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 Interim Report

Contents

Definitions

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

"Articles"	the current articles of association of China Cinda Asset Management Co., Ltd.
"Board"	the board of directors of the Company
"CBRC"	China Banking Regulatory Commission (中國銀行業監督管理委員會)
"China" or "the PRC"	the People's Republic of China excluding, for the purpose of this 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 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)
"CIRC"	China Insurance Regulatory Commission (中國保險監督管理委員會)
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"DES" or "debt-to-equity swap(s)"	the arrangement of converting indebtedness owned by the obligors to their equity
"Director(s)"	the director(s) of the Company
"Domestic Share(s)"	ordinary share(s) issued by the Company with a nominal value of RMB1.00, which are subscribed for or credited as paid in Renminbi
"First State Cinda Fund"	First State Cinda Fund Management Co., Ltd. (信達澳銀基金管理有限公司)

"H Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
"Happy Life"	Happy Life Insurance Co., Ltd. (幸福人壽保險股份有限公司)
"(Hong Kong) Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Jingu Trust"	China Jingu International Trust Co., Ltd. (中國金穀國際信託有限責任公司)
"Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended from time to time
"MOF"	the Ministry of Finance of the PRC
"NSSF"	the National Council for Social Security Fund of the PRC
"(our) Company" or "Cinda"	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"	the six months ended June 30, 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 capital of the Company with nominal value of RMB1.00 each
"Shareholder(s)"	holder(s) of the Share(s)
"Supervisor(s)"	the supervisor(s) of the Company
"Well Kent International"	Well Kent International Investment Company Limited (華建國際投資有限公司), which was renamed to "China Cinda (HK) Holdings Company Limited" (中國信達 (香港) 控股有限公司) on August 6, 2014
"Zhongrun Development"	Zhongrun Economic Development Co., Ltd. (中潤經濟發展有限責任公司)

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	Xu Zhichao, 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 interim reports	www.hkexnews.hk
Place for maintaining interim reports available for inspection	Board of Directors' Office of the Company
Place of Listing of H Shares	The Stock Exchange of Hong Kong Limited
Stock Name	China Cinda
Stock Code	01359
Share Registrar	Computershare Hong Kong Investor Services Limited (Address: Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong)
Date of registration for the latest change	March 24, 2014

Place of registration for change	the State Administration of Industry and Commerce of the PRC
Registration number of Business License as Legal Person	100000000031562
Organization code	71092494-5
Registration number of Financial License	J0004H111000001
Registration number of Tax Certificate	Jing Shui Zheng Zi 110101710924945
Legal advisors as to PRC Law and the places of business	Haiwen & Partners 20/F, Fortune Financial Tower, 5 Dong San Huan Central Road, Chaoyang District, Beijing, the PRC Zhong Lun Law Firm 36–37/F, SK Tower, 6A Jianguomenwai Avenue, Chaoyang District, Beijing, the PRC
Legal advisors as to Hong Kong law and the places of business	Davis Polk & Wardwell Hong Kong Solicitors 18/F, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong Li & Partners 22/F, 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

