and other financial assets of RMB40,207.97 million and RMB37,365.00 million in total of the Group and RMB36,022.19 million and RMB36,654.03 million in total of the Company as at December 31, 2014 and 2013, respectively, that were measured at cost because their fair values cannot be reliably measured.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

29. Financial assets classified as receivables

Group

	As at December 31,	
	2014	2013
Distressed debt assets		
— Loans acquired from financial institutions	**43,586,501**	36,512,891
— Accounts receivable acquired from non-financial institutions	**123,877,825**	64,400,286
	167,464,326	100,913,177
Less: Allowance for impairment losses		
— Individually assessed	**506,533**	194,228
— Collectively assessed	**4,848,865**	2,748,380
	5,355,398	2,942,608
Subtotal	**162,108,928**	97,970,569
Debt securities		
— Trust products	**3,687,934**	2,329,000
— Certificate treasury bonds	**117,700**	142,700
— Asset management plans	**1,806,000**	230,000
	5,611,634	2,701,700
Less: Allowance for impairment losses		
— Individually assessed	**66,024**	5,671
Subtotal	**5,545,610**	2,696,029
Structured debt arrangements[1]	**13,258,551**	15,996,099
Total	**180,913,089**	116,662,697

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

29. Financial assets classified as receivables (continued)

Company

	As at December 31,	
	2014	2013
Distressed debt assets		
— Loans acquired from financial institutions	**43,874,150**	36,512,891
— Accounts receivable acquired from non-financial institutions	**126,192,393**	64,400,286
	170,066,543	100,913,177
Less: Allowance for impairment losses		
— Individually assessed	**506,533**	194,228
— Collectively assessed	**4,925,462**	2,748,380
	5,431,995	2,942,608
Subtotal	**164,634,548**	97,970,569
Structured debt arrangements[1]	**13,258,551**	15,996,099
Total	**177,893,099**	113,966,668

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

29. Financial assets classified as receivables (continued)

Movements of allowance for impairment losses during the years are:

Group

	2014		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	**199,899**	**2,748,380**	**2,948,279**
Impairment losses recognized	**723,066**	**2,100,485**	**2,823,551**
Impairment losses reversed	**(18,830)**	**—**	**(18,830)**
Impairment losses written-off	**(269,491)**	**—**	**(269,491)**
Unwinding of discount on allowance	**(62,087)**	**—**	**(62,087)**
As at December 31	**572,557**	**4,848,865**	**5,421,422**

	2013		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	197,861	1,302,331	1,500,192
Impairment losses recognized	216,657	1,895,046	2,111,703
Impairment losses reversed	(163,866)	(448,997)	(612,863)
Unwinding of discount on allowance	(50,753)	—	(50,753)
As at December 31	199,899	2,748,380	2,948,279

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

29. Financial assets classified as receivables (continued)

Company

	2014 Individually assessed allowance	**2014 Collectively assessed allowance**	**2014 Total**
As at January 1	**194,228**	**2,748,380**	**2,942,608**
Impairment losses recognized	**662,713**	**2,177,082**	**2,839,795**
Impairment losses reversed	**(18,830)**	**—**	**(18,830)**
Impairment losses written-off	**(269,491)**	**—**	**(269,491)**
Unwinding of discount on allowance	**(62,087)**	**—**	**(62,087)**
As at December 31	**506,533**	**4,925,462**	**5,431,995**

	2013 Individually assessed allowance	2013 Collectively assessed allowance	2013 Total
As at January 1	179,974	1,302,331	1,482,305
Impairment losses recognized	216,657	1,895,046	2,111,703
Impairment losses reversed	(161,612)	(448,997)	(610,609)
Unwinding of discount on allowance	(40,791)	—	(40,791)
As at December 31	194,228	2,748,380	2,942,608

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

30. Loans and advances to customers

Group

	As at December 31,	
	2014	2013
Loans to customers		
— Unsecured loans	**2,790,381**	50,000
— Loans secured by properties	**7,394,493**	4,132,636
— Other secured loans	**1,192,495**	1,445,442
Loans to margin clients	**6,939,752**	2,750,848
Finance lease receivables	**37,020,389**	25,700,934
Entrusted loans	**26,677,414**	15,498,258
Subtotal	**82,014,924**	49,578,118
Less: Allowance for impairment losses		
— Individually assessed	**370,761**	172,402
— Collectively assessed	**1,419,437**	769,354
Subtotal	**1,790,198**	941,756
Total	**80,224,726**	48,636,362

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

30. Loans and advances to customers (continued)

Group (continued)

Finance lease receivables are analyzed as follows:

	As at December 31,	
	2014	2013
Minimum finance lease receivables:		
Within 1 year (inclusive)	**13,612,806**	10,600,630
1 year to 5 years (inclusive)	**27,147,131**	18,177,621
Over 5 years	**1,601,500**	527,752
Gross investment in finance leases	**42,361,437**	29,306,003
Less: Unearned finance income	**5,341,048**	3,605,069
Net investment in finance leases	**37,020,389**	25,700,934
Present value of minimum lease receivables:		
Within 1 year (inclusive)	**11,432,236**	8,989,855
1 year to 5 years (inclusive)	**24,163,884**	16,256,892
Over 5 years	**1,424,269**	454,187
Total	**37,020,389**	25,700,934
Including:		
Finance lease receivables pledged for borrowings	**3,802,861**	2,320,547

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

30. Loans and advances to customers (continued)

Group (continued)

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

	2014 Individually assessed allowance	2014 Collectively assessed allowance	2014 Total
As at January 1	**172,402**	**769,354**	**941,756**
Impairment losses recognized	**219,126**	**650,083**	**869,209**
Impairment losses reversed	**(12,740)**	**—**	**(12,740)**
Impairment losses written off	**(8,027)**	**—**	**(8,027)**
As at December 31	**370,761**	**1,419,437**	**1,790,198**

	2013 Individually assessed allowance	2013 Collectively assessed allowance	2013 Total
As at January 1	83,974	354,471	438,445
Impairment losses recognized	107,919	414,883	522,802
Impairment losses reversed	(19,491)	—	(19,491)
As at December 31	172,402	769,354	941,756

The Company had no loans and advances to customers at the end of 2014 and 2013.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

31. Accounts receivable

Group

	As at December 31, 2014	2013
Accounts receivable relating to distressed assets[1]	**5,960,966**	5,555,211
Accounts receivable from sales of properties	**403,672**	372,101
Insurance premium and reinsurance refund receivables	**203,296**	170,843
Due from brokerage clients and securities companies	**195,279**	150,349
Commission and fee receivable	**25,658**	25,024
Others	**362,979**	301,071
Subtotal	**7,151,850**	6,574,599
Less: Allowance for impairment losses	**129,767**	125,655
Total	**7,022,083**	6,448,944

Company

	As at December 31, 2014	2013
Accounts receivable relating to distressed assets[1]	**5,960,966**	5,555,211
Others	**172,774**	172,520
Subtotal	**6,133,740**	5,727,731
Less: Allowance for impairment losses	**80,111**	80,111
Total	**6,053,629**	5,647,620

(1) The major component comprises outstanding amount of RMB5,484.23 million (December 31, 2013: RMB3,446.67 million) arising from disposals of equity assets. They bear interest from nil to 6% per annum (December 31, 2013: from nil to 6.15% per annum). The remaining balance will be fully settled no later than November 20, 2017 (December 31, 2013: no later than September 30, 2016).

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

31. Accounts receivable (continued)

Ageing analysis of:

Accounts receivable relating to distressed assets

Group and Company

	As at December 31,							
	2014				2013			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	**2,603,983**	**44**	**–**	**2,603,983**	2,501,329	45	–	2,501,329
1 year to 2 years (inclusive)	**1,576,784**	**26**	**–**	**1,576,784**	1,546,668	28	–	1,546,668
2 years to 3 years (inclusive)	**1,402,371**	**24**	**–**	**1,402,371**	–	–	–	–
Over 3 years	**377,828**	**6**	**(80,111)**	**297,717**	1,507,214	27	(80,111)	1,427,103
Total	**5,960,966**	**100**	**(80,111)**	**5,880,855**	5,555,211	100	(80,111)	5,475,100

Accounts receivable from sales of properties

Group

	As at December 31,							
	2014				2013			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	**361,616**	**90**	**–**	**361,616**	340,658	92	–	340,658
1 year to 2 years (inclusive)	**30,415**	**8**	**–**	**30,415**	11,175	3	(559)	10,616
2 years to 3 years (inclusive)	**4,877**	**1**	**–**	**4,877**	695	–	(104)	591
Over 3 years	**6,764**	**1**	**(6,245)**	**519**	19,573	5	(8,002)	11,571
Total	**403,672**	**100**	**(6,245)**	**397,427**	372,101	100	(8,665)	363,436

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

31. Accounts receivable (continued)

Movements of allowance for impairment loss during the years are:

Group

	Year ended December 31,	
	2014	2013
At beginning of the year	**125,655**	118,550
Impairment losses recognized	**5,744**	7,873
Impairment losses reversed	**–**	(653)
Impairment losses written off	**(1,632)**	(115)
At end of the year	**129,767**	125,655

Company

	Year ended December 31,	
	2014	2013
At beginning and end of the year	**80,111**	80,111

32. Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured and repayable on demand. The Company expected to recover the majority portion of the amounts due from subsidiaries within one year from the end of 2014 and 2013.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

33. Held-to-maturity investments

Group

	As at December 31, 2014	2013
Debt securities		
— Public sector and quasi-government bonds	**4,244,173**	4,511,154
— Financial institution bonds	**2,011,790**	2,262,411
— Corporate bonds	**786,560**	818,733
Total	**7,042,523**	7,592,298

Company

	As at December 31, 2014	2013
Debt securities		
— Financial institution bonds	**210,000**	499,928

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 V.68.1 and are derived from quoted market prices.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

34. Properties held for sale

Group

	As at December 31,	
	2014	2013
Completed properties	**3,091,000**	2,294,921
Properties under development	**26,811,481**	15,463,704
Others	**30,354**	31,229
Total	**29,932,835**	17,789,854
Including:		
Pledged for borrowings	**10,394,131**	8,486,484

As at December 31, 2014 and 2013, included in the properties held for sale are amounts of RMB17,517.10 million and RMB12,102.40 million, respectively, which represent the carrying amounts of the properties not expected to be completed and sold within twelve months from the end of each reporting period.

The Company had no properties held for sale at the end of 2014 and 2013.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

35. Investment properties

Group

	Year ended December 31,	
	2014	2013
Cost		
At beginning of the year	**2,570,793**	2,878,445
Additions during the year	**25,796**	3,101
Transfer-in	**17,602**	66,364
Disposals	**(334,161)**	(377,117)
At end of the year	**2,280,030**	2,570,793
Accumulated depreciation		
At beginning of the year	**(695,546)**	(752,572)
Charge for the year	**(88,222)**	(106,913)
Transfer-in	**(3,600)**	6,158
Disposals	**114,870**	157,781
At end of the year	**(672,498)**	(695,546)
Allowance for impairment losses		
At beginning of the year	**(17,277)**	(26,179)
Disposals	**16,042**	8,902
At end of the year	**(1,235)**	(17,277)
Net book value		
At beginning of the year	**1,857,970**	2,099,694
At end of the year	**1,606,297**	1,857,970
Net book value of investment properties pledged for borrowings	**445,713**	1,374,731

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

35. 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,	
	2014	2013
Held in Hong Kong:		
— on medium-term lease (10–50 years)	**11,228**	284
Held outside Hong Kong:		
— on long-term lease (over 50 years)	**638,651**	737,479
— on medium-term lease (10–50 years)	**929,420**	1,115,825
— on short-term lease (less than 10 years)	**26,998**	4,382
Subtotal	**1,595,069**	1,857,686
Total	**1,606,297**	1,857,970

As at December 31, 2014 and 2013, the Group's investment properties which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB31.42 million and RMB41.53 million, respectively.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

35. Investment properties (continued)

Company

	Year ended December 31,	
	2014	2013
Cost		
At beginning the year	**429,667**	429,667
Addition	**9,091**	—
At end of the year	**438,758**	429,667
Accumulated depreciation		
At beginning of the year	**(55,097)**	(39,355)
Charge for the year	**(15,938)**	(15,742)
At end of the year	**(71,035)**	(55,097)
Net book value		
At beginning of the year	**374,570**	390,312
At end of the year	**367,723**	374,570

The net book value of investment properties is analyzed based on the remaining terms of the leases as follows:

	As at December 31,	
	2014	2013
Held outside Hong Kong:		
— on medium-term lease (10–50 years)	**367,723**	374,570

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

36. Interests in subsidiaries

Company

	As at December 31,	
	2014	2013
At cost	**25,502,767**	22,398,334
Allowance for impairment losses	**–**	–
Net carrying amounts	**25,502,767**	22,398,334

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 December 31, 2014 (In '000)	Proportion of ownership held by the Group As at December 31, 2014 %	2013 %	Proportion of voting rights held by the Group As at December 31, 2014 %	2013 %	Principal activities
CINDA Securities Co., Ltd.*	Beijing, PRC	September 4, 2007	RMB2,568,700	**99.33**	99.33	**99.33**	99.33	Securities brokerage
China Cinda (HK) Holdings Co., Ltd.*(1)	Hong Kong, PRC	December 16, 1998	HK$1,400,000	**100.00**	100.00	**100.00**	100.00	Investment holding
Happy Life Insurance Co., Ltd.*(2)	Beijing, PRC	November 5, 2007	RMB5,340,876	**50.99**	50.99	**50.99**	50.99	Life insurance
CINDA Investment Co., Ltd.*	Beijing, PRC	August 1, 2000	RMB2,000,000	**100.00**	100.00	**100.00**	100.00	Business investment
Zhongrun Economic Development Co., Ltd.*	Beijing, PRC	April 2, 1996	RMB30,000	**100.00**	100.00	**100.00**	100.00	Investment management
First State CINDA Fund Management Co., Ltd.*	Shenzhen, PRC	June 5, 2006	RMB100,000	**54.00**	54.00	**54.00**	54.00	Fund management
China Jingu International Trust Co., Ltd.*	Beijing, PRC	April 21, 1993	RMB2,200,000	**92.29**	92.29	**92.29**	92.29	Trust service
CINDA Property and Casualty Insurance Co., Ltd.*	Beijing, PRC	August 31, 2009	RMB3,000,000	**51.00**	51.00	**51.00**	51.00	Property and casualty insurance
CINDA Financial Leasing Co., Ltd.*(3)	Lanzhou, PRC	December 28, 1996	RMB3,505,249	**99.91**	99.56	**99.91**	99.56	Financial leasing
Well Kent International Group Co., Ltd.	Hong Kong, PRC	May 27, 1993	HK$1,000	**100.00**	100.00	**100.00**	100.00	Investment holding
CINDA Real Estate Co., Ltd.(I)	Beijing, PRC	December 23, 2008	RMB1,524,260	**57.12**	58.53	**57.12**	58.53	Real estate development
Hainan Jianxin Investment Management Co., Ltd.	Haikou, PRC	October 10, 2010	RMB112,500	**100.00**	100.00	**100.00**	100.00	Investment holding
Sanya Horizon Industry Co., Ltd.	Sanya, PRC	December 19, 1992	RMB60,000	**51.00**	51.00	**51.00**	51.00	Real estate development
Shanghai Tongda Venture Capital Co., Ltd.(4)(I)	Shanghai, PRC	July 27, 1991	RMB139,144	**41.02**	41.02	**41.02**	41.02	Real estate development
Shenzhen Jianxin Investment Development Co., Ltd.	Shenzhen, PRC	April 21, 1993	RMB40,000	**100.00**	100.00	**100.00**	100.00	Investment holding

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

36. Interests in subsidiaries (continued)

Company (continued)

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2014 (In '000)	Proportion of ownership held by the Group As at December 31, 2014 %	2013 %	Proportion of voting rights held by the Group As at December 31, 2014 %	2013 %	Principal activities
Hebei CINDA Jinjian Investment Co., Ltd.	Langfang, PRC	November 24, 1998	RMB76,000	**100.00**	100.00	**100.00**	100.00	Real estate development
Jilin CINDA Jindu Industries Co., Ltd.(6)	Changchun, PRC	March 18, 2008	RMB60,000	**–**	100.00	**–**	100.00	Industry development
Yantai Jingdu Property Management Co., Ltd.	Yantai, PRC	April 28, 2004	RMB1,000	**71.71**	71.71	**80.00**	80.00	Property management
CINDA (China) Investment Co., Ltd.	Hong Kong, PRC	March 24, 1994	HK$10	**100.00**	100.00	**100.00**	100.00	Investment holding
China CINDA Fundation Management Co., Ltd.	Hong Kong, PRC	June 23, 1999	HK$0.002	**100.00**	100.00	**100.00**	100.00	Fund management
China CINDA (HK) Investment Management Co., Ltd.	Hong Kong, PRC	November 22, 2006	HK$0.001	**100.00**	100.00	**100.00**	100.00	Investment holding
Sinoday Limited(II)	The British Virgin Islands	July 3, 2007	USD0.001	**100.00**	100.00	**100.00**	100.00	Investment holding
China CINDA (HK) Asset Management Co., Ltd.	Hong Kong, PRC	April 21, 1999	HK$0.002	**100.00**	100.00	**100.00**	100.00	Investment holding
China CINDA (Macau) Asset Management Co., Ltd.	Macau, PRC	May 28, 1999	MOP$100	**100.00**	100.00	**100.00**	100.00	Asset management
Beijing Yintai Property Management Co., Ltd.	Beijing, PRC	September 24, 1998	RMB10,000	**100.00**	100.00	**100.00**	100.00	Property management
CINDA Futures Co., Ltd.	Hangzhou, PRC	December 21, 2007	RMB500,000	**99.33**	99.33	**100.00**	100.00	Futures and brokerage
CINDA Jianrun Real Estate Co., Ltd.	Beijing, PRC	December 28, 2007	RMB200,000	**70.00**	70.00	**70.00**	70.00	Real estate development
Henan Jinboda Investment Co., Ltd.	Zhengzhou, PRC	November 28, 2013	RMB60,000	**100.00**	100.00	**100.00**	100.00	Property leasing
CINDA Capital Management Co., Ltd.	Tianjin, PRC	December 9, 2009	RMB100,000	**82.22**	82.22	**100.00**	100.00	Investment holding
Wuhan Oriental Jianguo Hotel Co., Ltd.	Wuhan, PRC	June 9, 2009	RMB282,000	**90.25**	90.25	**90.25**	90.25	Hotel management
Dalian CINDA Zhonglian Investment Co., Ltd.	Dalian, PRC	March 3, 2010	RMB111,110	**55.00**	55.00	**55.00**	55.00	Project investment
CINDA Equity Investment (Tianjin) Co., Ltd.(5)	Tianjin, PRC	December 29, 2011	RMB790,000	**49.15**	49.15	**49.15**	49.15	Private fund
Xinfeng Investment Management Co., Ltd.	Beijing, PRC	April 9, 2012	RMB200,000	**99.33**	99.33	**100.00**	100.00	Investment management
Guangxi Xintou Real Estate Co., Ltd.(6)	Nanning, PRC	December 10, 2012	RMB30,000	**–**	100.00	**–**	100.00	Real estate development
CINDA Innovation Investment Co., Ltd.	Beijing, PRC	August 20, 2013	RMB100,000	**99.33**	99.33	**100.00**	100.00	Project investment

V. EXPLANATORY NOTES (continued)

36. Interests in subsidiaries (continued)

Company (continued)

The above table lists the principal subsidiaries of the Company. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

* These subsidiaries are directly held by the Company.

(I) The shares of these subsidiaries are listed in mainland China.

(II) A subsidiary of this company named CINDA International Holdings Ltd. is listed in Hong Kong.

(1) The Company has changed its name from “Well Kent International Investment Co., Ltd.” to “China Cinda (HK) Holdings Co., Ltd.” on August 6, 2014.

(2) The Company and third party shareholders made an additional capital injection of RMB1,104.43 million and RMB1,061.32 million, respectively in December 2014 to this subsidiary. After the capital injection, the authorized capital of this subsidiary increased from RMB3,897.04 million to RMB5,340.88 million.

(3) The Company made an additional capital injection of RMB2,000 million in May 2014 to this subsidiary. Zhongrun Economic Development Co., Ltd, another subsidiary of this Company, purchased 5,800,000 shares of this subsidiary from third party shareholder in August 2014. Therefore, the Group’s shareholding in this subsidiary increased to 99.91% after the transfer of shares. The authorized capital of this subsidiary was also increased to RMB3,505.25 million.

(4) The shareholding percentage of other shareholders is widely dispersed and the top ten shareholders hold around 10% shares of Shanghai Tongda Venture Capital Co.,Ltd. The Group is entitled to appoint 3 executive directors out of a total of 4 Non independent directors in the board of directors of Shanghai Tongda. So the Group can direct Shanghai Tongda’s relevant activities, and it is accounted for as a subsidiary of the Company.