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

	As at and for the six months ended June 30,		As at and for the year ended December 31,			
	2014	2013	2013	2012	2011	2010
			(in millions of RMB)			
Income from distressed debt assets classified as receivables	7,576.7	4,244.5	10,144.2	3,518.4	180.9	–
Fair value changes on distressed debt assets	2,302.3	1,967.9	4,617.6	3,878.3	4,463.1	5,850.9
Fair value changes on other financial assets	376.3	321.6	539.0	399.3	40.5	426.1
Investment income	3,974.8	3,908.7	7,043.8	6,528.8	5,779.3	4,834.8
Other income and other net gains or losses	11,543.8	8,226.7	20,068.6	18,010.4	13,918.3	13,148.6
Total income	**25,773.9**	**18,669.4**	**42,413.2**	**32,335.2**	**24,382.1**	**24,260.4**
Impairment losses on assets	(2,686.0)	(3,475.9)	(6,153.3)	(4,601.0)	(536.5)	(495.7)
Interest expense	(6,816.9)	(3,155.1)	(7,803.8)	(3,697.6)	(1,807.0)	(1,366.3)
Other costs and expenses	(8,468.9)	(6,922.4)	(16,643.8)	(14,901.5)	(13,683.3)	(12,940.6)
Total costs and expenses	**(17,971.7)**	**(13,553.4)**	**(30,600.9)**	**(23,200.1)**	**(16,026.7)**	**(14,802.6)**
Change in net assets attributable to other holders of consolidated structured entities	(713.2)	(216.5)	(540.5)	(151.5)	50.0	(6.1)
Share of results of associates	176.9	237.9	500.3	612.3	652.9	504.5
Profit before tax	7,265.8	5,137.4	11,772.1	9,595.9	9,058.2	9,956.4
Income tax expense	(1,905.9)	(1,120.4)	(2,671.1)	(2,378.7)	(2,271.9)	(2,453.8)
Profit for the period/year	**5,359.9**	**4,017.0**	**9,101.0**	**7,217.2**	**6,786.3**	**7,502.6**
Profit attributable to:						
Equity holders of the Company	5,296.0	4,064.8	9,027.3	7,306.3	6,762.8	7,399.0
Non-controlling interests	63.9	(47.8)	73.7	(89.1)	23.6	103.6
Assets						
Cash and bank balances	66,997.9	29,730.9	57,059.1	42,726.3	27,187.2	33,772.6
Financial assets at fair value through profit or loss	30,746.9	16,689.8	25,178.5	16,923.0	13,402.1	10,101.9
Available-for-sale financial assets	65,497.4	62,673.1	72,747.2	64,376.6	64,382.3	62,155.8
Financial assets classified as receivables	185,045.6	80,429.7	116,662.7	51,195.1	12,149.8	–
Loans and advances to customers	62,655.1	31,977.1	48,636.4	25,041.5	9,447.9	2,508.4
Other assets	71,212.6	62,052.4	63,501.5	54,351.9	46,554.7	42,162.6
Total assets	**482,155.6**	**283,553.0**	**383,785.4**	**254,614.4**	**173,124.0**	**150,701.4**

	As at and for the six months ended June 30,		As at and for the year ended December 31,			
	2014	2013	2013	2012	2011	2010
			(in millions of RMB)			
Liabilities						
Borrowings from Central Bank	2,873.3	6,872.7	4,913.0	7,053.4	11,310.7	16,464.6
Accounts payable to brokerage clients	6,885.1	6,773.8	6,480.8	6,629.5	8,150.5	13,677.5
Borrowings	233,472.6	104,100.8	173,834.7	76,099.2	25,178.9	7,826.2
Accounts payable	24,373.3	34,425.3	22,814.1	39,539.4	47,994.9	47,219.5
Bonds issued	41,996.1	12,792.1	13,285.0	12,534.6	495.0	–
Other liabilities	81,776.9	55,843.0	79,695.7	51,873.5	37,151.3	23,012.0
Total liabilities	**391,377.2**	**220,807.7**	**301,023.3**	**193,729.6**	**130,281.3**	**108,199.9**
Equity						
Equity attributable to equity holders of the Company	83,808.1	56,362.6	75,998.3	54,773.6	37,813.1	37,025.3
Non-controlling interests	6,970.3	6,382.7	6,763.8	6,111.2	5,029.6	5,476.2
Total equity	**90,778.3**	**62,745.3**	**82,762.1**	**60,884.8**	**42,842.7**	**42,501.6**
Total equity and liabilities	**482,155.6**	**283,553.0**	**383,785.4**	**254,614.4**	**173,124.0**	**150,701.4**
Financial indicators						
Return on average shareholders' equity[(1)(3)] (%)	13.3%	14.6%	13.8%	15.8%	18.1%	25.5%
Return on average assets[(2)(3)] (%)	2.5%	3.0%	2.9%	3.4%	4.2%	6.3%
Cost-to-income ratio[(4)](%)	22.1%	24.3%	26.2%	29.7%	35.2%	30.8%
Earnings per share (RMB yuan)[(5)]	0.15	0.13	0.30	0.25	0.27	0.32
Net assets per share (RMB yuan)[(6)]	2.31	1.87	2.14	1.82	1.50	1.47

Notes:

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

(2) 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) Return on average shareholders' equity and return on average assets for the six months ended June 30 presented above have been annualized.

(4) 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.

(5) 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.

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

Management Discussion and Analysis

Economic and Regulatory Environment

In the first half of 2014, the global economic and financial environment remained stable in general. The international financial market became stable and economies of developed countries were recovering, whereas the growth of emerging economies remained weak. It is expected that the global economy will maintain a moderate recovery progress in the second half of the year, the international trade will recover, and commodity price will remain relatively stable. However, the global economy may be threatened by severe sovereign debts in developed countries and intensified regional political conflicts. The World Bank and the International Monetary Fund have lowered their projections of the annual growth rate of world economy.

Currently, the economy of China is still under an important strategic development. In the medium-to-long term, there is still substantial development potential arising out of new patterns of industrialization, urbanization, informatization and agricultural modernization. In the short term, with numerous favourable conditions for "steady growth", it is expected that the targeted GDP growth of 7.5% for 2014 could be achieved.

Although the PRC economic growth has slowed down in the first half of the year, major economic indicators were within reasonable ranges and the overall economy remained stable. The short-term slowdown of the PRC economic growth was attributed to multiple reasons. Apart from the complicated international economic environment, one of the major reasons was that the PRC economy was affected by the combined impacts of three stages of the economic cycle, namely the changing of economic growth rate, the difficulties due to structural adjustment, and the aftermath effects of previously implemented economic stimulus policies. In the second quarter, the PRC macro-economy gradually became stable. The manufacturing PMI has recorded increase for four consecutive months, the industrial added-value and the total retail sales rebounded, and domestic and overseas demands began to pick up, all indicating the enhancement of endogenous motivation of economic development. It is expected that the downturn pressure on the PRC economy will be eased by the improvement of international economic environment in the second half of the year. However, the PRC economy will still be subject to numerous challenges due to the slow recovery and uncertainties of the global economy.

In respect of regulatory policies, the financial regulatory authorities have proactively implemented a series of measures according to the requirements of the third Plenary Session of the eighteenth Central Committee with a view to deepening the reform of financial system and boost the transformation and upgrading of the economy, serve the real economy and support the reform of economic system better. Financial institutions were encouraged to increase capital support to small and micro enterprises and qualified industries, such as railway infrastructure, "Sannong" (agriculture, rural areas and farmers), redevelopment of shanty towns and production-related services, through adjustments of deposit reserve for targeted industries and adoption of differentiated loan-deposit ratios. On the other hand, regulations on interbank business, non-standard debt assets business and financing channels of financial institutions were strengthened and operation of off-balance sheet capital by financial institutions was restricted. As a result, the risks were effectively controlled and the financing costs of the commercial enterprises were reduced to a certain extent.

Financial institutions have a duty to proactively face the challenges and opportunities brought by the PRC economic transformation and serve the real economy, and shall endeavor to make good use of both existing and additional financial resources, improve the efficiency of fund utilization, lower financing costs, and enhance the quality of service to real economy. Particular attention should be placed on the industries and projects which are in compliance with the national industrial policies and structural adjustment and upgrading.

Analysis of Financial Statements

Operating Results of the Group

In the first half of 2014, the net profit attributable to equity holders of the Company amounted to RMB5,296.0 million, representing an increase of RMB1,231.2 million, or 30.3%, as compared with the same period of the previous year. Annualized ROE and ROA were 13.3% and 2.5%, respectively.