(5) The Group’s shareholding in CINDA Equity Investment (Tianjin) Co., Ltd is less than 50%. According to the corporate charter, the key persons in the Investment Committee, which is the operating decision-making institution for the this company are all from the Group. So the Group can direct its relevant activities, and it is accounted for as subsidiary of the Company.

(6) The subsidiary was disposed of in 2014.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

37. Non-controlling interests in the subsidiaries of the Group

The 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 V.36. Summarized financial information about this subsidiary and the entities controlled by it, before intra-group eliminations, is as follows:

	As at December 31,	
	2014	2013
Current assets	**35,497,983**	22,365,580
Non-current assets	**2,216,187**	2,044,899
Current liabilities	**16,395,253**	9,442,225
Non-current liabilities	**13,088,055**	7,357,744
Total equity	**8,230,862**	7,610,510
Non-controlling interests of the subsidiary	**3,780,913**	3,425,511

	Year ended December 31,	
	2014	2013
Total revenue	**4,850,494**	4,479,506
Profit before tax	**1,031,489**	735,560
Total comprehensive income	**755,705**	715,036
Profit attributable to non-controlling interests of the subsidiary during the year	**322,592**	323,568
Dividend distribution to non-controlling interests	**57,642**	97,251

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

37. Non-controlling interests in the subsidiaries of the Group (continued)

	Year ended December 31,	
	2014	2013
Net cash flow used in operating activities	**(5,832,061)**	(3,205,034)
Net cash flow from investing activities	**114,717**	680,970
Net cash flow from financing activities	**5,194,251**	2,661,884
Net cash flow	**(523,093)**	137,820

38. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts, asset management plans, wealth management products and mutual funds. To determine whether control exists, the Group uses the following judgments:

(1) For the private equity funds, trusts, asset management plans, wealth management products and mutual funds, 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.

(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 holds 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 trusts, asset management plans, wealth management products and mutual funds where the Group involves as manager or trustee and also as investor, the Group assesses whether the combination of investments it holds together with its remuneration creates exposure to variability of returns from the activities of the trusts, asset management plans, wealth management products and mutual funds that is of such significance that it indicates that the Group is a principal. The trusts, asset management plans, wealth management products and mutual funds shall be consolidated if the Group acts in the role of principal.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

38. Interests in consolidated structured entities (continued)

Details of the Group's significant consolidated structured entities are as follows:

Name of structured entity	Paid-in capital/ size of trust plan as at December 31, 2014 (In RMB'000)	Proportion of interests held by the Group As at December 31, 2014 %	2013 %	Principal activities
Ningbo Chunhong Investment Management Partnership (Limited Partnership)	4,475,250	**10.01**	10.00	Investment management
Ningbo Chunhong Investment Management Partnership II (Limited Partnership)	2,011,000	**3.38**	–	Investment management
Ningbo Qiushi Investment Management Limited Partnership (Limited Partnership)	7,305,400	**3.65**	6.44	Investment management
Shanghai Dongsheng Investment Management Partnership (Limited Partnership)	2,000,000	**100.00**	100.00	Investment management
Ningbo Datai Investment Partnership (Limited Partnership)	10,585,000	**18.36**	18.72	Investment management
Ningbo Xinfeng Investment Partnership (Limited Partnership)	1,000,600	**86.11**	–	Investment management
Ningbo Dongdaxin Investment Partnership (Limited Partnership)	1,800,000	**100.00**	–	Investment management
Jinggu-Xiamen Xiangshan Yacht Beneficial Right Trust	1,197,873	**29.86**	29.86	Trust

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

38. Interests in consolidated structured entities (continued)

The financial impact of each of the private equity funds, trusts, asset management plans, wealth management products and mutual funds on the Group's financial position as at December 31, 2014 and 2013, and results and cash flows for the years ended December 31, 2014 and 2013, though consolidated, are not significant and therefore, together with the terms of financial support, not disclosed separately.

Interests in all consolidated structured entities directly held by the Company amounted to RMB7,204.06 million and RMB2,540.90 million, at December 31, 2014 and 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 statement and included in other liabilities in the consolidated statement of financial position as set out in note V.54.

39. Interests in associates

Group

	As at December 31,	
	2014	2013
Carrying amount of investment	**10,139,968**	8,961,606
Allowance for impairment losses	**(60,413)**	—
Net carrying amounts	**10,079,555**	8,961,606

Company

	As at December 31,	
	2014	2013
Carrying amount of investment	**3,916,062**	6,010,243
Allowance for impairment losses	**—**	—
Net carrying amounts	**3,916,062**	6,010,243

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

39. 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 December 31, 2014 (In '000)	Proportion of equity interests held by the Group As at December 31, 2014 %	2013 %	Proportion of voting power held by the Group As at December 31, 2014 %	2013 %	Principal activities
Qinghai Salt Lake Industry Co., Ltd.[1]	Ge'ermu, PRC	RMB1,590,509	**7.27**	7.27	**7.27**	7.27	Material products
Bank of Xi'an Co., Ltd.[2]	Xi'an, PRC	RMB3,000,000	**2.52**	23.52	**2.52**	23.52	Banking
Silver Grant International Industries Limited[3]	Hong Kong, PRC	HKD800,000	**19.54**	19.54	**19.54**	19.54	Asset management
Shenzhen Jianheheng Investment Co., Ltd.	Shenzhen, PRC	RMB944,000	**40.00**	40.00	**40.00**	40.00	Investment holding
Ningbo Qinlun Investment Center (LP)	Ningbo, PRC	RMB800,000	**20.75**	20.75	**42.86**	42.86	Industry investment
Ningbo Shanshan Hongfa Real Estate Co., Ltd.	Ningbo, PRC	RMB50,000	**45.00**	45.00	**45.00**	45.00	Real estate development
Hainan Jincui Real Estate Co., Ltd.	Haikou, PRC	RMB169,380	**35.00**	35.00	**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	Real estate development
Jiaxing Jingfang Real Estate Co., Ltd.	Jiaxing, PRC	RMB60,000	**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	Real estate development
Beijing Xingya Real Estate Co., Ltd.	Beijing, PRC	RMB200,000	**20.00**	20.00	**20.00**	20.00	Real estate development
Shanghai Wangrong Real Estate Co., Ltd.	Shanghai, PRC	RMB300,000	**40.00**	40.00	**40.00**	40.00	Real estate development
Shenzhen Zhonglong Xinhe Investment Co., Ltd.	Shenzhen, PRC	RMB50,000	**49.00**	49.00	**49.00**	49.00	Real estate development
Longchuan Waitai Oil Camellia Development Co., Ltd.	Longchuan, PRC	RMB48,445	**25.69**	25.69	**25.69**	25.69	Oil Camellia development

The above table lists the principal associates of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length. The directors consider the associates results and net assets are insignificant to the Group individually and therefore do not disclose them separately.

V. EXPLANATORY NOTES (continued)

39. Interests in associates (continued)

(1) 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 Company signed an irrevocable shares sale agreement with Xi'an DaTang West Market Culture Industry Investment Group in September 2014 to dispose of 21% of Bank of Xi'an Co., Ltd. that it held at a consideration of RMB2,245.58 million. The transaction is expected to be completed in one year. As the Group can not exercise significant influence on the financial and operating policy decision of Bank of Xi'an Co., Ltd. after the shares sale, it is not accounted as an associate. The Group reclassified its 21% interests to asset held for sale and the remaining 2.52% as available-for-sale financial assets.

(3) 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.

40. Interests in unconsolidated structured entities

Structured entities the Group served as general partner, manager or trustee, therefore had power over them during the year include private equity funds, trusts, assets management plans, wealth management products and mutual funds. Except for the structured entities the Group has consolidated as detailed in note V.38, in the opinion of the directors of the Company, the variable returns the Group exposed to over the structured entities that the Group has interests in are not significant nor the Group has the power on these entities. The Group therefore did not consolidate these structured entities.

The carrying amount of the Group's investments in unconsolidated private equity funds classified as interests in associates or available-for-sale financial assets amounted to RMB3,649 million and RMB616 million as at December 31, 2014 and 2013, respectively.

The size of unconsolidated trusts managed by the Group amounted to RMB692 million and nil as at December 31, 2014 and 2013, respectively. The size of unconsolidated asset management plans managed by the Group amounted to RMB24 million and RMB30 million as at December 31, 2014 and 2013, respectively. The size of unconsolidated wealth management products managed by the Group amounted to RMB2,853 million and RMB2,623 million as at December 31, 2014 and 2013, respectively. The size of unconsolidated mutual funds managed by the Group amounted to RMB251 million and RMB276 million as at December 31, 2014 and 2013, respectively. The Group classified the investments in these unconsolidated trusts, asset management plans, wealth management products and mutual funds as available-for-sale financial assets or financial assets at fair value through profit or loss as at December 31, 2014 and 2013, as appropriate.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

41. Property and equipment

Group

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2014	3,696,987	226,669	591,205	328,413	241,047	5,084,321
Additions	12,095	22,081	52,120	18,165	341,416	445,877
Disposal of subsidiaries	(88,529)	(15,763)	(3,596)	(4,572)	–	(112,460)
Disposals	(12,288)	(1,929)	(25,104)	(10,105)	–	(49,426)
Transfer	7,736	6,680	1,685	–	(16,101)	–
Transfer-out	(15,664)	–	–	–	(10,572)	(26,236)
As at December 31, 2014	3,600,337	237,738	616,310	331,901	555,790	5,342,076
Accumulated depreciation						
As at January 1, 2014	(782,543)	(90,335)	(396,049)	(174,910)	–	(1,443,837)
Charge for the year	(101,592)	(39,535)	(76,467)	(37,994)	–	(255,588)
Disposal of subsidiaries	23,743	13,733	3,048	2,732	–	43,256
Disposals	2,645	1,593	22,208	6,785	–	33,231
Transfer-out	6,031	–	–	–	–	6,031
As at December 31, 2014	(851,716)	(114,544)	(447,260)	(203,387)	–	(1,616,907)
Allowance for impairment losses						
As at January 1, 2014	(19,809)	(16)	–	(464)	–	(20,289)
Provided for the year	–	(17,261)	–	–	–	(17,261)
As at December 31, 2014	(19,809)	(17,277)	–	(464)	–	(37,550)
Net book value						
As at January 1, 2014	2,894,635	136,318	195,156	153,039	241,047	3,620,195
As at December 31, 2014	2,728,812	105,917	169,050	128,050	555,790	3,687,619
Including:						
Net book value of assets pledged as at December 31, 2014	144,745	–	–	–	–	144,745

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

41. Property and equipment (continued)

Group (continued)

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2013	3,390,877	132,676	543,776	325,087	346,097	4,738,513
Additions	206,239	94,255	55,255	17,957	230,363	604,069
Disposal of subsidiaries	(58,106)	–	(1,086)	(1,574)	–	(60,766)
Disposals	(15,847)	(17,356)	(24,359)	(13,057)	(700)	(71,319)
Transfer	201,268	17,094	17,619	–	(235,981)	–
Transfer-out	(27,444)	–	–	–	(98,732)	(126,176)
As at December 31, 2013	3,696,987	226,669	591,205	328,413	241,047	5,084,321
Accumulated depreciation						
As at January 1, 2013	(693,610)	(72,758)	(340,186)	(144,859)	–	(1,251,413)
Charge for the year	(97,262)	(31,866)	(77,228)	(38,290)	–	(244,646)
Disposal of subsidiaries	5,584	–	826	954	–	7,364
Disposals	4,448	14,289	20,539	7,285	–	46,561
Transfer-out	(1,703)	–	–	–	–	(1,703)
As at December 31, 2013	(782,543)	(90,335)	(396,049)	(174,910)	–	(1,443,837)
Allowance for impairment losses						
As at January 1, 2013	(19,809)	(16)	–	(481)	–	(20,306)
Disposals	–	–	–	17	–	17
As at December 31, 2013	(19,809)	(16)	–	(464)	–	(20,289)
Net book value						
As at January 1, 2013	2,677,458	59,902	203,590	179,747	346,097	3,466,794
As at December 31, 2013	2,894,635	136,318	195,156	153,039	241,047	3,620,195
Including:						
Net book value of assets pledged as at December 31, 2013	152,846	–	–	–	–	152,846

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

41. Property and equipment (continued)

Group (continued)

As at December 31, 2014 and 2013, the gross carrying amount of the fully depreciated property and equipment that were still in use amounted to RMB15.52 million and RMB14.16 million, respectively.

As at December 31, 2014 and 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 RMB676.52 million and RMB760.61 million, respectively.

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31,	
	2014	2013
Held in Hong Kong:		
— on long-term lease (over 50 years)	**302**	322
— on medium-term lease (10–50 years)	**1,092**	1,924
Subtotal	**1,394**	2,246
Held outside Hong Kong:		
— on long-term lease (over 50 years)	**4,614**	12,235
— on medium-term lease (10–50 years)	**2,717,735**	2,876,186
— on short-term lease (less than 10 years)	**5,069**	3,968
Subtotal	**2,727,418**	2,892,389
Total	**2,728,812**	2,894,635

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

41. Property and equipment (continued)

Company

	Buildings	Machinery and equipment	Electronic equipment and furnitures	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2014	202,274	439	201,550	109,446	250,771	764,480
Additions	–	–	17,245	5,300	312,772	335,317
Disposals	–	–	(7,471)	(5,547)	–	(13,018)
As at December 31, 2014	202,274	439	211,324	109,199	563,543	1,086,779
Accumulated depreciation						
As at January 1, 2014	(60)	(250)	(134,765)	(56,162)	–	(191,237)
Charge for the year	(6,889)	(42)	(32,178)	(11,753)	–	(50,862)
Disposals	–	–	5,940	3,293	–	9,233
As at December 31, 2014	(6,949)	(292)	(161,003)	(64,622)	–	(232,866)
Net book value						
As at January 1, 2014	202,214	189	66,785	53,284	250,771	573,243
As at December 31, 2014	195,325	147	50,321	44,577	563,543	853,913

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

41. Property and equipment (continued)

Company (continued)

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2013	213	704	180,352	109,411	35,592	326,272
Additions	202,061	4	27,017	9,671	240,656	479,409
Disposals	–	(269)	(5,819)	(9,636)	(25,477)	(41,201)
As at December 31, 2013	202,274	439	201,550	109,446	250,771	764,480
Accumulated depreciation						
As at January 1, 2013	(53)	(446)	(112,782)	(50,106)	–	(163,387)
Charge for the year	(7)	(65)	(26,941)	(12,215)	–	(39,228)
Disposals	–	261	4,958	6,159	–	11,378
As at December 31, 2013	(60)	(250)	(134,765)	(56,162)	–	(191,237)
Net book value						
As at January 1, 2013	160	258	67,570	59,305	35,592	162,885
As at December 31, 2013	202,214	189	66,785	53,284	250,771	573,243

As at December 31, 2014 and 2013, the gross carrying amount of the fully depreciated property and equipment that were still in use amounted to RMB13.29 million and RMB2.46 million, respectively.

The net book value of buildings located on land with the following remaining lease terms is as follows:

	As at December 31,	
	2014	2013
Held outside Hong Kong:		
— on medium-term lease (10–50 years)	**195,325**	202,214

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

42. 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, 2014	2013
Deferred tax assets	**3,442,600**	3,937,398
Deferred tax liabilities	**(664,465)**	(450,849)
	2,778,135	3,486,549

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

	Allowance for impairment losses	Unrealized financing income	Withholding land appreciation tax	Advance from sales of real estate	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, 2014	**2,900,175**	**86,274**	**19,460**	**67,465**	**(175,260)**	**379,639**	**170,642**	**41,892**	**68,379**	**248,331**	**(291,054)**	**(29,394)**	**3,486,549**
Credit/(charge) to profit or loss	**246,685**	**(46,959)**	**(5,125)**	**25,876**	**–**	**201,939**	**112,946**	**46,481**	**(5,038)**	**(311,016)**	**–**	**38,666**	**304,455**
Charge to other comprehensive income	**(465,531)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(544,831)**	**–**	**(1,010,362)**
Others	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(2,507)**	**(2,507)**
December 31, 2014	**2,681,329**	**39,315**	**14,335**	**93,341**	**(175,260)**	**581,578**	**283,588**	**88,373**	**63,341**	**(62,685)**	**(835,885)**	**6,765**	**2,778,135**
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	1,327,167	(67,344)	12,015	(32,633)	–	111,681	35,321	(14,912)	(4,812)	(5,913)	–	31,148	1,391,718
Charge to other comprehensive income	–	–	–	–	–	–	–	–	–	–	(141,392)	–	(141,392)
Changes in revaluation	–	–	–	–	(18,872)	–	–	–	–	–	–	–	(18,872)
Others	–	–	–	–	–	–	–	–	–	–	–	(11,135)	(11,135)
December 31, 2013	2,900,175	86,274	19,460	67,465	(175,260)	379,639	170,642	41,892	68,379	248,331	(291,054)	(29,394)	3,486,549

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

42. Deferred taxation (continued)

Group (continued)

Tax losses and temporary differences that are not recognized as deferred income tax assets are as follows:

	As at December 31,	
	2014	2013
Unused tax losses	**4,264,272**	3,654,569
Unused temporary differences	**564,328**	1,930,742
	4,828,600	5,585,311

On December 31, 2014, the Group's unrecognized deferred tax assets will expire from 2015 to 2019 (December 31, 2013: will expire from 2014 to 2018).

Company

	As at December 31,	
	2014	2013
Deferred tax assets	**2,253,176**	3,117,264
Deferred tax liabilities	**—**	—
	2,253,176	3,117,264

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

42. Deferred taxation (continued)

Company (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, 2014	**2,526,605**	**86,274**	**201,787**	**57,327**	**318,938**	**(73,667)**	**3,117,264**
Credit/(Charge) to profit or loss	**3,028**	**(46,959)**	**44,963**	**(1,644)**	**(70,134)**	**–**	**(70,746)**
Charge to other comprehensive income	**(465,531)**	**–**	**–**	**–**	**–**	**(327,811)**	**(793,342)**
December 31, 2014	**2,064,102**	**39,315**	**246,750**	**55,683**	**248,804**	**(401,478)**	**2,253,176**
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	1,147,981	(67,344)	40,223	(1,012)	53,833	–	1,173,681
Charge to other comprehensive income	–	–	–	–	–	(96,874)	(96,874)
December 31, 2013	2,526,605	86,274	201,787	57,327	318,938	(73,667)	3,117,264

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

43. Other assets

Group

	As at December 31,	
	2014	2013
Other receivables	**3,021,707**	2,114,097
Asset classified as held for sale(1)	**2,245,582**	—
Statutory deposits(2)	**1,379,409**	1,379,409
Assets in satisfaction of debts(3)	**1,255,882**	1,366,177
Interest receivable	**1,929,069**	1,351,629
Prepayments and guarantee deposits	**426,890**	605,341
Dividend receivable	**835,946**	542,279
Prepaid taxes	**299,924**	208,730
Land use rights(4)	**127,975**	182,638
Others	**1,021,678**	1,177,235
Total	**12,544,062**	8,927,535

Company

	As at December 31,	
	2014	2013
Other receivables	**372,844**	313,268
Asset classified as held for sale(1)	**2,245,582**	—
Assets in satisfaction of debts(3)	**1,066,998**	1,298,344
Dividend receivable	**799,722**	496,008
Interest receivable	**103,899**	255,475
Land use rights(4)	**47,060**	48,361
Prepayments and guarantee deposits	**223,014**	2,723
Others	**95,359**	450,803
Total	**4,954,478**	2,864,982

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

43. Other assets (continued)

(1) Asset classified as held for sale

The Company signed an irrevocable shares sale agreement with Xi'an Datang West Market Culture Industry Investment Group Limited in September 2014 to disposed of 21% of Bank of Xi'an Co., Ltd. that it held at a consideration of RMB2,245.58 million. The transaction is expected to be completed in one year. As a result, the related interests are classified as asset held for sale.

(2) Statutory deposits

In accordance with the PRC relevant laws and regulations, 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) 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,	
	2014	2013
Buildings	**1,191,746**	1,303,466
Land use rights	**125,738**	130,715
Others	**42,667**	63,957
Subtotal	**1,360,151**	1,498,138
Less: Allowance for impairment losses	**(104,269)**	(131,961)
Net book value	**1,255,882**	1,366,177

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

43. Other assets (continued)

(3) Assets in satisfaction of debts (continued)

Company

	As at December 31, 2014	2013
Buildings	**1,011,960**	1,242,682
Land use rights	**125,738**	130,715
Others	**33,569**	56,908
Subtotal	**1,171,267**	1,430,305
Less: Allowance for impairment losses	**(104,269)**	(131,961)
Net book value	**1,066,998**	1,298,344

(4) Land use rights

The carrying amount of land use rights analyzed by the remaining lease term is as follows:

Group

	As at December 31, 2014	2013
Held outside Hong Kong:		
— on medium-term lease (10–50 years)	**127,975**	182,638

Company

	As at December 31, 2014	2013
Held outside Hong Kong:		
— on medium-term lease (10–50 years)	**47,060**	48,361

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

44. Borrowings from central bank

Group and Company

	As at December 31,	
	2014	2013
Borrowings from central bank	**986,058**	4,912,977

The borrowings from the People's Bank of China were used to finance the purchase of distressed assets from commercial banks and bear interest rate at 2.25% per annum. As of December 31, 2014, the loans principal have been repaid in full, and the outstanding balance represents interest payable to central bank.