	For the six months ended June 30,			
	2014	**2013**	**Change**	**Change in Percentage**
	(in millions of RMB)			**(%)**
Income from distressed debt assets classified as receivables	7,576.7	4,244.5	3,332.2	78.5
Fair value changes on distressed debt assets	2,302.3	1,967.9	334.4	17.0
Fair value changes on other financial assets	376.3	321.6	54.7	17.0
Investment income	3,974.8	3,908.7	66.1	1.7
Net insurance premiums earned	3,269.2	2,603.6	665.6	25.6
Commission and fee income	1,297.6	1,129.2	168.4	14.9
Revenue from sales of inventories	1,798.6	1,376.6	422.0	30.7
Interest income	3,806.8	1,934.2	1,872.6	96.8
Net gains on disposal of subsidiaries and associates	238.2	111.5	126.7	113.6
Other income and other net gains or losses	1,133.4	1,071.6	61.8	5.8
Total income	**25,773.9**	**18,669.4**	**7,104.5**	**38.1**
Insurance costs	(2,939.0)	(2,176.7)	(762.3)	35.0
Commission and fee expense	(457.9)	(479.4)	21.5	(4.5)
Purchases and changes in inventories	(1,122.2)	(823.9)	(298.3)	36.2
Employee benefits	(1,885.3)	(1,699.4)	(185.9)	10.9
Impairment losses on assets	(2,686.0)	(3,475.9)	789.9	(22.7)
Interest expense	(6,816.9)	(3,155.1)	(3,661.8)	116.1
Other expenses	(2,064.6)	(1,743.0)	(321.6)	18.5
Total costs and expenses	**(17,971.7)**	**(13,553.4)**	**(4,418.3)**	**32.6**
Change in net assets attributable to other holders of consolidated structured entities	(713.2)	(216.5)	(496.7)	229.4
Share of results of associates	176.9	237.9	(61.0)	(25.6)
Profit before tax	7,265.8	5,137.4	2,128.4	41.4
Income tax expense	(1,905.9)	(1,120.4)	(785.5)	70.1
Profit for the period	**5,359.9**	**4,017.0**	**1,342.9**	**33.4**
Profit attributable to:				
Equity holders of the Company	5,296.0	4,064.8	1,231.2	30.3
Non-controlling interests	63.9	(47.8)	111.7	(233.7)

Total Income

Income from Distressed Assets

Distressed asset business is the core business of the Group. The income from distressed asset is classified on the basis of 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 debts.

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

	For the six months ended June 30,			
	2014	2013	Change	Change in Percentage
	(in millions of RMB)			(%)
Income from distressed debt assets classified as receivables	7,576.7	4,244.5	3,332.2	78.5
Fair value changes on distressed debt assets	2,302.3	1,967.9	334.4	17.0
Available-for-sale financial assets[1]	2,144.9	3,166.2	(1,021.3)	(32.3)
Net gains on disposal of assets in satisfaction of debts[2]	184.2	27.8	156.4	562.6
Total	**12,208.1**	**9,406.4**	**2,801.7**	**29.8**

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 condensed consolidated income statement.

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

The income from distressed assets increased by 29.8% from RMB9,406.4 million in the first half of 2013 to RMB12,208.1 million in the first half of 2014, accounting for 50.4% and 47.4% of the total income for the respective periods.

Income from Distressed Debt Assets Classified as Receivables

The income from distressed debt assets classified as receivables increased by 78.5% from RMB4,244.5 million in the first half of 2013 to RMB7,576.7 million in the first half of 2014, accounting for 22.7% and 29.4% of the total income for the respective periods. The increase in income and its proportion of the total income was primarily due to the growth of scale of distressed debt assets classified as receivables as a result of the rapid development of such business. As at June 30, 2013 and 2014, the balance of the distressed debt assets classified as receivables was RMB80,086.4 million and RMB162,423.7 million, respectively, representing an increase of 102.8%.

Annualized return of monthly average balance of distressed debt assets classified as receivables decreased from 13.8% in the first half of 2013 to 12.2% in the first half of 2014, primarily due to the enhancement of risk control including development of major high-quality customers, adjustment of regional structure of such business and application of risk-mitigation tools while expanding the business of the Company.

Fair Value Changes on Distressed Debt Assets

Fair value changes on distressed debt assets increased by 17.0% from RMB1,967.9 million in the first half of 2013 to RMB2,302.3 million in the first half of 2014, accounting for 10.5% and 8.9% of the total income, respectively. As at June 30, 2013 and 2014, the balance of distressed debt assets designated as at fair value was RMB8,371.6 million and RMB22,422.8 million, respectively.

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

	For the six months ended June 30,			
	2014	**2013**	**Change**	**Change in Percentage**
	(in millions of RMB)			**(%)**
Realized fair value changes	1,624.5	1,555.1	69.4	4.5
Unrealized fair value changes	677.8	412.8	265.0	64.2
Total	**2,302.3**	**1,967.9**	**334.4**	**17.0**

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

	As at and for the six months ended June 30, (in millions of RMB)
December 31, 2012	**7,960.2**
Acquisition during the period	2,113.1
Disposal during the period	(2,114.5)
Unrealized fair value changes	412.8
June 30, 2013	**8,371.6**
December 31, 2013	**16,391.7**
Acquisition during the period	7,185.8
Disposal during the period	(1,832.5)
Unrealized fair value changes	677.8
June 30, 2014	**22,422.8**

Fair value changes on distressed debt assets increased by 17.0% in the first half of 2014 as compared with the same period of 2013, primarily due to an increase in the unrealized fair value changes on distressed debt assets by 64.2% from RMB412.8 million in the first half of 2013 to RMB677.8 million in the first half of 2014. The change in realized fair value, representing the net gains on disposal of such assets, remained relatively stable for both periods. The rate of return of the Group increased from 73.5% in the first half of 2013 to 88.6% in the first half of 2014.

Investment Income

The investment income increased by 1.7% from RMB3,908.7 million in the first half of 2013 to RMB3,974.8 million in the first half of 2014, accounting for 20.9% and 15.4% of the total income for the same periods, respectively.

The table below sets out the components of the Group's investment income for the periods indicated.

	For the six months ended June 30,			
	2014	**2013**	**Change**	**Change in Percentage (%)**
	(in millions of RMB)			
Net realized gains from disposal of				
Available-for-sale financial assets	2,055.2	2,647.1	(591.9)	(22.4)
Interest income from investment securities				
Available-for-sale financial assets	477.5	313.3	164.2	52.4
Debt securities classified as receivables	1,010.1	167.7	842.4	502.3
Held-to-maturity financial assets	180.0	176.6	3.4	1.9
Dividend income				
Available-for-sale financial assets	251.9	604.0	(352.1)	(58.3)
Total	**3,974.8**	**3,908.7**	**66.1**	**1.7**

The total investment income increased by 1.7% in the first half of 2014 as compared with the same period of the previous year, primarily due to an increase in interest income from investment securities by 153.6% from RMB657.6 million in the first half of 2013 to RMB1,667.6 million in the first half of 2014. The increase was mainly due to the increase in investment securities, which offset the effect of the decrease in the dividend income and net gains on disposal of available-for-sale financial assets.

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

	For the six months ended June 30,			
	2014	2013	Change	Change in Percentage
	(in millions of RMB)			(%)
Net realized gains on disposal of available-for-sale financial assets	2,055.2	2,647.1	(591.9)	(22.4)
DES Assets of the Company[1]	2,065.9	2,659.6	(593.7)	(22.3)
Others	(10.7)	(12.5)	1.8	(14.4)
Interest income from available-for-sale financial assets	477.5	313.3	164.2	52.4
Dividend income from available-for-sale financial assets	251.9	604.0	(352.1)	(58.3)
DES Assets of the Company	79.0	506.6	(427.6)	(84.4)
Principal equity investment of the Company and others	172.9	97.4	75.5	77.5
Total	**2,784.6**	**3,564.4**	**(779.8)**	**(21.9)**

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 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. Investment income from available-for-sale financial assets, which is the largest component of the investment income, accounted for 91.2% and 70.1% of the total investment income in the first half of 2013 and 2014, respectively.

Net Insurance Premiums Earned

The table below sets out the breakdown of the Group's net insurance premiums earned for the periods indicated.