45. Accounts payable to brokerage clients

Group

	As at December 31,	
	2014	2013
Personal customers	**10,455,535**	6,157,075
Corporate customers	**1,207,799**	323,722
Total	**11,663,334**	6,480,797

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group, and the portion relating to securities brokerage clients amounting to RMB10,075.47 million at December 31, 2014 (December 31, 2013: RMB5,078.87 million) is interest bearing at the prevailing market interest rate.

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, the ageing analysis does not give additional value to the readers of these financial statements in view of the nature of this business.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

45. Accounts payable to brokerage clients (continued)

Group (continued)

As at December 31, 2014 and 2013, included in the Group's accounts payable to brokerage clients were approximately RMB700.41 million and RMB149.36 million respectively 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 2014 and 2013.

46. Financial assets sold under repurchase agreements

Group

	As at December 31,	
	2014	2013
By collateral type:		
Debt securities	**4,467,849**	6,641,824
Finance lease receivables	**599,500**	2,501,000
Loans to margin clients	**4,872,300**	300,000
Total	**9,939,649**	9,442,824

The Company had no financial assets sold under repurchase agreements at the end of 2014 and 2013.

47. Placements from banks and a financial institution

Group

	As at December 31,	
	2014	2013
Placements from banks	**10,000,000**	9,400,000
Placements from a financial institution	**1,827,000**	1,077,000
Total	**11,827,000**	10,477,000

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

47. Placements from banks and a financial institution (continued)

Company

	As at December 31,	
	2014	2013
Placements from a bank	**10,000,000**	8,000,000
Total	**10,000,000**	8,000,000

48. Borrowings

Group

	As at December 31,	
	2014	2013
Banks and other financial institutions borrowings		
Unsecured loans	**248,021,408**	161,394,681
Loans secured by properties	**5,878,575**	6,554,913
Other secured loans	**9,289,328**	5,367,595
Other borrowings		
Unsecured loans	**263,100**	517,500
Total	**263,452,411**	173,834,689

Loans secured by properties were collateralized by property and equipment, investment properties, and properties and held for sale at an aggregate carrying amount of RMB10,985 million as at December 31, 2014 (December 31, 2013: RMB10,014 million). Other secured loans were collateralized by bank balances, available-for-sale financial assets, and finance lease receivables at an aggregate carrying amount of RMB6,441 million as at December 31, 2014 (December 31, 2013: RMB3,235 million).

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

48. Borrowings (continued)

Group (continued)

	As at December 31,	
	2014	2013
Carrying amount repayable*:		
Within one year	**152,118,997**	91,078,143
More than one year, but not exceeding two years	**61,966,877**	46,367,191
More than two years, but not exceeding five years	**48,091,146**	35,704,336
More than five years	**344,838**	188,990
Subtotal	**262,521,858**	173,338,660
Carrying amount of borrowings that contain a repayment on demand clause repayable*:		
Within one year	**894,721**	466,371
More than one year, but not exceeding two years	**2,570**	5,220
More than two years, but not exceeding five years	**7,950**	5,542
More than five years	**25,312**	18,896
Subtotal	**930,553**	496,029
Total	**263,452,411**	173,834,689

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

48. Borrowings (continued)

Group (continued)

The exposure of the Group's fixed-rate borrowings by remaining contractual maturity periods are as follows:

	As at December 31, 2014	2013
Fixed-rate borrowings:		
Within one year	**137,762,187**	85,127,824
More than one year, but not exceeding two years	**50,314,501**	37,171,026
More than two years, but not exceeding five years	**28,667,000**	6,910,576
More than five years	**370,150**	188,990
	217,113,838	129,398,416

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, 2014	2013
Effective interest rate		
Fixed-rate borrowings	**4.38% to 11.8%**	2.71% to 12.40%
Variable-rate borrowings	**2.36% to 7.2%**	2.70% to 8.61%

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

48. Borrowings (continued)

Company

	As at December 31, 2014	2013
Bank borrowings		
Unsecured loans	**212,495,000**	139,069,331
Carrying amount repayable*:		
Within one year	**118,600,000**	70,352,331
More than one year, but not exceeding two years	**51,332,000**	39,250,000
More than two years, but not exceeding five years	**42,563,000**	29,467,000
	212,495,000	139,069,331

* 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 remaining contractual maturity periods are as follows:

	As at December 31, 2014	2013
Fixed-rate borrowings:		
Within one year	**110,600,000**	65,700,000
More than one year, but not exceeding two years	**41,265,000**	31,250,000
More than two years, but not exceeding five years	**27,563,000**	4,400,000
	179,428,000	101,350,000

In addition, the Company has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC or SHIBOR.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

48. 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,	
	2014	2013
Effective interest rate		
Fixed-rate borrowings	**4.95% to 7.30%**	4.75% to 6.90%
Variable-rate borrowings	**4.98% to 6.00%**	5.10% to 6.25%

49. Accounts payable

Group

	As at December 31,	
	2014	2013
Amount due to the MOF[1]	**9,710,682**	21,676,664
Accounts payable associated with real estate business[2]	**3,483,473**	979,637
Reinsurance premium payable	**101,803**	—
Others	**595,219**	157,837
Total	**13,891,177**	22,814,138

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

49. Accounts payable (continued)

Company

	As at December 31,	
	2014	2013
Amount due to the MOF[1]	**9,710,682**	21,676,664
Others	**450,000**	—
Total	**10,160,682**	21,676,664

(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 over a five-year period, representing an effective annual interest rate of 1.69%, with the first repayment date no later than December 31, 2011.

(2) Accounts payable associated with real estate business mainly comprises of construction cost payable to contractors.

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

50. Investment contract liabilities for policyholders

Group

	Year ended December 31,	
	2014	2013
At beginning of the year	**3,244,367**	3,213,126
Deposits received	**4,631,374**	887,738
Deposits withdrawn	**(1,557,431)**	(779,880)
Fees deducted	**(54,208)**	(60,116)
Interest credited	**201,560**	112,256
Others	**(214,436)**	(128,757)
At end of the year	**6,251,226**	3,244,367

The Company had no investment contract liabilities for policyholders at the end of 2014 and 2013.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

51. Tax payable

Group

	As at December 31, 2014	2013
Enterprise income tax	**1,590,236**	1,868,545
Land appreciation tax	**142,904**	182,970
Hong Kong profits tax	**9,615**	9,051
Total	**1,742,755**	2,060,566

Company

	As at December 31, 2014	2013
Enterprise income tax	**722,159**	1,367,274
Land appreciation tax	**—**	6,156
Total	**722,159**	1,373,430

52. Insurance contract liabilities

Group

	January 1, 2014	Increase	Decrease	December 31, 2014
Short-term insurance contracts				
— Unearned premium reserves	**1,234,341**	**3,578,562**	**(3,410,984)**	**1,401,919**
— Outstanding claim reserves	**1,050,086**	**2,026,914**	**(1,792,470)**	**1,284,530**
Long-term life insurance contracts	**18,438,025**	**7,939,965**	**(3,845,434)**	**22,532,556**
Total	**20,722,452**	**13,545,441**	**(9,048,888)**	**25,219,005**

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

52. Insurance contract liabilities (continued)

Group (continued)

	January 1, 2013	Increase	Decrease	December 31, 2013
Short-term insurance contracts				
— Unearned premium reserves	1,154,407	3,099,508	(3,019,574)	1,234,341
— Outstanding claim reserves	658,765	1,837,037	(1,445,716)	1,050,086
Long-term life insurance contracts	15,772,496	4,053,815	(1,388,286)	18,438,025
Total	17,585,668	8,990,360	(5,853,576)	20,722,452

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

	As at December 31, 2014			As at December 31, 2013		
	Within 1 year	**Over 1 year**	**Total**	Within 1 year	Over 1 year	Total
Short-term insurance contracts						
— Unearned premium reserves	**1,242,446**	**159,473**	**1,401,919**	1,122,882	111,459	1,234,341
— Outstanding claim reserves	**766,991**	**517,539**	**1,284,530**	606,151	443,935	1,050,086
Long-term life insurance contracts	**5,568**	**22,526,988**	**22,532,556**	4,708	18,433,317	18,438,025
Total	**2,015,005**	**23,204,000**	**25,219,005**	1,733,741	18,988,711	20,722,452

The Company had no insurance contract liabilities at the end of 2014 and 2013.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

53. Bonds issued

Group

	Notes	As at December 31, 2014	2013
10-year 7.2% fixed rate subordinated bonds	(1)	**504,207**	504,207
3-year 4.35% fixed rate financial bonds	(2)	**5,030,718**	5,025,631
5-year 4.65% fixed rate financial bonds	(3)	**5,027,024**	5,023,998
3-year 5.2% fixed rate financial bonds	(4)	**10,268,403**	—
5-year 5.35% fixed rate financial bonds	(5)	**10,273,732**	—
3-year 4% fixed rate RMB bonds	(6)	**1,996,936**	1,989,200
90-day 6% fixed rate commercial papers	(7)	**—**	715,014
5-year 4% fixed rate USD notes	(8)	**6,079,033**	—
10-year 5.625% fixed rate USD notes	(8)	**3,051,216**	—
15-year 5.2% fixed rate USD notes	(9)	**1,402,934**	—
5-year 4% fixed rate HKD bonds	(10)	**7,991**	7,964
5-year 4% fixed rate HKD bonds	(10)	**7,972**	7,945
5-year 4% fixed rate HKD bonds	(11)	**3,181**	3,171
5-year 4% fixed rate HKD bonds	(12)	**7,914**	7,887
5-year 4% fixed rate HKD bonds	(13)	**8,043**	—
5-year 4% fixed rate HKD bonds	(13)	**8,023**	—
5-year 4% fixed rate HKD bonds	(14)	**1,675**	—
5-year 4% fixed rate HKD bonds	(14)	**7,907**	—
5-year 4% fixed rate HKD bonds	(15)	**7,943**	—
Total		**43,694,852**	13,285,017

Company

	Notes	As at December 31, 2014	2013
3-year 4.35% fixed rate financial bonds	(2)	**5,024,692**	5,014,576
5-year 4.65% fixed rate financial bonds	(3)	**5,016,865**	5,010,720
3-year 5.2% fixed rate financial bonds	(4)	**10,249,919**	—
5-year 5.35% fixed rate financial bonds	(5)	**10,253,451**	—
Total		**30,544,927**	10,025,296

V. EXPLANATORY NOTES (continued)

53. Bonds issued (continued)

(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 and a fixed coupon rate of 7.2% per annum, payable annually. The subsidiary has an option to redeem all of the bonds at face value in September 2016. If the subsidiary does not exercise this option, the coupon rate of the bonds will be increased to 9.2% per annum from September 2016 onwards.

(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 and a fixed coupon rate of 4.35% per annum, 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 and a fixed coupon rate of 4.65% per annum, payable annually.

(4) The fixed rate financial bonds issued in May 2014 with a principal of RMB10,000 million by the Company have a tenure of 3 years and a fixed coupon rate of 5.2% per annum, payable annually.

(5) The fixed rate financial bonds issued in May 2014 with a principal of RMB10,000 million by the Company have a tenure of 5 years and a fixed coupon rate of 5.35% per annum, payable annually.

(6) 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 and a fixed coupon rate of 4% per annum, payable semi-annually.

(7) The fixed rate commercial papers issued in November 2013 with a principal of RMB1,000 million by a subsidiary of the Company have a tenure of 90 days and a fixed coupon rate of 6% per annum, payable at maturity of the commercial papers together with the principal. The Company purchased RMB290 million of the commercial papers in November 2013. The commercial papers were fully redeemed by the subsidiary of the Company in February 2014.

(8) The 5-year and 10-year fixed rate USD Guarantee Senior Notes with principal of USD1,000 million and USD500 million issued in May 2014 by China Cinda Finance (2014) Limited in Hong Kong, a wholly owned subsidiary of the Company's subsidiary — Well Kent International Investment Company Limited, have tenures of 5 years and 10 years and with fixed coupon rate of 4% per annum and 5.625% per annum, payable semi-annually, respectively.

At any time prior to the date of maturity of the Notes, the Issuer or Well Kent may redeem the Notes, in whole or in part, at a redemption price equal to the greater of i) 100% of the principal amount of the Notes redeemed or ii) the sum of the present value of the remaining scheduled payments of principal and interest on the Notes redeemed (not including interest accrued to the date of redemption), discounted at the US treasury bond rate plus 40 basis points in the case of the 5-year Notes and 50 basis points in the case of the 10-year Notes, plus any accrued and unpaid interest.

V. EXPLANATORY NOTES (continued)

53. Bonds issued (continued)

(9) The 15-year fixed rate USD Guarantee Senior Notes with a principal of USD230 million issued in December 2014 by China Cinda Finance (2014) Limited in Hong Kong, a wholly owned subsidiary of the Company's subsidiary — Well Kent International Investment Company Limited, have a tenure of 15 years and with a fixed coupon rate of 5.2% per annum, payable semi-annually.

(10) The two series of fixed rate HKD bonds issued in September 2013 in Hong Kong with the principal of HKD10 million each by a subsidiary of the Company both have a tenure of 5 years and a fixed coupon rate of 4% per annum, payable semi-annually.

(11) The fixed rate HKD bonds issued in October 2013 in Hong Kong with a principal of HKD4 million by a subsidiary of the Company have a tenure of 5 years and a fixed coupon rate of 4% per annum, payable semi-annually.

(12) The fixed rate HKD bonds issued in December 2013 in Hong Kong with a principal of HKD10 million by a subsidiary of the Company have a tenure of 5 years and a fixed coupon rate of 4% per annum, payable semi-annually.

(13) The two series of fixed rate HKD bonds issued in July 2014 in Hong Kong with the principal of HKD10 million each by a subsidiary of the Company both have a tenure of 5 years and a fixed coupon rate of 4% per annum, payable semi-annually.

(14) The two series of fixed rate HKD bonds issued in September 2014 in Hong Kong with the principal of HKD2 million and HKD10 million respectively by a subsidiary of the Company both have a tenure of 5 years and a fixed coupon rate of 4% per annum, payable semi-annually.

(15) The fixed rate HKD bonds issued in October 2014 in Hong Kong with a principal of HKD10 million by a subsidiary of the Company have a tenure of 5 years, and a fixed coupon rate of 4% per annum, payable semi-annually.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

54. Other liabilities

Group

	As at December 31, 2014	As at December 31, 2013
Payables to interest holders of consolidated structured entities (note V.38)	**30,875,902**	16,801,781
Guarantee deposits received on leasing business	**5,270,981**	4,020,657
Other payables	**4,627,307**	2,750,516
Receipts in advance from property sales	**4,295,466**	2,852,996
Staff costs payable(1)	**2,792,271**	1,966,984
Special dividend payable (note V.19)	**—**	1,202,804
Liabilities related to insurance business	**1,296,150**	1,213,647
Interest payable	**1,113,054**	606,004
Deferred income related to leasing business	**946,469**	433,159
Sundry taxes payable	**590,952**	299,475
Receipts in advance associated with disposal of distressed assets	**356,727**	158,016
Provisions(2)	**284,987**	324,229
Others	**744,952**	618,877
Total	**53,195,218**	33,249,145

(1) Staff costs payable

	2014			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	**1,755,362**	**3,813,669**	**(3,096,046)**	**2,472,985**
Social insurance	**46,721**	**503,737**	**(446,697)**	**103,761**
Defined contribution plan	**5**	**38,595**	**(38,600)**	**—**
Housing funds	**4,692**	**180,595**	**(180,294)**	**4,993**
Labor union fees and staff education expenses	**134,686**	**125,822**	**(86,057)**	**174,451**
Others	**25,518**	**186,196**	**(175,633)**	**36,081**
Total	**1,966,984**	**4,848,614**	**(4,023,327)**	**2,792,271**

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

54. Other liabilities (continued)

Group (continued)

(1) Staff costs payable (continued)

	2013			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	1,395,220	3,202,960	(2,842,818)	1,755,362
Social insurance	33,447	386,588	(373,314)	46,721
Defined contribution plan	—	29,961	(29,956)	5
Housing funds	2,104	166,353	(163,765)	4,692
Labor union fees and staff education expenses	98,819	104,322	(68,455)	134,686
Others	24,331	141,636	(140,449)	25,518
Total	1,553,921	4,031,820	(3,618,757)	1,966,984

(2) Movements of provisions

	Year ended December 31,	
	2014	2013
At beginning of the year	**324,229**	307,062
Provided for the year	**5,281**	104,279
Settled	**(44,523)**	(87,112)
At end of the year	**284,987**	324,229

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

54. Other liabilities (continued)

Company

	As at December 31, 2014	2013
Special dividends payable (note V.19)	–	1,202,804
Other payables	**1,576,955**	1,010,960
Staff costs payable(1)	**986,608**	807,149
Interest payable	**750,689**	407,662
Receipts in advance associated with disposal of distressed assets	**356,727**	158,016
Provisions(2)	**253,615**	280,022
Sundry taxes payable	**212,503**	99,087
Others	**113,226**	60,286
Total	**4,250,323**	4,025,986

(1) Staff costs payable

	2014			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	748,235	899,193	(730,550)	916,878
Social insurance	12,909	116,561	(115,447)	14,023
Defined contribution plan	5	38,595	(38,600)	–
Housing funds	105	63,247	(63,088)	264
Labor union fees and staff education expenses	38,907	34,369	(25,102)	48,174
Others	6,988	61,228	(60,947)	7,269
Total	807,149	1,213,193	(1,033,734)	986,608

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

54. Other liabilities (continued)

Company (continued)

(1) Staff costs payable (continued)

	2013			
	As at January 1,	Accrued	Paid	As at December 31,
Wages or salaries, bonuses, allowances and subsidies	610,988	772,300	(635,053)	748,235
Social insurance	8,638	95,592	(91,321)	12,909
Defined contribution plan	—	29,961	(29,956)	5
Housing funds	389	54,792	(55,076)	105
Labor union fees and staff education expenses	20,033	34,743	(15,869)	38,907
Others	1,875	51,912	(46,799)	6,988
Total	641,923	1,039,300	(874,074)	807,149

(2) Movements of provisions

	Year ended December 31,	
	2014	2013
At beginning of the year	**280,022**	233,357
Provided for the year	**1,080**	50,713
Settled	**(27,487)**	(4,048)
At end of the year	**253,615**	280,022

V. EXPLANATORY NOTES (continued)

55. Share capital

Group and Company

	Year ended December 31, 2014	2013
Authorized, issued and fully paid, of RMB1 each:		
At beginning of the year	**35,458,864**	30,140,024
Issue of shares[1]	**797,826**	5,318,840
At end of the year	**36,256,690**	35,458,864

Notes:

(1) In December 2013, the Company issued 5,318,840,000 H shares with par value of RMB1 each at offer price of HKD3.58 per share for a total consideration of RMB14,625 million (net of issuance expense) including a share premium of RMB9,306 million. On January 7, 2014, the over-allotment option was exercised and an additional 797,826,000 H shares with par value of RMB1 each were issued for a total consideration of RMB2,184 million (net of issuance expense) including a share premium of RMB1,386 million. The capital contribution was verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP with verification report Deshibao (Yan) Zi No.0041 issued on February 18, 2014.

A summary of the movements of the Company's issued shares (in thousands of shares) during the years is as follows:

	2014			
	As at January 1,	Issuance	Transfer (a)	As at December 31, (b)
Domestic shares				
— MOF	**24,669,736**	**–**	**(72,804)**	**24,596,932**
H shares	**10,789,128**	**797,826**	**72,804**	**11,659,758**
Total	**35,458,864**	**797,826**	**–**	**36,256,690**

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

55. Share capital (continued)

Group and Company (continued)

	2013			
	As at January 1,	Conversion/ Issuance	Transfer (a)	As at December 31, (b)
Promoter's shares				
— MOF	25,155,097	(24,669,736)	(485,361)	—
Other shares	4,984,927	(4,984,927)	—	—
Domestic shares				
— MOF	—	24,669,736	—	24,669,736
H shares	—	10,303,767	485,361	10,789,128
Total	30,140,024	5,318,840	—	35,458,864

(a) In accordance with the relevant PRC regulations regarding the transfer and disposal of state-owned shares, the state-owned shareholders are required to transfer the shares and pay the equivalent amount in cash to the National Council for Social Security Fund (the "NCSSF"), in proportion to their respective holdings in the Company, of a total amount equivalent to 10% of the number of shares offered pursuant to the Company's H share offering. Under this arrangement, the MOF transferred 72,804,080 shares to the NCSSF during the year (Year ended December 31, 2013: 485,360,536 shares).