	For the six months ended June 30,			
	2014	2013	Change	Change in Percentage
	(in millions of RMB)			(%)
Gross written premiums	5,195.4	3,953.6	1,241.8	31.4
Less: Premiums ceded to reinsurers	(1,785.4)	(1,194.7)	(590.7)	49.4
Change of unearned premium reserves	(140.8)	(155.3)	14.5	(9.3)
Net insurance premiums earned	**3,269.2**	**2,603.6**	**665.6**	**25.6**

The gross written premiums increased by 31.4% to RMB5,195.4 million in the first half of 2014 from RMB3,953.6 million in the first half of 2013, primarily attributable to an increase in gross written premiums by 43.8% from RMB2,421.2 million in the first half of 2013 to RMB3,482.1 million as a result of the launch of new insurance products by Happy Life.

The premiums ceded to reinsurers increased by 49.4% from RMB1,194.7 million in the first half of 2013 to RMB1,785.4 million in the first half of 2014, primarily because Happy Life increased the proportion of reinsurance to maintain its solvency ratio.

The change of unearned premium reserves decreased by 9.3% to RMB140.8 million in the first half of 2014 from RMB155.3 million in the first half of 2013. Net insurance premiums earned increased by 25.6% to RMB3,269.2 million in the first half of 2014 from RMB2,603.6 million in the first half of 2013, mainly because the increase in gross written premiums was partially offset by the increase in premiums ceded to reinsurers.

Commission and Fee Income

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

	For the six months ended June 30,			
	2014	2013	Change	Change in percentage
	(in millions of RMB)			(%)
Securities and futures brokerage	376.7	413.0	(36.3)	(8.8)
Trustee services	316.7	408.2	(91.5)	(22.4)
Consultancy and financial advisory	223.6	127.3	96.3	75.6
Fund and asset management business	103.6	93.9	9.7	10.3
Securities underwriting	207.2	50.7	156.5	308.7
Agency business	22.6	15.3	7.3	47.7
Others	47.2	20.8	26.4	126.9
Total	**1,297.6**	**1,129.2**	**168.4**	**14.9**

The commission and fee income increased by 14.9% to RMB1,297.6 million in the first half of 2014 as compared to RMB1,129.2 million in the first half of 2013, primarily due to an increase in commission and fee income from securities underwriting, and consultancy and financial advisory, which was partially offset by a decrease in commission and fee income from trustee services and securities and futures brokerage.

Commission and fee income on securities and futures brokerage businesses decreased by 8.8% to RMB376.7 million in the first half of 2014 as compared to RMB413.0 million in the first half of 2013, primarily due to the decrease in the profitability of brokerage business resulting from the shift of profit focus to margin financing and securities lending business by Cinda Securities given the intensified industry competition.

Fee income on trustee services consists primarily of fees for trust businesses of Jingu Trust. Such fee income decreased by 22.4% to RMB316.7 million in the first half of 2014 as compared to RMB408.2 million in the first half of 2013. Despite the significant increase in the volume of newly launched trust products, there is a decrease in fee income due to the decline in the proportion of collective trust products (which have a higher fee rate) in the portfolio of trust products.

Commission and fee income on consultancy and financial advisory increased by 75.6% from RMB127.3 million in the first half of 2013 to RMB223.6 million in the first half of 2014, primarily due to the increase of financial advisory projects of the Company and the launch of industry analysis service by Cinda Leasing during the period.

Commission on securities underwriting is primarily from Cinda Securities and Well Kent International. Such commission income increased by 308.7% from RMB50.7 million in the first half of 2013 to RMB207.2 million in the first half of 2014, primarily due to the development of underwriting business of Cinda Securities during the period.

Revenue from Sales of Inventories and Purchases and Changes in Inventories

	For the six months ended June 30,			
	2014	2013	Change	Change in percentage
	(in millions of RMB)			(%)
Revenue from sales of inventories	1,798.6	1,376.6	422.0	30.7
Purchases and changes in inventories	(1,122.2)	(823.9)	(298.3)	36.2
including:				
Revenue from sales of properties held for sales	1,694.4	1,278.0	416.4	32.6
Purchases and changes in properties held for sales	(1,057.9)	(767.6)	(290.3)	37.8
Gross profit from sales of properties	636.6	510.3	126.3	24.8
Gross profit margin from sales of properties (%)	37.6	39.9	(2.3)	(5.8)

The revenue from sales of inventories increased by 30.7% to RMB1,798.6 million in the first half of 2014 as compared to RMB1,376.6 million in the first half of 2013 and the purchases and changes in inventories increased by 36.2% to RMB1,122.2 million in the first half of 2014 as compared to RMB823.9 million in the first half of 2013.

The revenue from sales of properties held for sales increased by 32.6% to RMB1,694.4 million in the first half of 2014 as compared to RMB1,278.0 million in the first half of 2013, primarily due to the increase in revenue from the sales of properties as a result of an increase in sales and delivery of properties developed by Cinda Real Estate. The purchases and changes in properties held for sale increased by 37.8% to RMB1,057.9 million in the first half of 2014 as compared to RMB767.6 million in the first half of 2013. Therefore, the gross profit from sales of properties increased by 24.8% to RMB636.6 million in the first half of 2014 as compared to RMB510.3 million in the first half of 2013.

Interest Income

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

	For the six months ended June 30,			
	2014	**2013**	**Change**	**Change in percentage**
	(in millions of RMB)			**(%)**
Loans and advances to customers	2,719.0	1,245.6	1,473.4	118.3
Bank balances	759.9	431.5	328.4	76.1
Accounts receivable	200.8	155.2	45.6	29.4
Placements with banks and a financial institution	22.1	32.1	(10.0)	(31.2)
Financial assets held under resale agreements	39.6	5.7	33.9	594.7
Others[(1)]	65.4	64.1	1.3	2.0
Total	**3,806.8**	**1,934.2**	**1,872.6**	**96.8**

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

The interest income increased by 96.8% to RMB3,806.8 million in the first half of 2014 as compared to RMB1,934.2 million in the first half of 2013, primarily due to an increase in interest income from loans and advances to customers, bank balances and accounts receivable.

The interest income from loans and advances to customers increased by 118.3% to RMB2,719.0 million in the first half of 2014 as compared to RMB1,245.6 million in the first half of 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 entrusted loans and loans secured by properties granted by subsidiaries such as Cinda Investment and Well Kent International; and (3) an increase in entrusted loans and loans secured by properties granted by consolidated structured entities.

The interest income from bank balances increased by 76.1% to RMB759.9 million in the first half of 2014 as compared to RMB431.5 million in the first half of 2013, primarily attributable to the increase in bank balances and Company's enhanced capabilities of short-term cash management.

The interest income from accounts receivable increased by 29.4% to RMB200.8 million in the first half of 2014 as compared to RMB155.2 million in the first half of 2013, primarily due to the increase in accounts receivable from the disposal of distressed debts.

Other Income and Other Net Gains or Losses

The table below sets out the components of the Group's other income and other net gains or losses for the periods indicated.

	For the six months ended June 30,			
	2014	**2013**	**Change**	**Change in percentage**
	(in millions of RMB)			**(%)**
Net gains on disposal of investment properties	65.2	296.6	(231.4)	(78.0)
Net gains/losses on exchange differences	246.2	(11.6)	257.8	(2,222.4)
Net gains on disposal of other assets	184.2	27.8	156.4	562.6
Rental income	152.9	284.7	(131.8)	(46.3)
Revenue from hotel operation	249.3	214.4	34.9	16.3
Revenue from property management business	73.9	71.6	2.3	3.2
Government grant and compensation	5.9	12.1	(6.2)	(51.2)
Others	155.8	176.0	(20.2)	(11.5)
Total	**1,133.4**	**1,071.6**	**61.8**	**5.8**