(b) As at December 31, 2014, 4,931,425,119 H shares were subject to lock-up restriction (December 31,2013: 24,669,736,396 domestic shares and 4,938,403,639 H shares were subject to lock-up restriction).

56. Capital reserve

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

57. Investment revaluation reserve

Group

Investment revaluation reserve attributable to equity holders of the Company is set out below:

	Year ended December 31,	
	2014	2013
At beginning of the year	**730,574**	406,054
Fair value changes on available-for-sale financial assets		
— fair value changes arising during the year	**4,622,971**	(3,106,570)
— amounts reclassified to profit or loss upon disposal	**(956,734)**	113,559
— amounts reclassified to profit or loss upon impairment	**554,379**	3,431,993
Income tax effect	**(980,785)**	(163,331)
Share of other comprehensive income of associates	**498**	48,869
Subtotal	**3,240,329**	324,520
At end of the year	**3,970,903**	730,574

Company

	Year ended December 31,	
	2014	2013
At beginning of the year	**193,135**	(124,613)
Fair value changes on available-for-sale financial assets		
— fair value changes arising during the year	**3,135,704**	(2,445,893)
— amounts reclassified to profit or loss upon disposal	**(516,715)**	(585,502)
— amounts reclassified to profit or loss upon impairment	**554,379**	3,418,889
Income tax effect	**(793,342)**	(96,874)
Share of other comprehensive income of associates	**—**	27,128
Subtotal	**2,380,026**	317,748
At end of the year	**2,573,161**	193,135

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

58. 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.

59. General reserve

For the years ended December 31, 2014 and 2013, as approved by the general meetings of the Company and the board of directors meetings of its subsidiaries, the Group transferred a total of RMB595.17 million and RMB2,397.26 million, respectively to general reserve pursuant to the regulatory requirements in the PRC. Among which, the Company transferred RMB380.86 million and RMB2,055.61 million, respectively to general reserve.

60. Retained earnings

During the years ended December 31, 2014 and 2013, the retained earnings of the Company were as follows:

	Year ended December 31,	
	2014	2013
At beginning of the year	**13,754,571**	12,118,383
Profit for the year	**9,111,891**	7,230,732
Appropriation to surplus reserve	**(911,189)**	(723,074)
Appropriation to general reserve	**(380,861)**	(2,055,607)
Dividends recognized as distribution	**–**	(2,815,863)
At end of the year	**21,574,412**	13,754,571

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

61. Cash and cash equivalents

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

	As at December 31,	
	2014	2013
Cash on hand	**3,319**	3,358
Unrestricted balances with original maturity of less than 3 months		
Bank balances	**31,611,885**	47,119,485
Clearing settlement funds	**312,049**	149,816
Placements with financial institutions	**2,000,000**	290,000
Financial assets held under resale agreements	**426,741**	629,387
Financial assets at fair value through profit or loss	**6,900**	—
Available-for-sale financial assets	**116,026**	—
Cash and cash equivalents	**34,476,920**	48,192,046

62. Major non-cash transactions of the group

	Year ended December 31,	
	2014	2013
Debt-to-equity swap (Note)		
— financial assets at fair value through profit or loss transferred into available-for-sale financial assets	**42,738**	436,367
Equity swap (Note)	**61,280**	439,397

Note: As part of its distressed asset management business, the Group entered into transactions of debt-to-equity swap equity swap with counterparties in the ordinary course of business during the years.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

63. 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, 2014 and 2013, total claim amount of pending litigations were RMB1,527.92 million and RMB1,811.53 million for the Group and RMB1,514.53 million and RMB1,686.03 million for the Company respectively, and provisions of RMB122.38 million and RMB127.97 million for the Group and RMB122.38 million and RMB127.97 million for the Company respectively were made based on court judgments or the advice of legal counsels. Directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group and the Company.

(2) Commitments other than operating lease commitments

Group

	As at December 31,	
	2014	2013
Contracted but not provided for		
— commitments for the acquisition of property and equipment	**18,195**	107,161
— commitments for the acquisition of investments	**1,200,000**	828,000
Total	**1,218,195**	935,161

Company

	As at December 31,	
	2014	2013
Contracted but not provided for		
— commitments for the acquisition of property and equipment	**17,075**	25,639
— commitments for the acquisition of investments	**—**	828,000
Total	**17,075**	853,639

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

63. Contingent liabilities and commitments (continued)

(3) Operating lease commitments

At the end of 2014 and 2013, 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,	
	2014	2013
Within 1 year	**289,317**	238,507
1–2 years	**182,971**	133,137
2–3 years	**83,302**	69,447
3–5 years	**71,367**	66,502
Over 5 years	**28,324**	34,156
Total	**655,281**	541,749

Company

	As at December 31,	
	2014	2013
Within 1 year	**54,585**	82,585
1–2 years	**45,814**	15,735
2–3 years	**26,662**	11,338
3–5 years	**18,146**	13,836
Over 5 years	**–**	1,861
Total	**145,207**	125,355

V. EXPLANATORY NOTES (continued)

63. Contingent liabilities and commitments (continued)

(4) Other guarantees provided by the Group

(i) The Group provided credit enhancements for the trust plans issued by China Jingu International Trust Co., Ltd. ("Jingu Trust"), a subsidiary of the Company. As at December 31, 2014, the exposure to the credit enhancements amounted to RMB1,500 million for the Group (December 31, 2013: RMB1,719 million), plus any shortfall from the guaranteed returns ranging from 5.2% to 20% that might arise. 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, Cinda Investment Co., Ltd. and Cinda Capital Management Co., Ltd., being subsidiaries of the Company, jointly set up Ningbo Qiushi Investment Management Limited Partnership together with Kunlun Trust Co, Ltd. ("Kunlun Trust"). The Group 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. As at December 31, 2014, the capital subscribed and paid in by Kunlun Trust amounted to RMB15,490 million and RMB7,039 million (December 31, 2013: RMB9,690 million and RMB5,899 million), respectively. The guaranteed basic return ranges from 7.5% to 8.2%, depends on the duration period of the investment projects.

(iii) Ningbo Chunhong Investment Management Limited Partnership ("Ningbo Chunhong") was set up by the Company together with three subsidiaries of the Company in 2013. Cinda Securities Co., Ltd. ("Cinda Securities"), a subsidiary of the Company, which is one of the limited partners of Chunhong, then set up a Designated Asset Management Plan (the "Plan") with funds raised by Chunhong. The Group provided unconditional purchase commitment to the unit holders of the Plan at an aggregate amount of their contributions plus any shortfall from the guaranteed returns of 8.2% (which depends on the duration period of the investment projects) that might rise. The size of the Plan is RMB4,500 million. As at December 31, 2014, the subscription amount of the Plan was RMB4,027 million (December 31, 2013: RMB2,817 million).

V. EXPLANATORY NOTES (continued)

63. Contingent liabilities and commitments (continued)

(4) Other guarantees provided by the Group (continued)

(iv) Cinda-Taikang Alternative Asset Investment Partnership (Limited Partnership) was set up by the Company, a subsidiary of the Company, together with Taikang Asset Management Co., Ltd. in 2013. The Group provided unconditional purchase commitment to Taikang at an aggregate amount of its investment plus any shortfall from the guaranteed returns ranging from 6.6% to 7.0% (which depends on the duration period of the investment projects) that might arise, if the annualized return falls below this range. The capital subscribed by Taikang amounted to RMB12,000 million. As at December 31, 2014, Taikang has made contribution of RMB10,362 million (December 31, 2013: RMB4,170 million).

(v) 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) to (iv) 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 their returns.

(vi) 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. As at December 31, 2014, maximum exposure to the Group resulted from the return guarantee amounted to RMB456 million (December 31, 2013: RMB480 million).

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

64. Transfers of financial assets

Repurchase agreements

The Group entered into sales agreements with certain counterparties on its financial assets, in which the Group was subject to simultaneous agreements with commitments to repurchase these financial assets at specified future dates and prices. As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these financial assets to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these financial assets during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore these financial assets have not been derecognized from the financial statements but regarded as "collateral" for the secured lending from the counterparties. Normally, the counterparties could only claim from the collateral when there exists an event of default on the secured lending.

	Carrying amount of pledged assets December 31,		Related liabilities December 31,	
	2014	2013	**2014**	2013
Held-for-trading debt securities	**915,863**	2,355,332	**469,582**	1,943,056
Available-for-sale debt securities	**2,449,745**	3,747,977	**2,147,308**	2,752,921
Held-to-maturity debt securities	**1,933,507**	2,205,151	**1,850,959**	1,945,847
Finance lease receivables	**645,543**	2,310,054	**599,500**	2,501,000
Loans to margin clients	**5,469,422**	339,042	**4,872,300**	300,000
Total	**11,414,080**	10,957,556	**9,939,649**	9,442,824

V. EXPLANATORY NOTES (continued)

65. Segment information

Information relating to business lines are reported to the Board of Directors of the Company and its relevant management committees, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance.

Segment revenue include income from distressed debt assets classified as receivables, fair value changes on distressed debt assets, investment income, net insurance premiums earned and others.

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

The Group 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.

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.

V. EXPLANATORY NOTES (continued)

65. Segment information (continued)

Financial services operations

The Group's financial services segment comprises relevant business of the Group, including the provision of financial services in sectors such as securities, insurance, financial leasing and asset management. These operations were mainly carried out by the subsidiaries of the Company.

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

Measurement of segment assets and liabilities and segment income and results is based on the Group's accounting policies. Segment information is prepared in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Group.

Revenue and assets of the Group are generated primarily from operating units located in Mainland China. There is no significant customer concentration of the Group's business. There is no customer contributing more than 10% of the Group's revenue.

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

65. Segment information (continued)

Year ended December 31, 2014	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Income from distressed debt assets classified as receivables	18,242,771	–	–	(129,205)	18,113,566
Fair value changes on distressed debt assets	4,157,172	–	–	(79,674)	4,077,498
Fair value changes on other financial assets	–	203,253	1,977,280	–	2,180,533
Investment income	6,583,216	1,256,472	1,588,072	(311,291)	9,116,469
Net insurance premiums earned	–	–	7,446,494	(3,509)	7,442,985
Interest income	1,492,573	3,850,238	3,683,002	(215,274)	8,810,539
Revenue from sales of inventories	–	4,340,500	–	–	4,340,500
Commission and fee income	261,047	244,905	2,844,548	(342,319)	3,008,181
Net gains on disposal of subsidiaries and associates	–	639,610	3,338	–	642,948
Other income and other net gains or losses	758,318	1,631,952	(8,696)	(324,731)	2,056,843
Total	31,495,097	12,166,930	17,534,038	(1,406,003)	59,790,062
Interest expense	(13,185,126)	(1,265,234)	(1,946,484)	435,723	(15,961,121)
Insurance costs	–	–	(6,865,310)	–	(6,865,310)
Employee benefits	(1,213,194)	(608,938)	(2,780,762)	2,337	(4,600,557)
Purchases and changes in inventories	–	(2,824,007)	–	–	(2,824,007)
Commission and fee expense	(1,395)	(12,212)	(1,020,711)	–	(1,034,318)
Business tax and surcharges	(817,742)	(638,064)	(525,456)	–	(1,981,262)
Depreciation and amortization expenses	(73,254)	(226,111)	(156,995)	–	(456,360)
Other expenses	(797,038)	(1,175,073)	(1,306,974)	406,503	(2,872,582)
Impairment losses on assets	(3,977,330)	(727,409)	(733,328)	–	(5,438,067)
Total	(20,065,079)	(7,477,048)	(15,336,020)	844,563	(42,033,584)
Change in net assets attributable to other holders of consolidated structured entities	–	(1,552,887)	(357,058)	–	(1,909,945)
Profit before share of results of associates and tax	11,430,018	3,136,995	1,840,960	(561,440)	15,846,533
Share of results of associates	66,353	378,213	15,600	–	460,166
Profit before tax	11,496,371	3,515,208	1,856,560	(561,440)	16,306,699
Income tax expense					(4,163,950)
Profit for the year					12,142,749
Capital expenditure	349,106	55,178	156,210	(11,369)	549,125
As at December 31, 2014					
Segment assets	320,973,463	110,860,241	123,560,441	(10,966,728)	544,427,417
Including: Interests in associates	3,181,993	6,617,764	279,798	–	10,079,555
Total assets	320,973,463	110,860,241	123,560,441	(10,966,728)	544,427,417
Segment liabilities	269,353,729	79,548,210	101,475,839	(7,813,623)	442,564,155
Total liabilities	269,353,729	79,548,210	101,475,839	(7,813,623)	442,564,155

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

65. Segment information (continued)

Year ended December 31, 2013	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Income from distressed debt assets classified as receivables	10,144,157	–	–	–	10,144,157
Fair value changes on distressed debt assets	4,668,294	–	–	(50,660)	4,617,634
Fair value changes on other financial assets	11,955	78,400	448,649	–	539,004
Investment income	5,247,534	769,834	1,028,900	(2,422)	7,043,846
Net insurance premiums earned	–	–	5,782,164	(10,296)	5,771,868
Interest income	1,261,228	1,494,344	2,379,742	(76,110)	5,059,204
Revenue from sales of inventories	–	4,321,948	–	–	4,321,948
Commission and fee income	146,066	17,787	2,538,449	(182,194)	2,520,108
Net gains on disposal of subsidiaries and associates	–	200,517	–	–	200,517
Other income and other net gains or losses	370,571	2,094,017	(43,984)	(225,698)	2,194,906
Total	21,849,805	8,976,847	12,133,920	(547,380)	42,413,192
Interest expense	(6,214,918)	(445,242)	(1,272,948)	129,352	(7,803,756)
Insurance costs	–	–	(5,018,782)	–	(5,018,782)
Employee benefits	(1,039,300)	(490,284)	(2,274,883)	7,023	(3,797,444)
Purchases and changes in inventories	–	(2,720,323)	–	–	(2,720,323)
Commission and fee expense	–	(30,488)	(848,131)	9,176	(869,443)
Business tax and surcharges	(330,176)	(497,460)	(406,237)	–	(1,233,873)
Depreciation and amortization expenses	(60,679)	(235,784)	(147,492)	166	(443,789)
Other expenses	(789,264)	(905,283)	(1,198,573)	332,864	(2,560,256)
Impairment losses on assets	(5,156,070)	(528,379)	(468,832)	–	(6,153,281)
Total	(13,590,407)	(5,853,243)	(11,635,878)	478,581	(30,600,947)
Change in net assets attributable to other holders of consolidated structured entities	–	(540,461)	–	–	(540,461)
Profit before share of results of associates and tax	8,259,398	2,583,143	498,042	(68,799)	11,271,784
Share of results of associates	54,856	428,549	16,854	–	500,259
Profit before tax	8,314,254	3,011,692	514,896	(68,799)	11,772,043
Income tax expense					(2,671,071)
Profit for the year					9,100,972
Capital expenditure	268,317	65,094	109,565	(18,000)	424,976
As at December 31, 2013					
Segment assets	228,603,886	72,776,367	86,248,238	(3,843,084)	383,785,407
Including: Interests in associates	4,016,959	4,929,660	14,987	–	8,961,606
Total assets	228,603,886	72,776,367	86,248,238	(3,843,084)	383,785,407
Segment liabilities	189,366,850	43,778,119	71,693,093	(3,814,776)	301,023,286
Total liabilities	189,366,850	43,778,119	71,693,093	(3,814,776)	301,023,286

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

66. Related party transactions

(1) The MOF

Group

As at December 31, 2014, the MOF directly owned 67.84% (December 31, 2013: 69.57%) 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,	
	2014	2013
Financial assets at fair value through profit or loss	**38,691**	—
Available-for-sale financial assets	**76,889**	73,081
Financial assets classified as receivables	**117,700**	142,700
Accounts receivable	**164,769**	164,769
Interest receivable	**26,436**	21,506
Accounts payable	**9,710,682**	21,676,664

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

	Year ended December 31,	
	2014	2013
Interest income	**12,920**	9,175
Interest expense	**375,831**	591,534

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

66. Related party transactions (continued)

(1) The MOF (continued)

Company

The Company had the following balances with the MOF:

	As at December 31,	
	2014	2013
Accounts receivable	**164,769**	164,769
Accounts payable	**9,710,682**	21,676,664

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

	Year ended December 31,	
	2014	2013
Interest expense	**375,831**	591,534

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at December 31,	
	2014	2013
Placements	**—**	350,000
Financial assets at fair value through profit or loss	**1,259,081**	1,204,449
Financial assets held under resale agreements	**300,000**	—
Financial assets classified as receivables	**2,314,567**	—
Held-to-maturity investments	**—**	289,928
Property and equipment	**18,000**	18,000
Amounts due from subsidiaries	**876,392**	1,509,756
Bonds issued	**54,949**	24,332
Other payables	**60,079**	102,209

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

66. Related party transactions (continued)

(2) Subsidiaries (continued)

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

	Year ended December 31,	
	2014	2013
Investment in subsidiaries	**3,104,433**	1,807,594
Interest income	**78,067**	77,925
Rental income	**30,672**	25,606
Investment income	**40,091**	2,127
Gains/(losses) on disposal of distressed debt assets	**174,005**	(104,487)
Gains on disposal of debt assets	**195,054**	—
Fair value changes on other financial assets	**62,237**	45,207
Dividend income	**189,054**	239,803
Commission and fee income	**38,057**	5,829
Business and management fees	**210,299**	176,604
Capital reserve	**—**	47,803

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

66. Related party transactions (continued)

(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,	
	2014	2013
Available-for-sale financial assets	**23,131**	9,758
Loans and advances to customers	**368,329**	230,000
Interest receivable	**3,423**	8,291
Prepayment	**4,344**	—
Dividend receivable	**6,800**	—
Other receivables	**369,564**	266,511
Borrowings	**—**	25,000
Bonds issued	**—**	150,000
Interest payable	**—**	3,123
Other payables	**4,908**	241

The Group has entered into the following transactions with its associates:

	Year ended December 31,	
	2014	2013
Interest income	**30,484**	20,326
Commission and fee income	**1,038**	9,880
Dividend income	**95,302**	229,556
Net realized gain on disposal of available-for-sale financial assets	**—**	2,572
Net insurance premiums earned	**10,029**	2,316
Rental income	**100**	100
Interest expense	**9,340**	16,210

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

66. Related party transactions (continued)

(3) Associates (continued)

Company

The Company has entered into the following transaction with its associates:

	Year ended December 31,	
	2014	2013
Dividend income	**70,752**	100,025

(4) Government related entities

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

Management considers that transactions with government related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that both the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government related entities.

(5) Defined contribution plan

Group and Company

The Group and the Company have the following transactions with the Defined Contribution Plan set up by the Company:

	Year ended December 31,	
	2014	2013
Contribution to Defined Contribution Plan	**38,595**	29,961

V. EXPLANATORY NOTES (continued)

67. Financial risk management

Overview

The Group's primary objectives of risk management are to ensure (1) the prudent operation and sound business development of the Group; (2) the execution of significant decisions to achieve business targets and ensure operational efficiency; and (3) that risks are managed within a range consistent with our strategies and business targets. Based on this, the Group has designed a series of risk management policies and set up controls to identify, analyze, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews and revises its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The most significant types of risks to the Group are credit risk, market risk and liquidity risk. Market risk includes interest rate risk, currency risk and other price risk.

Risk Management Framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk strategy and risk management policies and evaluating the Group's overall risk exposures regularly.

Within this framework, the Group's senior management has overall responsibility for managing all aspects of risks, including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures relating to risk management. The Risk Management Department and other relevant functional units are responsible for monitoring financial risks.

67.1 Credit risk

(i) Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate advance, commitment or investment of funds. The Group's major credit risks arise from financial assets classified as receivables, loans and advance to customers and other guarantees. There is no significant difference of the credit risk of distressed debt assets classified as receivables and other debt assets. Risk management of distressed assets is detailed in note V.67.4.

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.1 Credit risk (continued)

(i) Credit risk management (continued)

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 amount of these assets at the end of each reporting period and recognizes impairment losses when there is objective evidence that the assets are impaired. The objective evidences of impairment could include:

- significant financial difficulty of the issuer or obligor;

- a breach of contract, such as default or delinquency in interest or principal payments;

- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;

- the disappearance of an active market for that financial asset because of financial difficulties; or

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.1 Credit risk (continued)

(ii) Impairment assessment (continued)

- 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.

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.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.1 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, loans and advance to customers and treasury operations. At the end of each reporting period, maximum exposure to credit risk is as follows:

Group

	As at December 31,	
	2014	2013
Bank balances	**43,887,930**	57,055,749
Clearing settlement funds	**5,145,163**	1,707,859
Deposits with exchanges and a financial institution	**918,240**	831,073
Placements with financial institutions	**3,000,000**	290,000
Financial assets at fair value through profit or loss	**10,348,285**	6,386,713
Financial assets held under resale agreements	**11,454,214**	1,053,527
Available-for-sale financial assets	**31,647,432**	23,429,039
Financial assets classified as receivables	**180,913,089**	116,662,697
Loans and advance to customers	**80,224,726**	48,636,362
Accounts receivables	**7,022,083**	6,448,944
Held-to-maturity investments	**7,042,523**	7,592,298
Other assets	**3,359,288**	3,162,937
Total	**384,962,973**	273,257,198

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.1 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,	
	2014	2013
Bank balances	**11,520,985**	30,659,935
Placements with financial institutions	**2,000,000**	640,000
Financial assets held under resale agreements	**8,795,500**	—
Available-for-sale financial asset	**14,354,107**	8,601,643
Financial assets classified as receivables	**177,893,099**	113,966,668
Accounts receivable	**6,053,629**	5,647,620
Amounts due from subsidiaries	**876,392**	1,509,756
Held-to-maturity investments	**210,000**	499,928
Other assets	**153,899**	683,725
Total	**221,857,611**	162,209,275

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 V.67.4. The carrying amount of distressed debt assets designated as at fair value through profit or loss amounted to RMB42,302.04 million and RMB16,391.69 million for the Group and RMB42,169.39 million and RMB16,784.11 million for the Company as at December 31, 2014 and 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.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.1 Credit risk (continued)

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

Group

	As at December 31,	
	2014	2013
Distressed debt assets classified as receivables	**167,464,326**	100,913,177
Loans and advances to customers	**82,014,924**	49,578,118
Subtotal	**249,479,250**	150,491,295
Allowance for impairment losses		
Distressed debt assets classified as receivables	**(5,355,398)**	(2,942,608)
Loans and advances to customers	**(1,790,198)**	(941,756)
Subtotal	**(7,145,596)**	(3,884,364)
Net carrying amounts		
Distressed debt assets classified as receivables	**162,108,928**	97,970,569
Loans and advances to customers	**80,224,726**	48,636,362
Total	**242,333,654**	146,606,931

Company

	As at December 31,	
	2014	2013
Distressed debt assets classified as receivables	**170,066,543**	100,913,177
Allowance for impairment losses	**(5,431,995)**	(2,942,608)
Net carrying amounts	**164,634,548**	97,970,569

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.1 Credit risk (continued)

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

By geographical area

Group

	As at December 31,			
	2014		2013	
Area	**Gross amount**	**%**	Gross amount	%
Bohai Rim	**60,154,329**	**24.1**	35,130,328	23.3
Western Region	**56,130,984**	**22.5**	41,048,567	27.3
Central Region	**44,517,209**	**17.8**	24,194,073	16.1
Pearl River Delta	**43,559,069**	**17.5**	18,844,209	12.5
Yangtze River Delta	**24,454,015**	**9.8**	16,494,090	11.0
Northeastern Region	**17,928,307**	**7.2**	12,194,618	8.1
Overseas	**2,735,337**	**1.1**	2,585,410	1.7
Total	**249,479,250**	**100.0**	150,491,295	100.0

Company

	As at December 31,			
	2014		2013	
Area	**Gross amount**	**%**	Gross amount	%
Bohai Rim	**40,631,111**	**23.9**	21,592,257	21.3
Western Region	**38,492,062**	**22.6**	27,218,829	27.0
Pearl River Delta	**35,618,024**	**20.9**	15,623,087	15.5
Central Region	**28,276,072**	**16.6**	17,336,839	17.2
Yangtze River Delta	**16,759,534**	**9.9**	11,698,730	11.6
Northeastern Region	**10,289,740**	**6.1**	7,443,435	7.4
Total	**170,066,543**	**100.0**	100,913,177	100.0

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.1 Credit risk (continued)

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

By geographical area (continued)

Notes:

Western Region:	Including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Guangxi, Gansu, Qinghai, Xinjiang, Ningxia, Inner Mongolia.
Bohai Rim:	Including Beijing, Tianjin, Hebei, Shandong.
Central Region:	Including Shanxi, Henan, Hunan, Hubei, Anhui, Jiangxi, Hainan.
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.

By industry

Group

	As at December 31,			
	2014		2013	
Industry	**Gross amount**	**%**	Gross amount	%
Real estate	**127,229,829**	**51.0**	75,621,505	50.2
Manufacturing	**31,041,663**	**12.4**	16,671,187	11.1
Water, environment and public utilities management	**12,835,564**	**5.1**	12,465,025	8.3
Leasing and commercial services	**10,921,858**	**4.4**	12,017,224	8.0
Construction	**10,226,657**	**4.1**	6,417,030	4.3
Transportation, logistics and postal services	**10,128,874**	**4.1**	5,710,212	3.8
Mining	**9,972,818**	**4.0**	5,419,715	3.6
Others	**37,121,987**	**14.9**	16,169,397	10.7
Total	**249,479,250**	**100.0**	150,491,295	100.0

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.1 Credit risk (continued)

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

By industry (continued)

Company

	As at December 31,			
	2014		2013	
Industry	**Gross amount**	**%**	Gross amount	%
Real estate	**99,090,956**	**58.3**	60,844,377	60.3
Manufacturing	**14,048,905**	**8.3**	5,661,599	5.6
Leasing and commercial services	**9,318,969**	**5.5**	10,567,224	10.5
Construction	**8,756,934**	**5.1**	4,977,126	4.9
Transportation, logistics and postal services	**6,560,568**	**3.9**	3,101,035	3.1
Water, environment and public utilities management	**4,019,338**	**2.4**	5,741,497	5.7
Mining	**2,714,784**	**1.6**	1,283,467	1.3
Others	**25,556,089**	**14.9**	8,736,852	8.6
Total	**170,066,543**	**100.0**	100,913,177	100.0

By contractual maturity and security type

Group

	Gross amount as at December 31, 2014				Gross amount as at December 31, 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
Unsecured	**1,856,760**	**3,229,247**	**–**	**5,086,007**	1,431,729	1,135,110	–	2,566,839
Guaranteed	**3,322,465**	**65,492,431**	**2,011,276**	**70,826,172**	2,703,922	41,746,971	462,346	44,913,239
Mortgaged	**14,252,678**	**106,919,306**	**2,958,551**	**124,130,535**	5,025,380	72,857,219	1,323,217	79,205,816
Pledged	**10,765,650**	**36,172,203**	**2,498,683**	**49,436,536**	3,194,166	19,595,835	1,015,400	23,805,401
Total	**30,197,553**	**211,813,187**	**7,468,510**	**249,479,250**	12,355,197	135,335,135	2,800,963	150,491,295

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.1 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 (continued)

Company

	Gross amount as at December 31, 2014				Gross amount as at December 31, 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
Unsecured	–	1,775	–	1,775	293,467	397,664	–	691,131
Guaranteed	1,380,303	46,923,655	–	48,303,958	2,703,922	28,660,463	–	31,364,385
Mortgaged	5,201,095	89,445,728	–	94,646,823	3,586,768	49,709,939	–	53,296,707
Pledged	997,529	26,116,458	–	27,113,987	348,316	15,212,638	–	15,560,954
Total	7,578,927	162,487,616	–	170,066,543	6,932,473	93,980,704	–	100,913,177

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

Group

	As at December 31, 2014					As at December 31, 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
Distressed debt assets classified as receivables	1,356,213	2,107,743	910,500	–	4,374,456	108,845	1,075,748	409,303	–	1,593,896
Loans and advances to customers	235,224	1,677,266	322,174	–	2,234,664	423,205	195,034	214,942	–	833,181
Total	1,591,437	3,785,009	1,232,674	–	6,609,120	532,050	1,270,782	624,245	–	2,427,077

Company

	As at December 31, 2014					As at December 31, 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
Distressed debt assets classified as receivables	1,356,213	2,107,743	910,500	–	4,374,456	108,845	1,075,748	409,303	–	1,593,896

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.1 Credit risk (continued)

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

Group

	As at December 31,	
	2014	2013
Neither past due nor impaired	**242,870,130**	147,944,672
Past due but not impaired[(1)]	**2,841,659**	1,009,706
Impaired[(2)]	**3,767,461**	1,536,917
Subtotal	**249,479,250**	150,491,295
Allowance for impairment losses	**(7,145,596)**	(3,884,364)
Net carrying amount	**242,333,654**	146,606,931

Company

	As at December 31,	
	2014	2013
Neither past due nor impaired	**165,692,087**	99,319,281
Past due but not impaired[(1)]	**2,337,347**	583,162
Impaired[(2)]	**2,037,109**	1,010,734
Subtotal	**170,066,543**	100,913,177
Allowance for impairment losses	**(5,431,995)**	(2,942,608)
Net carrying amount	**164,634,548**	97,970,569

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.1 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, 2014					Gross amount as at December 31, 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
Distressed debt assets classified as receivable	**1,263,415**	**768,940**	**304,992**	**–**	**2,337,347**	51,013	314,147	218,002	–	583,162
Loans and advances to customers	**234,721**	**119,895**	**149,696**	**–**	**504,312**	423,205	3,339	–	–	426,544
Total	**1,498,136**	**888,835**	**454,688**	**–**	**2,841,659**	474,218	317,486	218,002	–	1,009,706

Company

	Gross amount as at December 31, 2014					Gross amount as at December 31, 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
Distressed debt assets classified as receivables	**1,263,415**	**768,940**	**304,992**	**–**	**2,337,347**	51,013	314,147	218,002	–	583,162

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.1 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, 2014			As at December 31, 2013		
	Gross amount	Allowance for impairment loss	Net carrying amount	Gross amount	Allowance for impairment loss	Net carrying amount
Distressed debt assets classified as receivables — individually assessed	**2,037,109**	**(506,533)**	**1,530,576**	1,010,734	(194,228)	816,506
Loans and advances to customers — individually assessed	**1,730,352**	**(370,761)**	**1,359,591**	526,183	(172,402)	353,781
Total	**3,767,461**	**(877,294)**	**2,890,167**	1,536,917	(366,630)	1,170,287

Company

	As at December 31, 2014			As at December 31, 2013		
	Gross amount	Allowance for impairment loss	Net carrying amount	Gross amount	Allowance for impairment loss	Net carrying amount
Distressed debt assets classified as receivables — Individually assessed	**2,037,109**	**(506,533)**	**1,530,576**	1,010,734	(194,228)	816,506

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.1 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 and Company

	As at December 31, 2014	2013
Distressed debt assets classified as receivables		
Individually assessed and impaired	**2,037,109**	1,010,734
Individually assessed and impaired as a % of total distressed debt assets classified as receivables (%)	**1.2**	1.0
Fair value of collateral	**1,949,716**	816,506

Group

	As at December 31, 2014	2013
Loans and advances to customers		
Individually assessed and impaired	**1,730,352**	526,183
Individually assessed and impaired as a % of total loans and advances to customers (%)	**2.1**	1.1
Fair value of collateral	**1,131,788**	248,095

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.1 Credit risk (continued)

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

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

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

Distressed debt assets classified as receivables

Group and Company

	As at December 31,			
	2014		2013	
Area	Gross amount	%	Gross amount	%
Western Region	**1,147,818**	**56.3**	42,915	4.3
Bohai Rim	**393,980**	**19.3**	263,047	26.0
Central Region	**222,877**	**11.0**	133,118	13.2
Northeastern Region	**145,723**	**7.2**	498,554	49.3
Yangtze River Delta	**126,711**	**6.2**	73,100	7.2
Total	**2,037,109**	**100.0**	1,010,734	100.0

Loans and advances to customers

Group

	As at December 31,			
	2014		2013	
Area	Gross amount	%	Gross amount	%
Central Region	**1,100,200**	**63.6**	46,971	8.9
Western Region	**246,533**	**14.2**	—	—
Yangtze River Delta	**239,311**	**13.8**	354,289	67.4
Bohai Rim	**143,641**	**8.4**	124,923	23.7
Pearl River Delta	**494**	**—**	—	—
Northeastern Region	**173**	**—**	—	—
Total	**1,730,352**	**100.0**	526,183	100.0

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.1 Credit risk (continued)

(vii) Credit quality of investment products

The tables below set forth the credit quality of investment products.

Group

	As at December 31,	
	2014	2013
Neither past due nor impaired[1]	**67,402,909**	55,795,849
Past due but not impaired[2]	**–**	250,000
Impaired[3]	**1,182,216**	60,000
Subtotal	**68,585,125**	56,105,849
Allowance for impairment losses		
— individually assessed	**(676,700)**	(5,671)
Net carrying amounts	**67,908,425**	56,100,178

Company

	As at December 31,	
	2014	2013
Neither past due nor impaired[1]	**27,822,658**	25,097,670
Allowance for impairment losses		
— individually assessed	**–**	–
Net carrying amounts	**27,822,658**	25,097,670

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.1 Credit risk (continued)

(vii) Credit quality of investment products (continued)

(1) Neither past due nor impaired investment products

Group

	As at December 31, 2014					As at December 31, 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
Government bonds	38,691	76,889	–	–	115,580	–	73,081	–	–	73,081
Public sector and quasi-government bonds	932,062	3,956,771	4,244,173	–	9,133,006	1,646,201	4,479,842	4,511,154	–	10,637,197
Financial institution bonds	698,301	1,639,576	2,011,790	–	4,349,667	947,024	1,647,823	2,262,411	–	4,857,258
Corporate bonds	6,140,307	5,111,992	786,560	–	12,038,859	2,557,042	4,537,896	818,733	–	7,913,671
Certificate treasury bonds	–	–	–	117,700	117,700	–	–	–	142,700	142,700
Trust products and rights to trust assets	–	2,609,166	–	3,443,958	6,053,124	–	1,913,179	–	2,019,000	3,932,179
Wealth management products	2,521,569	1,238,116	–	–	3,759,685	1,218,363	1,273,424	–	–	2,491,787
Debt instruments	–	13,002,708	–	–	13,002,708	–	8,502,079	–	–	8,502,079
Asset management plans	–	2,608,289	–	1,806,000	4,414,289	–	902,151	–	230,000	1,132,151
Asset backed securities	–	605,156	–	–	605,156	–	–	–	–	–
Structured debt arrangements	–	–	–	13,258,551	13,258,551	–	–	–	15,996,099	15,996,099
Others	17,355	537,229	–	–	554,584	18,083	99,564	–	–	117,647
Total	10,348,285	31,385,892	7,042,523	18,626,209	67,402,909	6,386,713	23,429,039	7,592,298	18,387,799	55,795,849

Company

	As at December 31, 2014					As at December 31, 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	–	–	499,928	–	499,928
Debt instruments	–	13,002,708	–	–	13,002,708	–	8,502,079	–	–	8,502,079
Asset management plan	–	740,697	–	–	740,697	–	–	–	–	–
Structured debt arrangements	–	–	–	13,258,551	13,258,551	–	–	–	15,996,099	15,996,099
Asset backed securities	–	571,156	–	–	571,156	–	–	–	–	–
Others	–	39,546	–	–	39,546	–	99,564	–	–	99,564
Total	–	14,354,107	210,000	13,258,551	27,822,658	–	8,601,643	499,928	15,996,099	25,097,670

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.1 Credit risk (continued)

(vii) Credit quality of investment products (continued)

(2) Past due but not impaired investment products

There was no past due but not impaired investment products for the Group at December 31, 2014 and it was a trust product with gross amount of RMB250.00 million at December 31, 2013.

(3) Impaired investment products

The impaired investment product for the Group is a trust product with gross amount of RMB1,182.22 million and RMB60.00 million as at December 31, 2014 and 2013 respectively. The Group made an allowance for impairment loss of RMB676.7 million and RMB5.67 million as at December 31, 2014 and 2013, respectively, as the trust plan payment was past due.

(viii) Investment products analyzed by credit rating from reputable rating agencies

Group

	As at December 31, 2014						As at December 31, 2013					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Government bonds	–	–	–	–	115,580	115,580	983	–	–	–	72,098	73,081
Public sector and quasi-government bonds	1,102,571	–	–	–	8,030,435	9,133,006	1,763,706	–	–	–	8,873,491	10,637,197
Financial institution bonds	3,231,190	1,118,477	–	–	–	4,349,667	3,897,342	959,916	–	–	–	4,857,258
Corporate bonds	3,766,936	7,519,339	–	384,787	367,797	12,038,859	2,943,363	4,504,969	–	–	465,339	7,913,671
Certificate treasury bonds	–	–	–	–	117,700	117,700	–	–	–	–	142,700	142,700
Trust products and rights to trust assets	–	800,000	–	–	5,758,640	6,558,640	–	–	–	–	4,236,508	4,236,508
Wealth management products	–	–	–	–	3,759,685	3,759,685	–	–	–	–	2,491,787	2,491,787
Debt instruments	–	–	–	–	13,002,708	13,002,708	–	–	–	–	8,502,079	8,502,079
Asset management plans	–	–	–	–	4,414,289	4,414,289	–	–	–	–	902,151	902,151
Asset backed securities	171,156	10,000	–	–	424,000	605,156	–	–	–	–	–	–
Structured debt arrangements	–	–	–	–	13,258,551	13,258,551	–	–	–	–	15,996,099	15,996,099
Others	–	–	–	–	554,584	554,584					347,647	347,647
Total	8,271,853	9,447,816	–	384,787	49,803,969	67,908,425	8,605,394	5,464,885	–	–	42,029,899	56,100,178

Company

	As at December 31, 2014						As at December 31, 2013					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Financial institution bonds	–	210,000	–	–	–	210,000	–	499,928	–	–	–	499,928
Debt instruments	–	–	–	–	13,002,708	13,002,708	–	–	–	–	8,502,079	8,502,079
Structured debt arrangements	–	–	–	–	13,258,551	13,258,551	–	–	–	–	15,996,099	15,996,099
Asset management plan					740,697	740,697	–	–	–	–	–	–
Asset Backed Securities	171,156	–	–	–	400,000	571,156	–	–	–	–	–	–
Others	–	–	–	–	39,546	39,546	–	–	–	–	99,564	99,564
Total	171,156	210,000	–	–	27,441,502	27,822,658	–	499,928	–	–	24,597,742	25,097,670

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.2 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.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.2 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, 2014						
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	37,379,119	1,331,663	2,395,148	2,782,000	–	3,319	43,891,249
Clearing settlement funds	5,145,163	–	–	–	–	–	5,145,163
Deposits with exchanges and a financial institution	337,263	–	–	–	–	580,977	918,240
Placements with financial institutions	3,000,000	–	–	–	–	–	3,000,000
Financial assets at fair value through profit or loss	994,002	437,868	1,108,713	2,378,467	4,814,142	47,487,329	57,220,521
Financial assets held under resale agreements	10,590,587	284,260	422,404	156,963	–	–	11,454,214
Available-for-sale financial assets	229,150	13,703,581	2,052,248	9,886,770	4,713,178	55,209,627	85,794,554
Financial assets classified as receivables	10,450,487	11,972,651	65,349,832	92,390,119	750,000	–	180,913,089
Loans and advances to customers	37,218,381	1,496,755	12,613,827	28,895,763	–	–	80,224,726
Accounts receivable	1,024,892	–	2,543,133	1,407,443	–	2,046,615	7,022,083
Held-to-maturity investments	30,001	–	236,371	1,790,671	4,985,480	–	7,042,523
Other financial assets	269,467	33,139	56,904	1,279,409	–	1,979,879	3,618,798
Total financial assets	106,668,512	29,259,917	86,778,580	140,967,605	15,262,800	107,307,746	486,245,160
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Accounts payable to brokerage clients	(10,075,472)	–	–	–	–	(1,587,862)	(11,663,334)
Financial liabilities at fair value through profit or loss	(271)	–	(33,123)	(3,611)	–	–	(37,005)
Financial assets sold under repurchase agreements	(4,252,349)	(965,000)	(3,012,300)	(1,710,000)	–	–	(9,939,649)
Placements from banks and a financial intitution	–	(11,077,000)	(750,000)	–	–	–	(11,827,000)
Borrowings	(2,537,447)	(44,703,468)	(130,839,804)	(85,001,542)	(370,150)	–	(263,452,411)
Accounts payable	–	–	(9,710,682)	–	–	(4,180,495)	(13,891,177)
Investment contract liabilities for policyholders	(6,251,226)	–	–	–	–	–	(6,251,226)
Bonds issued	–		(11,967,394)	(26,530,678)	(4,426,724)	(770,056)	(43,694,852)
Other financial liabilities	–	–	–	–	–	(33,346,340)	(33,346,340)
Total financial liabilities	(23,116,765)	(56,745,468)	(156,313,303)	(113,245,831)	(4,796,874)	(40,870,811)	(395,089,052)
Interest rate gap	83,551,747	(27,485,551)	(69,534,723)	27,721,774	10,465,926	66,436,935	91,156,108

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.2 Market risk (continued)

Interest rate risk (continued)

Group (continued)

	As at December 31, 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	50,098,941	828,800	3,318,008	2,810,000	–	3,358	57,059,107
Clearing settlement funds	1,707,859	–	–	–	–	–	1,707,859
Deposits with exchanges and a financial institution	159,578	–	–	–	–	671,495	831,073
Placements with financial institutions	290,000	–	–	–	–	–	290,000
Financial assets at fair value through profit or loss	459,692	219,031	145,309	2,976,120	1,770,799	19,607,547	25,178,498
Financial assets held under resale agreements	613,750	15,637	400,695	23,445	–	–	1,053,527
Available-for-sale financial assets	2,823,351	6,569,115	1,938,331	5,039,399	5,737,581	50,639,378	72,747,155
Financial assets classified as receivables	4,005,570	5,767,554	53,544,287	53,345,286	–	–	116,662,697
Loans and advances to customers	662,517	27,114,238	5,554,502	15,305,105	–	–	48,636,362
Accounts receivable	329,184	–	4,254,067	767,468	–	1,098,225	6,448,944
Held-to-maturity investments	–	79,906	210,187	1,927,132	5,375,073	–	7,592,298
Other financial assets	325,950	24,331	412,996	785,809	–	1,783,528	3,332,614
Total financial assets	61,476,392	40,618,612	69,778,382	82,979,764	12,883,453	73,803,531	341,540,134
Borrowings from central bank	–	–	(4,912,977)	–	–	–	(4,912,977)
Accounts payable to brokerage clients	(6,480,797)	–	–	–	–	–	(6,480,797)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(48,465)	(48,465)
Financial assets sold under repurchase agreements	(6,665,924)	(376,900)	(1,900,000)	(500,000)	–	–	(9,442,824)
Placements from banks and a financial intitution	(1,400,000)	(8,877,000)	(200,000)	–	–	–	(10,477,000)
Borrowings	(8,672,924)	(45,150,676)	(75,740,497)	(44,081,602)	(188,990)	–	(173,834,689)
Accounts payable	–	–	(2,730,839)	(18,945,825)	–	(1,137,474)	(22,814,138)
Investment contract liabilities for policyholders	(3,244,367)	–	–	–	–	–	(3,244,367)
Bonds issued	–	(715,014)	(87,612)	(12,482,391)	–	–	(13,285,017)
Other financial liabilities	–	–	–	(2,312,130)	–	(16,430,021)	(18,742,151)
Total financial liabilities	(26,464,012)	(55,119,590)	(85,571,925)	(78,321,948)	(188,990)	(17,615,960)	(263,282,425)
Interest rate gap	35,012,380	(14,500,978)	(15,793,543)	4,657,816	12,694,463	56,187,571	78,257,709

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.2 Market risk (continued)

Interest rate risk (continued)

Company

	As at December 31, 2014						
	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Non-interest bearing	Total
Cash and bank balances	10,704,423	216,562	600,000	–	–	745	11,521,730
Placements with financial institutions	1,800,000	200,000	–	–	–	–	2,000,000
Financial assets at fair value through profit or loss	–	–	–	–	–	42,837,267	42,837,267
Financial assets held under resale agreements	8,795,500	–	–	–	–	–	8,795,500
Available-for-sale financial assets	39,546	13,002,708	–	671,156	–	44,283,180	57,996,590
Financial assets classified as receivables	10,206,511	11,799,405	65,685,248	90,201,935	–	–	177,893,099
Accounts receivable	774,040	–	2,543,133	1,407,443	–	1,329,013	6,053,629
Amounts due from subsidiaries	386,961	–	102,739	–	–	386,692	876,392
Held-to-maturity investments	–	–	–	–	210,000	–	210,000
Other financial assets	–	–	–	–	–	153,899	153,899
Total financial assets	32,706,981	25,218,675	68,931,120	92,280,534	210,000	88,990,796	308,338,106
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(431,742)	(431,742)
Placement from a bank		(10,000,000)					(10,000,000)
Borrowings	–	(39,767,000)	(103,900,000)	(68,828,000)	–	–	(212,495,000)
Accounts payable	–	–	(9,710,682)	–	–	(450,000)	(10,160,682)
Bonds issued	–	–	(9,968,817)	(19,879,042)	–	(697,068)	(30,544,927)
Other financial liabilities	–	–	–	–	–	(811,923)	(811,923)
Total financial liabilities	–	(49,767,000)	(123,579,499)	(88,707,042)	–	(3,376,791)	(265,430,332)
Interest rate gap	32,706,981	(24,548,325)	(54,648,379)	3,573,492	210,000	85,614,005	42,907,774

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.2 Market risk (continued)

Interest rate risk (continued)

Company (continued)

	As at December 31, 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	29,849,457	210,478	600,000	–	–	689	30,660,624
Placements with financial institutions	440,000	200,000	–	–	–	–	640,000
Financial assets at fair value through profit or loss	–	–	–	–	–	17,419,393	17,419,393
Available-for-sale financial assets	2,601,643	6,000,000	–	–	–	42,448,699	51,050,342
Financial assets classified as receivables	3,641,241	5,677,554	53,069,287	51,578,586	–	–	113,966,668
Accounts receivable	329,184	–	4,254,067	561,271	–	503,098	5,647,620
Amounts due from subsidiaries	–	–	1,262,000	10,617	–	237,139	1,509,756
Held-to-maturity investments	–	289,928	–	–	210,000	–	499,928
Other financial assets	–	–	–	–	–	683,725	683,725
Total financial assets	36,861,525	12,377,960	59,185,354	52,150,474	210,000	61,292,743	222,078,056
Borrowings from central bank	–	–	(4,912,977)	–	–	–	(4,912,977)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(226,786)	(226,786)
Placement from a bank		(8,000,000)					(8,000,000)
Borrowings	(2,672,331)	(41,147,000)	(59,600,000)	(35,650,000)	–	–	(139,069,331)
Accounts payable	–	–	(2,730,839)	(18,945,825)	–	–	(21,676,664)
Bonds issued	–	–	(74,123)	(9,951,173)	–	–	(10,025,296)
Other financial liabilities	–	–	–	–	–	(539,338)	(539,338)
Total financial liabilities	(2,672,331)	(49,147,000)	(67,317,939)	(64,546,998)	–	(766,124)	(184,450,392)
Interest rate gap	34,189,194	(36,769,040)	(8,132,585)	(12,396,524)	210,000	60,526,619	37,627,664

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.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.2 Market risk (continued)

Interest rate risk (continued)

Interest rate sensitivity analysis

Group

	As at December 31,			
	2014		2013	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
+ 100 basis points	**310,903**	**(564,045)**	155,468	(534,539)
– 100 basis points	**(310,903)**	**611,240**	(155,468)	578,285

Company

	As at December 31,			
	2014		2013	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
+ 100 basis points	**(96,059)**	**–**	(9,259)	–
– 100 basis points	**96,059**	**–**	9,259	–

Foreign exchange risk

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.2 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, 2014				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and bank balances	37,653,046	5,504,755	733,105	343	43,891,249
Clearing settlement funds	5,077,084	33,253	34,826	–	5,145,163
Deposits with exchanges and a financial institution	911,682	1,183	5,375	–	918,240
Placements with financial institutions	3,000,000	–	–	–	3,000,000
Financial assets at fair value through profit or loss	56,167,313	265,037	788,171	–	57,220,521
Financial assets held under resale agreements	11,454,214	–	–	–	11,454,214
Available-for-sale financial assets	83,448,372	1,114,883	1,231,299	–	85,794,554
Financial assets classified as receivables	180,913,089	–	–	–	180,913,089
Loans and advances to customers	75,998,235	1,755,267	2,471,224	–	80,224,726
Accounts receivable	6,818,562	8,106	195,388	27	7,022,083
Held-to-maturity investments	7,042,523	–	–	–	7,042,523
Other financial assets	3,506,291	43,923	68,584	–	3,618,798
Total financial assets	471,990,411	8,726,407	5,527,972	370	486,245,160
Borrowings from central bank	(986,058)	–	–	–	(986,058)
Accounts payable to brokerage clients	(11,553,059)	(71,662)	(38,613)	–	(11,663,334)
Financial liabilities at fair value through profit or loss	(37,005)	–	–	–	(37,005)
Financial assets sold under repurchase agreements	(9,939,649)	–	–	–	(9,939,649)
Placements from banks and a financial institution	(11,827,000)	–	–	–	(11,827,000)
Borrowings	(260,749,787)	(2,044,390)	(658,234)	–	(263,452,411)
Accounts payable	(13,584,831)	–	(306,346)	–	(13,891,177)
Investment contract liabilities for policyholders	(6,251,226)	–	–	–	(6,251,226)
Bonds issued	(33,101,020)	(10,533,183)	(60,649)		(43,694,852)
Other financial liabilities	(33,325,790)	(10,592)	(9,804)	(154)	(33,346,340)
Total financial liabilities	(381,355,425)	(12,659,827)	(1,073,646)	(154)	(395,089,052)
Net exposure	90,634,986	(3,933,420)	4,454,326	216	91,156,108

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.2 Market risk (continued)

Foreign exchange risk (continued)

Group (continued)

	As at December 31, 2013				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and bank balances	40,128,590	1,033,437	15,896,733	347	57,059,107
Clearing settlement funds	1,654,597	32,349	20,913	–	1,707,859
Deposits with exchanges and a financial institution	822,781	1,646	6,646	–	831,073
Placements with financial institutions	290,000	–	–	–	290,000
Financial assets at fair value through profit or loss	24,779,617	–	398,881	–	25,178,498
Financial assets held under resale agreements	1,053,527	–	–	–	1,053,527
Available-for-sale financial assets	72,377,205	265,405	104,545	–	72,747,155
Financial assets classified as receivables	116,662,697	–	–	–	116,662,697
Loans and advances to customers	46,889,126	152,407	1,594,829	–	48,636,362
Accounts receivable	6,305,288	6,231	137,397	28	6,448,944
Held-to-maturity investments	7,592,298	–	–	–	7,592,298
Other financial assets	3,299,788	–	32,826	–	3,332,614
Total financial assets	321,855,514	1,491,475	18,192,770	375	341,540,134
Borrowings from central bank	(4,912,977)	–	–	–	(4,912,977)
Accounts payable to brokerage clients	(6,358,722)	(79,765)	(42,310)	–	(6,480,797)
Financial liabilities at fair value through profit or loss	(48,465)	–	–	–	(48,465)
Financial assets sold under repurchase agreements	(9,442,824)	–	–	–	(9,442,824)
Placements from banks and a financial institution	(10,477,000)				(10,477,000)
Borrowings	(170,500,506)	(1,524,068)	(1,810,115)	–	(173,834,689)
Accounts payable	(22,678,157)	–	(135,981)	–	(22,814,138)
Investment contract liabilities for policyholders	(3,244,367)	–	–	–	(3,244,367)
Bonds issued	(13,258,050)	–	(26,967)	–	(13,285,017)
Other financial liabilities	(18,721,945)	(7,267)	(12,902)	(37)	(18,742,151)
Total financial liabilities	(259,643,013)	(1,611,100)	(2,028,275)	(37)	(263,282,425)
Net exposure	62,212,501	(119,625)	16,164,495	338	78,257,709

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.2 Market risk (continued)

Foreign exchange risk (continued)

Foreign exchange rate sensitivity analysis

The table below indicates the potential effect on profit before tax of a 5% appreciation or depreciation of RMB spot and forward exchange rate against all other currencies.

Group

	As at December 31,	
	2014	2013
5% appreciation	**(26,056)**	(802,260)
5% depreciation	**26,056**	802,260

As the Company's operations are mainly denominated in RMB, directors of the Company are of the view that the Company's foreign exchange risk is insignificant and therefore do not present such analysis.

Price risk

Certain financial assets such as financial assets at fair value through profit and loss, asset classified as held for sale 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 may also be caused by market factors.

The following tables illustrate the potential impact of an increase or decrease of 1 percent in price of financial assets at fair value through profit or loss and available-for-sale financial assets measured at fair value on the Group's and the Company's profit before tax and equity.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.2 Market risk (continued)

Price risk (continued)

Group

	As at December 31,			
	2014		2013	
	Profit before tax	**Equity**	Profit before tax	Equity
+1 percent	**572,205**	**1,000,465**	251,785	583,261
-1 percent	**(572,205)**	**(1,000,465)**	(251,785)	(583,261)

Company

	As at December 31,			
	2014		2013	
	Profit before tax	**Equity**	Profit before tax	Equity
+1 percent	**428,373**	**633,817**	174,194	315,457
-1 percent	**(428,373)**	**(633,817)**	(174,194)	(315,457)

67.3 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.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.3 Liquidity risk (continued)

Group

	As at December 31, 2014							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3–12 months	1–5 years	Over 5 years	Total
Cash and bank balances	–	28,217,570	9,201,889	1,413,727	2,538,559	3,143,410	–	44,515,155
Clearing settlement funds	–	5,147,586	–	–	–	–	–	5,147,586
Deposits with exchanges and a financial institution	918,407	–	–	–	–	–	–	918,407
Placements with financial institutions	–	–	3,011,336	–	–	–	–	3,011,336
Financial assets at fair value through profit or loss	47,577,654	900,000	897,135	87,371	570,356	3,886,433	5,761,415	59,680,364
Financial assets held under resale agreements	–	–	10,894,385	317,905	457,452	180,042	–	11,849,784
Available-for-sale financial assets	54,051,617	3,649,031	136,120	14,004,924	1,115,409	13,634,650	6,861,184	93,452,935
Financial assets classified as receivables	4,684,456	–	6,672,433	12,369,963	73,706,690	119,617,002	899,990	217,950,534
Loans and advances to customers	1,523,380	160,172	1,290,436	4,166,755	25,227,686	58,362,346	1,601,500	92,332,275
Accounts receivable	1,282,272	1,618,283	250,852	346	2,650,163	1,575,755	–	7,377,671
Held-to-maturity investments	–	–	38,442	72,124	480,635	2,973,407	6,952,112	10,516,720
Other financial assets	–	153,406	126,599	33,564	108,785	1,450,991	–	1,873,345
Total financial assets	110,037,786	39,846,048	32,519,627	32,466,679	106,855,735	204,824,036	22,076,201	548,626,112
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(11,664,610)	–	–	–	–	–	(11,664,610)
Financial liabilities at fair value through profit or loss	–	–	(271)	–	(33,123)	(3,611)	–	(37,005)
Financial assets sold under repurchase agreements	–	–	(4,259,874)	(906,272)	(3,220,072)	(1,977,997)	–	(10,364,215)
Placements from banks and a financial institution	–	–	(1,329)	(10,088,590)	(1,827,000)	–	–	(11,916,919)
Borrowings	–	–	(3,814,625)	(18,036,728)	(145,428,091)	(118,713,876)	(404,261)	(286,397,581)
Accounts payable	(461,629)	(3,407,070)	(310,570)	–	(215,476)	(9,713,673)	–	(14,108,418)
Investment contract liabilities for policyholders	(372)	(118,950)	(23,024)	(46,308)	(210,357)	(1,208,536)	(8,125,953)	(9,733,500)
Bonds issued	–	–	–	–	(8,554,665)	(35,685,765)	(4,684,428)	(48,924,858)
Other financial liabilities	(243,773)	(1,104,651)	–	(8,329)	(632)	–	(30,875,901)	(32,233,286)
Total financial liabilities	(1,691,832)	(16,295,281)	(8,409,693)	(29,086,227)	(159,489,416)	(167,303,458)	(44,090,543)	(426,366,450)
Net position	108,345,954	23,550,767	24,109,934	3,380,452	(52,633,681)	37,520,578	(22,014,342)	122,259,662

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.3 Liquidity risk (continued)

Group (continued)

	As at December 31, 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	–	30,161,873	19,976,899	919,602	3,440,572	3,307,635	–	57,806,581
Clearing settlement funds	–	1,708,614	–	–	–	–	–	1,708,614
Deposits with exchanges and a financial institution	831,152	–	–	–	–	–	–	831,152
Placements with financial institutions	–	–	290,339	–	–	–	–	290,339
Financial assets at fair value through profit or loss	19,607,547	–	424,773	87,913	276,130	4,183,955	2,136,225	26,716,543
Financial assets held under resale agreements	–	–	617,183	16,982	434,575	27,484	–	1,096,224
Available-for-sale financial assets	57,890,772	371,039	2,767,607	6,140,010	1,640,998	7,570,481	7,830,841	84,211,748
Financial assets classified as receivables	1,903,896	–	2,307,850	5,873,509	60,186,055	66,889,009	105,051	137,265,370
Loans and advances to customers	833,181	194,375	1,078,192	4,387,523	16,832,075	33,091,771	527,752	56,944,869
Accounts receivable	303,385	286,107	335,902	370,786	4,773,767	949,373	–	7,019,320
Held-to-maturity investments	–	–	8,442	155,018	474,340	3,229,144	7,454,865	11,321,809
Other financial assets	–	519,164	259,160	24,661	467,423	884,807	–	2,155,215
Total financial assets	81,369,933	33,241,172	28,066,347	17,976,004	88,525,935	120,133,659	18,054,734	387,367,784
Borrowings from central bank	–	–	–	–	(4,989,343)	–	–	(4,989,343)
Accounts payable to brokerage clients	–	(6,481,309)	–	–	–	–	–	(6,481,309)
Financial liabilities at fair value through profit or loss	–	–	–	–	(24,131)	(24,334)	–	(48,465)
Financial assets sold under repurchase agreements	–	–	(6,678,920)	(118,982)	(2,145,073)	(610,241)	–	(9,553,216)
Placements from banks and a financial institution	–	–	(1,407,988)	(9,013,875)	(207,179)	–	–	(10,629,042)
Borrowings	–	(653,275)	(7,156,197)	(8,358,155)	(85,078,004)	(88,880,970)	(205,185)	(190,331,786)
Accounts payable	(604)	(12,421)	(156,421)	(968,014)	(2,730,844)	(19,432,091)	–	(23,300,395)
Investment contract liabilities for policyholders	(1,661)	(95,110)	(10,023)	(20,144)	(91,385)	(519,559)	(3,925,337)	(4,663,219)
Bonds issued	–	–	–	(718,451)	(485,640)	(13,684,662)	–	(14,888,753)
Other financial liabilities	(199,041)	(1,127,542)	–	(4,551)	(3,232)	(16,801,781)	–	(18,136,147)
Total financial liabilities	(201,306)	(8,369,657)	(15,409,549)	(19,202,172)	(95,754,831)	(139,953,638)	(4,130,522)	(283,021,675)
Net position	81,168,627	24,871,515	12,656,798	(1,226,168)	(7,228,896)	(19,819,979)	13,924,212	104,346,109

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.3 Liquidity risk (continued)

Company

	As at December 31, 2014							
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Cash and bank balances	–	8,705,168	2,007,808	218,124	619,800	–	–	11,550,900
Placements with financial institutions	–	–	1,811,194	202,300	–	–	–	2,013,494
Financial assets at fair value through profit or loss	42,837,267	–	–	–	–	–	–	42,837,267
Financial assets held under resale agreements	–	–	8,822,921	–	–	–	–	8,822,921
Available-for-sale financial assets	45,804,767	–	40,000	13,775,161	146,000	598,853	–	60,364,781
Financial assets classified as receivables	4,374,456	–	6,672,433	12,283,332	73,620,734	114,151,193	–	211,102,148
Accounts receivable	1,154,209	1,028,956	–	346	2,649,952	1,575,755	–	6,409,218
Amounts due from subsidiaries	–	423,653	350,000	–	102,739	–	–	876,392
Held-to-maturity investments	–	–	–	–	11,760	47,040	221,760	280,560
Other financial assets	–	–	–	–	50,000	–	–	50,000
Total financial assets	94,170,699	10,157,777	19,704,356	26,479,263	77,200,985	116,372,841	221,760	344,307,681
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	(431,742)	–	–	–	–	–	–	(431,742)
Placement from a bank	–	–	–	(10,087,500)	–	–	–	(10,087,500)
Borrowings	–	–	(1,110,723)	(10,778,834)	(117,262,686)	(101,788,127)	–	(230,940,370)
Accounts payable	(450,000)	–	–	–	(214,375)	(9,713,546)	–	(10,377,921)
Bonds issued	–	–	–	–	(6,505,000)	(28,645,000)	–	(35,150,000)
Other financial liabilities	–	(61,234)	–	–	–	–	–	(61,234)
Total financial liabilities	(1,867,800)	(61,234)	(1,110,723)	(20,866,334)	(123,982,061)	(140,146,673)	–	(288,034,825)
Net position	92,302,899	10,096,543	18,593,633	5,612,929	(46,781,076)	(23,773,832)	221,760	56,272,856

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.3 Liquidity risk (continued)

Company (continued)

	As at December 31, 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	–	14,582,592	15,292,945	211,995	686,050	–	–	30,773,582
Placements with financial institutions	–	–	441,508	202,326	–	–	–	643,834
Financial assets at fair value through profit or loss	17,419,393	–	–	–	–	–	–	17,419,393
Available-for-sale financial assets	49,474,540	–	2,607,547	6,090,750	–	–	–	58,172,837
Financial assets classified as receivables	1,593,896	–	2,301,636	5,846,202	59,446,458	64,568,523	–	133,756,715
Accounts receivable	303,385	43,042	329,184	–	4,762,966	775,860	–	6,214,437
Amounts due from subsidiaries	–	234,017	–	–	1,331,334	12,085	–	1,577,436
Held-to-maturity investments	–	–	–	294,217	11,760	47,040	233,520	586,537
Other financial assets	–	428,250	–	–	–	–	–	428,250
Total financial assets	68,791,214	15,287,901	20,972,820	12,645,490	66,238,568	65,403,508	233,520	249,573,021
Borrowings from central bank	–	–	–	–	(4,989,343)	–	–	(4,989,343)
Financial liabilities at fair value through profit or loss	–	–	–	(4,416)	(27,639)	(194,731)	–	(226,786)
Placement from a bank	–	–	–	(8,121,357)	–	–	–	(8,121,357)
Borrowings	–	–	(2,708,992)	(5,550,049)	(69,344,417)	(74,862,906)	–	(152,466,364)
Accounts payable	–	–	–	–	(2,730,839)	(19,427,092)	–	(22,157,931)
Bonds issued	–	–	–	–	(450,000)	(10,915,000)	–	(11,365,000)
Other financial liabilities	–	(57,553)	–	–	–	–	–	(57,553)
Total financial liabilities	–	(57,553)	(2,708,992)	(13,675,822)	(77,542,238)	(105,399,729)	–	(199,384,334)
Net position	68,791,214	15,230,348	18,263,828	(1,030,332)	(11,303,670)	(39,996,221)	233,520	50,188,687

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities

Group

	As at December 31, 2014							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3–12 months	1-5 years	Over 5 years	Total
Cash and bank balances	–	28,216,737	9,174,802	1,322,562	2,395,148	2,782,000	–	43,891,249
Clearing settlement funds	–	5,145,163	–	–	–	–	–	5,145,163
Deposits with exchanges and a financial institution	918,240	–	–	–	–	–	–	918,240
Placements with financial institutions	–	–	3,000,000	–	–	–	–	3,000,000
Financial assets at fair value through profit or loss	47,577,654	900,000	883,478	–	209,349	2,440,162	5,209,878	57,220,521
Financial assets held under resale agreements	–	–	10,590,587	284,260	422,404	156,963	–	11,454,214
Available-for-sale financial assets	51,275,828	2,740,103	87,996	13,816,022	534,082	11,827,581	5,512,942	85,794,554
Financial assets classified as receivables	4,002,341	–	6,448,146	11,852,651	65,349,832	92,510,119	750,000	180,913,089
Loans and advances to customers	1,292,527	160,172	1,091,013	3,425,405	20,845,373	52,007,932	1,402,304	80,224,726
Accounts receivable	1,202,160	1,618,283	250,852	–	2,543,345	1,407,443	–	7,022,083
Held-to-maturity investments	–	–	30,001	–	236,371	1,790,671	4,985,480	7,042,523
Other financial assets	68,190	344,066	556,345	520,573	672,476	1,457,148	–	3,618,798
Total financial assets	106,336,940	39,124,524	32,113,220	31,221,473	93,208,380	166,380,019	17,860,604	486,245,160
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(11,663,334)	–	–	–	–	–	(11,663,334)
Financial liabilities at fair value through profit or loss	–	–	(271)	–	(33,123)	(3,611)	–	(37,005)
Financial assets sold under repurchase agreements	–	–	(4,252,349)	(880,000)	(3,055,800)	(1,751,500)	–	(9,939,649)
Placements from banks and a financial institution	–	–	–	(10,000,000)	(1,827,000)	–	–	(11,827,000)
Borrowings	–	–	(2,546,096)	(14,727,594)	(136,577,684)	(109,230,887)	(370,150)	(263,452,411)
Accounts payable	(461,629)	(3,407,070)	(310,570)	–	(159,066)	(9,552,842)	–	(13,891,177)
Investment contract liabilities for policyholders	(372)	(118,950)	–	–	–	–	(6,131,904)	(6,251,226)
Bonds issued	–	–	–	(588)	(7,757,580)	(31,509,961)	(4,426,723)	(43,694,852)
Other financial liabilities	(243,773)	(1,287,511)	(9,575)	(518,576)	(181,237)	(229,767)	(30,875,901)	(33,346,340)
Total financial liabilities	(1,691,832)	(16,476,865)	(7,118,861)	(26,126,758)	(149,591,490)	(152,278,568)	(41,804,678)	(395,089,052)
Net position	104,645,108	22,647,659	24,994,359	5,094,715	(56,383,110)	14,101,451	(23,944,074)	91,156,108

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (continued)

Group (continued)

	As at December 31, 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	–	30,161,802	19,940,497	828,800	3,318,008	2,810,000	–	57,059,107
Clearing settlement funds	–	1,707,859	–	–	–	–	–	1,707,859
Deposits with exchanges and a financial institution	831,073	–	–	–	–	–	–	831,073
Placements with financial institutions	–	–	290,000	–	–	–	–	290,000
Financial assets at fair value through profit or loss	19,607,547	–	411,021	55,000	59,544	3,240,262	1,805,124	25,178,498
Financial assets held under resale agreements	–	–	613,750	15,637	400,695	23,445	–	1,053,527
Available-for-sale financial assets	50,864,931	371,039	2,705,642	6,000,000	1,080,584	5,742,653	5,982,306	72,747,155
Financial assets classified as receivables	1,685,080	–	2,248,874	5,701,675	53,490,316	53,536,752	–	116,662,697
Loans and advances to customers	678,950	194,375	825,325	3,644,316	14,096,625	28,749,953	446,818	48,636,362
Accounts receivable	223,273	286,107	335,902	333,457	4,501,571	768,634	–	6,448,944
Held-to-maturity investments	–	–	–	79,906	210,187	1,927,132	5,375,073	7,592,298
Other financial assets	52,720	592,070	440,194	537,380	842,729	867,521	–	3,332,614
Total financial assets	73,943,574	33,313,252	27,811,205	17,196,171	78,000,259	97,666,352	13,609,321	341,540,134
Borrowings from central bank	–	–	–	–	(4,912,977)	–	–	(4,912,977)
Accounts payable to brokerage clients	–	(6,480,797)	–	–	–	–	–	(6,480,797)
Financial liabilities at fair value through profit or loss	–	–	–	–	(24,131)	(24,334)	–	(48,465)
Financial assets sold under repurchase agreements	–	–	(6,665,924)	(83,700)	(2,093,700)	(599,500)	–	(9,442,824)
Placements from banks and a financial institution	–	–	(1,400,000)	(8,877,000)	(200,000)	–	–	(10,477,000)
Borrowings	–	(496,029)	(3,794,637)	(6,015,413)	(81,268,093)	(82,071,527)	(188,990)	(173,834,689)
Accounts payable	(605)	(12,421)	(151,430)	(968,014)	(2,730,844)	(18,950,824)	–	(22,814,138)
Investment contract liabilities for policyholders	(1,661)	(95,110)	–	–	–	–	(3,147,596)	(3,244,367)
Bonds issued	–	–	–	(715,014)	(87,612)	(12,482,391)	–	(13,285,017)
Other financial liabilities	(199,151)	(1,092,300)	(133,272)	(469,600)	(46,047)	(16,801,781)	–	(18,742,151)
Total financial liabilities	(201,417)	(8,176,657)	(12,145,263)	(17,128,741)	(91,363,404)	(130,930,357)	(3,336,586)	(263,282,425)
Net position	73,742,157	25,136,595	15,665,942	67,430	(13,363,145)	(33,264,005)	10,272,735	78,257,709

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (continued)

Company

	As at December 31, 2014							
	Past due/ undated	On demand	Less than 1 month	1–3 months	3–12 months	1–5 years	Over 5 years	Total
Cash and bank balances	–	8,705,168	2,000,000	216,562	600,000	–	–	11,521,730
Placements with financial institutions	–	–	1,800,000	200,000	–	–	–	2,000,000
Financial assets at fair value through profit or loss	42,837,267	–	–	–	–	–	–	42,837,267
Financial assets sold under repurchase agreements	–	–	8,795,500	–	–	–	–	8,795,500
Available-for-sale financial assets	43,642,483	–	39,546	13,597,405	146,000	571,156	–	57,996,590
Financial assets classified as receivables	3,758,365	–	6,448,146	11,799,405	65,685,247	90,201,936	–	177,893,099
Accounts receivable	1,074,097	1,028,956	–	–	2,543,133	1,407,443	–	6,053,629
Amounts due from subsidiaries	–	423,653	350,000	–	102,739	–	–	876,392
Held-to-maturity investments	–	–	–	–	–	–	210,000	210,000
Other financial assets	–	–	36,226	8,151	109,468	54	–	153,899
Total financial assets	91,312,212	10,157,777	19,469,418	25,821,523	69,186,587	92,180,589	210,000	308,338,106
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	(431,742)	–	–	–	–	–	–	(431,742)
Placements from a bank	–	–	–	(10,000,000)	–	–	–	(10,000,000)
Borrowings	–	–	–	(8,700,000)	(109,900,000)	(93,895,000)	–	(212,495,000)
Accounts payable	(450,000)	–	–	–	(157,966)	(9,552,716)	–	(10,160,682)
Bonds issued	–	–	–	–	(5,686,602)	(24,858,325)	–	(30,544,927)
Other financial liabilities	–	(61,234)	–	(377,100)	(148,696)	(224,893)	–	(811,923)
Total financial liabilities	(1,867,800)	(61,234)	–	(19,077,100)	(115,893,264)	(128,530,934)	–	(265,430,332)
Net position	89,444,412	10,096,543	19,469,418	6,744,423	(46,706,677)	(36,350,345)	210,000	42,907,774

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (continued)

Company (continued)

	As at December 31, 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	–	14,582,592	15,267,554	210,478	600,000	–	–	30,660,624
Placements with financial institutions	–	–	440,000	200,000	–	–	–	640,000
Financial assets at fair value through profit or loss	17,419,393	–	–	–	–	–	–	17,419,393
Available-for-sale financial assets	42,448,699	–	2,601,643	6,000,000	–	–	–	51,050,342
Financial assets classified as receivables	1,380,751	–	2,248,874	5,701,675	53,015,316	51,620,052	–	113,966,668
Accounts receivable	223,273	43,042	329,184	–	4,490,771	561,350	–	5,647,620
Amounts due from subsidiaries	–	234,017	–	–	1,264,000	11,739	–	1,509,756
Held-to-maturity investments	–	–	–	289,928	–	–	210,000	499,928
Other financial assets	52,070	428,250	30,526	1,806	171,073	–	–	683,725
Total financial assets	61,524,186	15,287,901	20,917,781	12,403,887	59,541,160	52,193,141	210,000	222,078,056
Borrowings from central bank	–	–	–	–	(4,912,977)	–	–	(4,912,977)
Financial liabilities at fair value through profit or loss	–	–	–	(4,416)	(27,639)	(194,731)	–	(226,786)
Placements from a bank	–	–	–	(8,000,000)	–	–	–	(8,000,000)
Borrowings	–	–	(2,672,331)	(3,600,000)	(64,080,000)	(68,717,000)	–	(139,069,331)
Accounts payable	–	–	–	–	(2,730,839)	(18,945,825)	–	(21,676,664)
Bonds issued	–	–	–	–	(74,123)	(9,951,173)	–	(10,025,296)
Other financial liabilities	–	(57,553)	(5,528)	(403,517)	(72,740)	–	–	(539,338)
Total financial liabilities	–	(57,553)	(2,677,859)	(12,007,933)	(71,898,318)	(97,808,729)	–	(184,450,392)
Net position	61,524,186	15,230,348	18,239,922	395,954	(12,357,158)	(45,615,588)	210,000	37,627,664

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.4 Risk management of distressed assets

1. Overview

Risk of distressed assets represents the potential loss that may arise from counterparty's failure to meet its obligation or changes in market conditions that lead to decline in asset value. Risk of distressed assets can also arise from operational failures due to unauthorized or inappropriate purchase, disposal or management activities, which result in the recoverable amount of the distressed assets lower than their carrying amounts.

The Group's risk of distressed assets arise from distressed debts which the Group initially classifies as financial assets at fair value through profit or loss, financial assets classified as receivables or equity instruments which the Group classifies as available-for-sale financial assets.

2. Risk management of distressed debt assets

The Group exercises standardized management procedures, including project initiation, due diligence investigation, design and approval of recovery plan and continuous monitoring and management. The Group enhances its risk management by strengthening investigation, review and approval procedures before the recovery of distressed assets, and monitoring measures after the recovery of distressed assets; enhancing risk mitigation effect through collateral; and continuously upgrading the management system of distressed assets.

Specifically, the risks to which distressed debts initially designated as financial assets at fair value through profit or loss mainly comprise valuation risk, legal title risk and to certain extent credit risk; while the risks to which distressed debts initially classified as receivables mainly comprise credit risk.

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.4 Risk management of distressed assets (continued)

2. Risk management of distressed debt assets (continued)

2.1 Valuation risk

Valuation risk is the risk of negative impact arising from the difference between actual results and value estimations that the Group would use in its management of distressed debt assets designated as at fair value through profit or loss, due to variance in factors including future cash flows, collection period, discount rate, and disposal cost, etc. 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. 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.

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.4 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.

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.

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.4 Risk management of distressed assets (continued)

3. Risk management of assets obtained through debt-to-equity swap (continued)

The measures the Group takes to minimize the risk related to these equity instruments include:

- Strengthen continuous monitoring, analysis and management of equity values;
- Gain better understanding of macro-economic policies reinforced by the government and assess their impact on the equity investments;
- Track the value changes dynamically and identify the appropriate timing for disposal to realize the maximum value of equity shares.

4. Determination of fair value

The Group determines the fair value of distressed debt assets classified as financial assets at fair value through profit or loss by using valuation techniques as these assets usually do not have an active market. Valuation techniques mainly include discounted cash flow method with future cash flow estimated based on recent prices of similar transactions entered between willing and knowledgeable counterparties or realizable value of the underlying assets.

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 V.67.1.

For equity investments classified as available-for-sale financial assets that are measured at fair value, objective evidence of impairment includes significant or prolong decline in value of the investments.

For equity investments classified as available-for-sale financial assets that are measured at cost, objective evidence of impairment includes significant financial difficulty of the investee or counterparty or macroeconomic conditions that have a negative impact on the business operation of the investee.

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.5 Insurance risk

Insurance risk refers to the uncertainty of claim amount and timing arising from the unpredictable occurrence of the insured events. The major insurance risk to which the Group exposes to arises from the insurance payment exceeding the associated insurance or investment contract liabilities the Group recognizes. The uncertainty mainly arises from claim ratio, significance of claim, actual payment and the progress of long-term claims. Insurance risk management is one of the risk management objectives of the Group. Solvency is the primary indicator for the Group's insurance operation. The Group manages to provide sufficient insurance or investment contract liabilities to meet the obligation for insurance payment.

1. Types of insurance risks

Insurance risks could arise in various situations, including the difference between the actual and estimated frequency of insurance event incurred (frequency risk), the difference between the actual and estimated cost of risk event (severity risk) and the change of the amount of obligations to policyholder at maturity of the insurance contract (developing risk).

The business scope of the Group's insurance operation includes long-term life and savings insurance and property and casualty insurance. For insurance contracts covering death benefits, factors like infectious disease, enormous changes of life style, and natural disaster could increase the overall claim ratio. Actual insurance payments and timing of the payments may be much higher or earlier than expected. For insurance contracts covering survival benefits, most important factors that may have impact on insurance risk are the continuous improvement of medical treatment level and social welfare which lead to longer lifetime. For property and casualty insurance contract, claims are usually affected by natural disaster and catastrophe.

Specifically, insurance risks comprise pricing risk, insurance reserve risk and reinsurance risk.

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.5 Insurance risk (continued)

1. Types of insurance risks (continued)

1.1 Pricing risk

Pricing risk is the negative impact arising from the difference between the actual results and estimations used in the assumptions relating to mortality ratio, morbidity ratio, lapse rate, investment yield and cost ratio. Measures the Group undertakes to minimize the risks include:

- Use conservative incurrence rate and margin for product pricing; closely monitor the performance of the products after launched; adjust the product price based on the difference between actual results and pricing assumptions;
- Set up plan for strategic asset allocation and set pricing margin based on long-term investment yield associated with the strategic asset allocation;
- Set up plan for business planning and expense budgeting and reinforce rigorous expense management system.

1.2 Insurance reserve risk

Insurance reserve risk is the risk that insurance reserve provided is not sufficient to fulfill the obligation for claims due to inappropriate standard or method was used. Measures the Group takes to minimize the risk include:

- Calculate insurance reserve based on reasonable estimation of obligations to claims and perform adequacy testing at the end of each reporting period, that covers long term life insurance contract liabilities and short term insurance contract liabilities which include unearned premium reserves and claim reserves;
- Assess solvency adequacy of the Group based on the solvency policy reserves and carry out supervisory measures on solvency.

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.5 Insurance risk (continued)

1. Types of insurance risks (continued)

1.3 Reinsurance risk

Reinsurance risk is the risk of loss arising from unexpected severe insurance payment due to inappropriate reinsurance arrangement on the allocation of the risk ceded and retained. At the same time, the Group still has direct obligation to policyholders although there is reinsurance arrangement in place. Therefore, the Group is exposed to credit risks arising from the reinsurers' default on reinsurance contacts. Measures the Group takes to minimize the risk include:

- Allocate insurance risks ceded and retained appropriately and make adjustment dynamically according to the business development of the Group;

- Arrange reinsurance properly and select 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 insurance operations of the Group are located in the PRC. There are no significant differences among the regions where the Group underwrites insurance contracts.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.5 Insurance risk (continued)

2. Concentration of insurance risk (continued)

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

	Year ended December 31,			
	2014		2013	
	Amount	**%**	Amount	%
Life insurance	**7,579,569**	**68.3**	4,107,239	57.5
Motor vehicles insurance contract	**2,960,119**	**26.7**	2,543,605	35.6
General property insurance	**197,495**	**1.8**	185,580	2.6
Others	**358,854**	**3.2**	311,846	4.3
Total	**11,096,037**	**100.0**	7,148,270	100.0

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

	As at December 31,			
	2014		2013	
	Amount	**%**	Amount	%
Life insurance	**22,511,568**	**89.3**	18,424,119	88.9
Motor vehicle commercial insurance	**2,073,410**	**8.2**	1,742,741	8.4
Health insurance contract	**104,581**	**0.4**	116,025	0.6
Others	**529,446**	**2.1**	439,567	2.1
Total	**25,219,005**	**100.0**	20,722,452	100.0

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.5 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,			
	2014		2013	
	Profit before tax	**Equity**	Profit before tax	Equity
+1%	**(17,882)**	**(17,882)**	(16,368)	(16,368)
-1%	**17,882**	**17,882**	16,368	16,368

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 that are linked to the investment returns, the Group bases its discount rate assumptions on expected future investment yield of the associated asset portfolios.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.5 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 basis points change of discount rates on the Group's profit before tax and equity, when other assumptions remain unchanged.

	As at December 31,			
	2014		2013	
	Profit before tax	**Equity**	Profit before tax	Equity
+10bps	**14,805**	**14,805**	17,110	17,110
-10bps	**(15,138)**	**(15,138)**	(17,463)	(17,463)

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,			
	2014		2013	
	Profit before tax	**Equity**	Profit before tax	Equity
+10%	**(39,979)**	**(39,979)**	(33,121)	(33,121)
-10%	**39,979**	**39,979**	33,121	33,121

67.6 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.

V. EXPLANATORY NOTES (continued)

67. Financial risk management (continued)

67.6 Capital management (continued)

In accordance with the requirements of Consolidated Supervision Guidelines on Financial Asset Management Companies (Provisional) (Yinjianfa [2011] No. 20), issued by the CBRC in 2011, the Group manages its capital based on 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, 2014 and 2013, the Company complied with the regulatory requirements on the minimum CAR.

68. 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.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.1 Fair value of financial assets and financial liabilities that are not measured on a recurring basis

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

Group

	As at December 31,			
	2014		2013	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Financial assets classified as receivables	**180,913,089**	**181,654,374**	116,662,697	117,032,300
Loans and advances to customers	**80,224,726**	**80,322,027**	48,636,362	48,718,628
Accounts receivable	**7,022,083**	**7,038,675**	6,448,944	6,577,962
Held-to-maturity investments	**7,042,523**	**7,054,912**	7,592,298	6,948,212
Total	**275,202,421**	**276,069,988**	179,340,301	179,277,102
Financial liabilities				
Borrowings	**(263,452,411)**	**(264,220,147)**	(173,834,689)	(174,071,284)
Bonds issued	**(43,694,852)**	**(43,337,333)**	(13,285,017)	(12,963,269)
Total	**(307,147,263)**	**(307,557,480)**	(187,119,706)	(187,034,553)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.1 Fair value of financial assets and financial liabilities that are not measured on a recurring basis (continued)

Group

	As at December 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets classified as receivables	**–**	**4,390,632**	**177,263,742**	**181,654,374**
Loans and advances to customers	**–**	**–**	**80,322,027**	**80,322,027**
Accounts receivable	**–**	**–**	**7,038,675**	**7,038,675**
Held-to-maturity investments	**–**	**7,054,912**	**–**	**7,054,912**
Total	**–**	**11,445,544**	**264,624,444**	**276,069,988**
Borrowings	**–**	**(2,000,000)**	**(262,220,147)**	**(264,220,147)**
Bonds issued	**–**	**(42,782,379)**	**(554,954)**	**(43,337,333)**
Total	**–**	**(44,782,379)**	**(262,775,101)**	**(307,557,480)**

Group

	As at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets classified as receivables	–	–	117,032,300	117,032,300
Loans and advances to customers	–	–	48,718,628	48,718,628
Accounts receivable	–	–	6,577,962	6,577,962
Held-to-maturity investments	–	6,948,212	–	6,948,212
Total	–	6,948,212	172,328,890	179,277,102
Borrowings	–	–	(174,071,284)	(174,071,284)
Bonds issued	–	(12,432,094)	(531,175)	(12,963,269)
Total	–	(12,432,094)	(174,602,459)	(187,034,553)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.1 Fair value of financial assets and financial liabilities that are not measured on a recurring basis (continued)

Company

	As at December 31,			
	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets classified as receivables	**177,893,099**	**179,152,135**	113,966,668	114,336,272
Accounts receivable	**6,053,629**	**6,070,674**	5,647,620	5,776,638
Held-to-maturity investments	**210,000**	**210,260**	499,928	485,623
Total	**184,156,728**	**185,433,069**	120,114,216	120,598,533
Borrowings	**(212,495,000)**	**(213,262,736)**	(139,069,331)	(139,305,927)
Bonds issued	**(30,544,927)**	**(30,260,395)**	(10,025,296)	(9,704,688)
Total	**(243,039,927)**	**(243,523,131)**	(149,094,627)	(149,010,615)

	As at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets classified as receivables	**–**	**–**	**179,152,135**	**179,152,135**
Accounts receivable	**–**	**–**	**6,070,674**	**6,070,674**
Held-to-maturity investments	**–**	**210,260**	**–**	**210,260**
Total	**–**	**210,260**	**185,222,809**	**185,433,069**
Borrowings	**–**	**–**	**(213,262,736)**	**(213,262,736)**
Bonds issued	**–**	**(30,260,395)**	**–**	**(30,260,395)**
Total	**–**	**(30,260,395)**	**(213,262,736)**	**(243,523,131)**

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.1 Fair value of financial assets and financial liabilities that are not measured on a recurring basis (continued)

Company (continued)

	As at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets classified as receivables	—	—	114,336,272	114,336,272
Accounts receivable	—	—	5,776,638	5,776,638
Held-to-maturity investments	—	485,623	—	485,623
Total	—	485,623	120,112,910	120,598,533
Borrowings	—	—	(139,305,927)	(139,305,927)
Bonds issued	—	(9,704,688)	—	(9,704,688)
Total	—	(9,704,688)	(139,305,927)	(149,010,615)

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined including their fair value hierarchy, valuation technique(s) and key input(s) used.

Group

Financial assets/ financial liabilities	Fair value as at December 31, 2014	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	**10,997,069**	5,947,927				
Debt securities	**7,064,738**	4,096,566				
– Government bonds traded in stock exchange	**7,249**	–	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Government bonds traded in inter-bank market	**31,442**	–	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
– Public sector and quasi-government bonds traded in inter-bank market	**932,062**	1,646,201	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	**4,428,408**	1,376,699	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Corporate bonds traded in inter-bank market	**1,665,577**	1,073,666	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2014	2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Equity instruments listed or traded on exchanges	**2,409,893**	735,989	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Manufacturing	**861,282**	439,967				
– Finance	**349,965**	12,454				
– Mining	**21,769**	64,416				
– Production and supply of power, heat, gas and water	**382,722**	–				
– Real estate	**432,863**	37,529				
– Information transmission, software and information technology services	**175,113**	56,515				
– others	**186,179**	125,108				
Mutual funds	**1,505,083**	1,097,289	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Listed outside HongKong	**739,556**	711,125				
– Quoted outside HongKong	**765,527**	386,164				
Derivatives	**17,355**	18,083	Level 3	• Note (1)	Note (1)	Note (1)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2014	2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
2) Financial assets designated as at fair value through profit or loss	**46,223,452**	19,230,571				
Distressed debt assets	**42,302,037**	16,391,690	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts.	• The higher the recoverable amounts, the higher the fair value.
					• Expected recovery date	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rates, the higher the fair value.
Debt securities	**744,623**	1,053,701				
– Financial institution convertible bonds traded in stock exchange	**698,301**	947,024	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Corporate convertible bonds traded in stock exchange	**2,934**	69,567	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Corporate convertible bonds not traded in active market	**43,388**	37,110	Level 3	• Discounted cash flows 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.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2014	2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
				• Future cash flows are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	• Risk-free rates that are specific to the market.	• The lower the risk-free rate, the higher the fair value.
					• Volatility rates that are in line with those of similar products.	• The higher the volatility rate, the higher the fair value.
Wealth management products issued by banks or other financial institutions	**2,521,569**	1,218,363	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	**655,223**	566,817				
– Equity investments in unlisted companies	**655,223**	566,817	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow	• The higher the future cash flow, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2014	2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
3) Available-for-sale financial asset	**45,586,589**	35,382,151				
Debt securities	**10,785,228**	10,738,642				
– Government bonds traded in stock exchange	**76,889**	73,081	Level 1	• Quoted bid prices in an active market	N/A	N/A
– Public sector and quasi-government bonds traded in inter-bank market	**3,956,771**	4,479,842	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
– Financial institution bonds traded in inter-bank market	**1,639,576**	1,647,823	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	**2,926,490**	2,568,281	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Corporate bonds traded in inter-bank market	**2,185,502**	1,969,615	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2014	2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Listed equity instruments	**8,583,295**	7,382,774	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Mining	**4,307,748**	4,046,699				
– Manufacturing	**2,339,704**	2,105,853				
– Other industries	**1,935,843**	1,230,222				
Unlisted equity instruments	**700,000**	–	Level 2	• Calculated based on the quoted prices of similar equity instruments	N/A	N/A
– Other industries	**700,000**	–				
Debt instruments	**13,002,708**	8,502,079	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow	• The higher the future cash flow, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2014	2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Funds	**5,587,784**	4,561,118				
– Listed outside Hong Kong	**1,909,919**	1,026,776	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Quoted outside Hong Kong	**645,677**	1,299,797	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Investing in listed securities	**104,098**	–	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
– Investing in entrusted loans	**2,928,090**	2,234,545	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
Trust products and rights to trust assets	**2,870,706**	1,913,179				
– Trust products investing in listed shares	**218,830**	144,697	Level 2	• Calculated based on the quoted prices of equity instruments on which the trust products invested in.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2014	2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
– Other trust products and rights to trust assets	**2,651,876**	1,768,482	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow	• The higher the future cash flow, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.
Assets management plan	**1,667,550**	902,151				
– Assets management plan	**1,307,550**	602,151	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
– Assets management plan investing in equity instruments	**360,000**	300,000	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow	• The higher the future cash flow, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2014	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	**1,238,116**	1,273,424				
– Issued by banks or other financial institutions with quoted prices	**488,116**	573,424	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 without quoted prices	**750,000**	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.	• The higher the future cash flow, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.
Asset backed securities	**605,156**	–	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow.	• The higher the future cash flow, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2014	2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Others	**546,046**	108,784				
– Investments in debt asset portfolios	**497,683**	–	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow.	• The higher the future cash flow, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.
– Others	**48,363**	108,784	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	**(37,005)**	(48,465)				
Income guarantee and repurchase commitment	**(37,005)**	(48,465)	Level 3	• Note (1)	Note (1)	Note (1)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Company

Financial assets/ financial liabilities	Fair value as at December 31, 2014	2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
1) Financial assets designated as at fair value through profit or loss	**42,837,267**	17,419,393				
Distressed debt assets	**42,169,392**	16,784,112	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.
Investment fund	**667,875**	635,281	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts.	• The higher the recoverable amounts, the higher the fair value.
					• Expected recovery date	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rates, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Company (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2014	2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
2) Available-for-sale financial asset	**21,974,399**	14,396,308				
Equity instruments listed outside Hong Kong	**6,431,019**	5,524,665	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Mining	**4,305,281**	4,028,028				
– Manufacturing	**1,360,760**	756,404				
– Other industries	**764,978**	740,233				
Quoted preference shares	**500,000**	–	Level 2	• Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	N/A	N/A
– Other industries	**500,000**	–				
Debt instruments	**13,002,708**	8,502,079	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow.	• The higher the future cash flow, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rates, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Company (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2014	2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Funds investing in entrusted loans	**1,429,970**	270,000	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow	• The higher the future cash flow, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.
Asset backed securities	**571,156**	–	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow.	• The higher the future cash flow, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rates, the higher the fair value.
Others	**39,546**	99,564	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Company (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2014	2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
3) Financial liabilities at fair value through profit or loss	**(431,742)**	(226,786)				
Income guarantee and repurchase commitment	**(431,742)**	(226,786)	Level 3	Note (1)	Note (1)	Note (1)

Note:

(1) These financial liabilities at fair value through profit or loss are insignificant to the Group. Their fair values are determined in accordance with generally accepted pricing models or discounted cash flow analysis based on certain unobservable inputs.

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, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	**9,051,868**	**5,150,650**	**43,018,003**	**57,220,521**
Available-for-sale financial assets	**14,142,270**	**10,648,806**	**20,795,513**	**45,586,589**
Total assets	**23,194,138**	**15,799,456**	**63,813,516**	**102,807,110**
Financial liabilities at fair value through profit or loss	**—**	**—**	**(37,005)**	**(37,005)**
Total liabilities	**—**	**—**	**(37,005)**	**(37,005)**

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Group (continued)

	As at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	4,226,568	3,938,230	17,013,700	25,178,498
Available-for-sale financial assets	12,350,709	9,526,336	13,505,106	35,382,151
Total assets	16,577,277	13,464,566	30,518,806	60,560,649
Financial liabilities at fair value through profit or loss	—	—	(48,465)	(48,465)
Total liabilities	—	—	(48,465)	(48,465)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Company

	As at December 31, 2014			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	–	–	42,837,267	42,837,267
Available-for-sale financial assets	6,431,019	539,546	15,003,834	21,974,399
Total assets	6,431,019	539,546	57,841,101	64,811,666
Financial liabilities at fair value through profit or loss	–	–	(431,742)	(431,742)
Total liabilities	–	–	(431,742)	(431,742)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Company (continued)

	As at December 31, 2013			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	—	—	17,419,393	17,419,393
Available-for-sale financial assets	5,524,665	99,564	8,772,079	14,396,308
Total assets	5,524,665	99,564	26,191,472	31,815,701
Financial liabilities at fair value through profit or loss	—	—	(226,786)	(226,786)
Total liabilities	—	—	(226,786)	(226,786)

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

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

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.3. Reconciliation of Level 3 fair value measurements

Group

	Financial assets at FVTPL	Available-for-sale financial assets	Financial liabilities at FVTPL
As at January 1, 2014	**17,013,700**	**13,505,106**	**(48,465)**
Recognized in profit or loss	**4,108,469**	**(340,677)**	**(8,983)**
Fair value changes transfer out upon disposal	**(3,699,673)**	**—**	**—**
Purchases	**31,573,376**	**7,931,002**	**—**
Settlements/disposals at cost	**(5,977,869)**	**(299,918)**	**20,443**
As at December 31, 2014	**43,018,003**	**20,795,513**	**(37,005)**
Total gain/(loss) for the year for assets/liabilities held as at December 31, 2014 — included in profit or loss	**408,796**	**(340,677)**	**(8,983)**

	Financial assets at FVTPL	Available-for-sale financial assets	Financial liabilities at FVTPL
As at January 1, 2013	8,170,809	2,379,113	(49,845)
Recognized in profit or loss	4,663,534	—	—
Fair value changes transfer out upon disposal	(4,272,209)	—	—
Purchases	12,782,819	11,125,993	(52,538)
Settlements/disposals at cost	(4,331,253)	—	53,918
As at December 31, 2013	17,013,700	13,505,106	(48,465)
Total gain for the year for assets/liabilities held as at December 31, 2013 — included in profit or loss	391,325	—	—

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.3. Reconciliation of Level 3 fair value measurements (continued)

Company

	Financial assets at FVTPL	Available-for-sale financial assets	Financial liabilities at FVTPL
As at January 1, 2014	**17,419,393**	**8,772,079**	**(226,786)**
Recognized in profit or loss	**4,138,104**	**—**	**(204,956)**
Fair value changes transfer out upon disposal	**(3,653,006)**	**—**	**—**
Purchases	**30,796,340**	**6,231,755**	**—**
Settlements/disposals at cost	**(5,863,564)**	**—**	**—**
As at December 31, 2014	**42,837,267**	**15,003,834**	**(431,742)**
Total gain/(loss) for the year for assets/liabilities held as at December 31, 2014 — included in profit or loss	**485,098**	**—**	**(204,956)**

	Financial assets at FVTPL	Available-for-sale financial assets	Financial liabilities at FVTPL
As at January 1, 2013	8,641,665	—	—
Recognized in profit or loss	4,565,753	—	(226,786)
Fair value changes transfer out upon disposal	(4,237,501)	—	—
Purchases	12,284,578	8,772,079	—
Settlements/disposals at cost	(3,835,102)	—	—
As at December 31, 2013	17,419,393	8,772,079	(226,786)
Total gain/(loss) for the year for assets/liabilities held as at December 31, 2013 — included in profit or loss	328,252	—	(226,786)

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

68. Fair value of financial instruments (continued)

68.3. Reconciliation of Level 3 fair value measurements (continued)

The total gains of the Group for the year included an unrealized gain of RMB400 million relating to financial assets/financial liabilities that were measured at fair value for the year ended December 31, 2014 (Year ended December 31, 2013: RMB391 million). Such unrealized gains 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 included an unrealized gain of RMB280 million relating to financial assets/financial liabilities that were measured at fair value for the year ended December 31, 2014 (Year ended December 31, 2013: RMB101 million). Such unrealized gains are included in fair value changes on distressed debt assets or fair value changes on other financial assets.

69. Disposal of subsidiaries

During the year, the Group disposed of a number of subsidiaries. These subsidiaries of the Group mainly operate in the real estate and property management industry.

None of these disposals were individually significant. Their aggregated information is set out below:

Consideration received:

	Year ended December 31,	
	2014	2013
Cash received	**1,292,181**	426,830
	1,292,181	426,830

(Amounts in thousands of RMB, unless otherwise stated)

V. EXPLANATORY NOTES (continued)

69. Disposal of subsidiaries (continued)

Analysis of assets and liabilities over which control was lost:

	Year ended December 31,	
	2014	2013
Current assets	**2,736,448**	185,129
Non-current assets	**75,225**	58,223
Current liabilities	**1,436,145**	44,624
Non-current liabilities	**500,000**	—

Net cash flows arising on disposal:

	Year ended December 31,	
	2014	2013
Cash consideration received	**1,292,181**	426,830
Less: cash and cash equivalent balances disposed of	**92,864**	10,645
Net cash flows	**1,199,317**	416,185

VI. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

VII. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the meeting of the Board of Directors on March 27, 2015, the proposal of the profit appropriations of the Company for the year ended December 31, 2014 is set out as follows:

(i) An appropriation of RMB911.19 million to the statutory surplus reserve;

(ii) An appropriation of RMB1,689.91 million to the general reserve; and

(iii) A dividend of RMB3,571.28 million in total in respect of the year.

As at December 31, 2014, the statutory surplus reserve had been recognized as appropriation. The general reserve and the dividend will be recognized on the Company's and the Group's financial statements after approval by shareholders in the forthcoming general meeting.

Confirmation from Directors and Senior Management Regarding the Annual Report

Pursuant to the regulations and requirements such as the Securities Law of the People's Republic of China (《中華人民共和國證券法》) , the Articles and the Administrative Rules for the Information Disclosure of China Cinda Asset Management Co., Ltd. (《中國信達資產管理股份有限公司信息披露管理制度》), the Board, the Audit Committee under the Board and the Senior Management have arrived at the following opinions upon thorough consideration and review of the annual report for 2014 of the Company:

1. The Company strictly complied with China Accounting Standards for Business Enterprises and the 2014 annual report of the Company fairly reflected the financial conditions and operating results of the Company during the year.

2. The 2014 financial report of the Company prepared in accordance with PRC GAAP and IFRS have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu in accordance with China Auditing Standards and International Standards on Auditing. Standard auditors' reports with unqualified opinions were issued.

3. We believe there are no false information, misleading statements or material omission in the 2014 annual report of the Company, and individually and collectively accept responsibility for the truthfulness, accuracy and completeness of the information contained herein.

Confirmation from Directors and Senior Management Regarding the Annual Report

Directors and Senior Management:

Name	Position
Hou Jianhang	Chairman of the Board, Executive Director
Zang Jingfan	Executive Director, President
Li Honghui	Non-executive Director
Song Lizhong	Non-executive Director
Xiao Yuping	Non-executive Director
Yuan Hong	Non-executive Director
Lu Shengliang	Non-executive Director
Li Xikui	Independent non-executive Director
Qiu Dong	Independent non-executive Director
Chang Tso Tung, Stephen	Independent non-executive Director
Xu Dingbo	Independent non-executive Director
Chen Xiaozhou	Member of Senior Management
Yang Junhua	Member of Senior Management
Xiao Lin	Member of Senior Management
Zhuang Enyue	Vice President
Li Yuejin	Vice President
Wu Songyun	Vice President
Gu Jianguo	Vice President
Liu Ligeng	Member of Senior Management
Zhang Weidong	Assistant to President, Board Secretary
Luo Zhenhong	Chief Risk Officer

Branches and Subsidiaries

1. Head Office

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▲ China Cinda Asset Management Co., Ltd. Tianjin Branch
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Fax No.: (022) 23947732

▲ China Cinda Asset Management Co., Ltd. Hebei Branch
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Fax No.: (0311) 86967008

▲ China Cinda Asset Management Co., Ltd. Shanxi Branch
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Fax No.: (0351) 6068211

▲ China Cinda Asset Management Co., Ltd. Inner Mongolia Autonomous Region Branch
Address: 59 Xinhua Avenue, Xincheng District, Hohhot, Inner Mongolia Autonomous Region
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▲ China Cinda Asset Management Co., Ltd. Liaoning Branch
Address: 12–16/F, 56 Huigong Street, Shenhe District, Shenyang, Liaoning
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▲ China Cinda Asset Management Co., Ltd. Jilin Branch
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▲ China Cinda Asset Management Co., Ltd. Heilongjiang Branch
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▲ China Cinda Asset Management Co., Ltd. Shanghai Branch
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▲ China Cinda Asset Management Co., Ltd. Fujian Branch
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Fax No.: (0991) 2325171

3. Platform for financial service and asset management businesses

▲ Cinda Securities Co., Ltd.
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Postal code: 100031
National customer service hotline: 400-800-8899, (010) 63081000
Fax No.: (010) 6308918
Website: www.cindasc.com

● Cinda Futures Co., Ltd.
Address: 12 and 16/F, Zhejiang Logistics Publishing House Building, 108 Wenhui Road, Hangzhou, Zhejiang
Postal code: 310004
National customer service hotline: 4006-728-728
Tel. No.: (0571) 28132544
Fax No.: (0571) 28132689
Website: www.cindaqh.com

▲ First State Cinda Fund Management Co., Ltd.
Address: 24/F, China Merchants Bank Building, 7088 Shen Nan Road, Futian District, Shenzhen, Guangdong
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Fax No.: (010) 88086546
Website: www.jingutrust.com

▲ Cinda Financial Leasing Co., Ltd.
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Fax No.: (010) 64159400

▲ Happy Life Insurance Co., Ltd.
Address: 8/F, Tower B, East Gate Plaza, 29 Dongzhong Street, Dongcheng District, Beijing
Postal code: 100027
National customer service hotline: 95560 4006-688-688
Tel. No.: (010) 66271800
Fax No.: (010) 66271700
Website: www.happyinsurance.com.cn

▲ Cinda Property and Casualty Insurance Co., Ltd.
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National customer service hotline: 4008-667788
Tel. No.: (010) 64185000
Fax No.: (010) 64185300
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▲ China Cinda (HK) Holdings Company Limited
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● Cinda International Holdings Limited
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Fax No.: (010) 56314222

▲ Zhongrun Economic Development Co., Ltd.
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Note: "▲" represents a branch or a tier-one subsidiary and "●" represents a subsidiary of a tier-one subsidiary.

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