The other income and net gains or losses increased by 5.8% to RMB1,133.4 million in the first half of 2014 as compared to RMB1,071.6 million in the first half of 2013, primarily due to the increase in net gains on disposal of other assets by 562.6% to RMB184.2 million in the first half of 2014 as compared to RMB27.8 million in the first half of 2013, primarily because the sales prices of the properties underlying the assets in satisfaction of debts in 2014 were higher than their acquisition prices. Furthermore, the net gains/losses on exchange differences changed from net loss of RMB11.6 million in the first half of 2013 to net gain of RMB246.2 million in the first half of 2014, primarily due to the foreign exchange settlement of the proceeds from listing in the end of 2013 in Hong Kong dollar and the exchange rate of Hong Kong dollar constantly appreciated during the period. Such increase was partially offset by decrease in net gains on disposal of investment properties and rental income. Such decrease was primarily due to the decrease in the disposal of investment properties held by Cinda Investment during the period and the decrease in rental income resulting from the changes in the real estate industry.

Total Costs and Expenses

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

	For the six months ended June 30,			
	2014	**2013**	**Change**	**Change in percentage**
	(in millions of RMB)			**(%)**
Insurance costs	(2,939.0)	(2,176.7)	(762.3)	35.0
Commission and fee expense	(457.9)	(479.4)	21.5	(4.5)
Purchases and changes in inventories	(1,122.2)	(823.9)	(298.3)	36.2
Employee benefits	(1,885.3)	(1,699.4)	(185.9)	10.9
Business tax and surcharges	(764.7)	(523.0)	(241.7)	46.2
Depreciation and amortization expenses	(211.3)	(210.9)	(0.4)	0.2
Impairment losses on assets	(2,686.0)	(3,475.9)	789.9	(22.7)
Interest expense	(6,816.9)	(3,155.1)	(3,661.8)	116.1
Other expenses	(1,088.6)	(1,009.1)	(79.5)	7.9
Total	**(17,971.7)**	**(13,553.4)**	**(4,418.3)**	**32.6**

The total costs and expenses increased by 32.6% to RMB17,971.7 million in the first half of 2014 as compared to RMB13,553.4 million in the first half of 2013, primarily due to increases in insurance costs, interest expenses and business tax and surcharges.

Insurance Costs

The table below sets out the components of the Group's insurance costs for the periods indicated.

	For the six months ended June 30,			
	2014	**2013**	**Change**	**Change in percentage**
	(in millions of RMB)			**(%)**
Reserves for insurance contracts	(701.4)	(1,897.5)	1,196.1	(63.0)
Policyholder dividends	(328.7)	(232.7)	(96.0)	41.3
Refund of reinsurance premiums	750.5	1,154.2	(403.7)	(35.0)
Other insurance expenses[(1)]	(2,659.4)	(1,200.7)	(1,458.7)	121.5
Total	**(2,939.0)**	**(2,176.7)**	**(762.3)**	**35.0**

Note:

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

The insurance costs increased by 35.0% to RMB2,939.0 million in the first half of 2014 as compared to RMB2,176.7 million in the first half of 2013, primarily due to an increase in other insurance expenses by 121.5% to RMB2,659.4 million in the first half of 2014 as compared to RMB1,200.7 million in the first half of 2013, resulting from 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 during the period.

The refund of reinsurance premiums decreased by 35.0% to RMB750.5 million in the first half of 2014 as compared to RMB1,154.2 million in the first half of 2013, primarily due to the termination of the financial reinsurance contracts by Happy Life during the period.

The above changes were partially offset by the decrease of the provision of reserves for insurance contracts. The reserves for insurance contracts decreased by 63.0% to RMB701.4 million in the first half of 2014 as compared to RMB1,897.5 million in the first half of 2013, primarily due to the benefit payments of Happy Life under the long-term life insurance contracts.

Impairment Losses on Assets

The table below sets out the principal components of the Group's impairment losses on assets for the periods indicated.

	For the six months ended June 30,			
	2014	2013	Change	Change in percentage
	(in millions of RMB)			(%)
Distressed debt assets classified as receivables	(1,808.8)	(745.7)	(1,063.1)	142.6
Available-for-sale financial assets	(626.6)	(2,473.7)	1,847.1	(74.7)
Loans and advances to customers	(244.5)	(224.1)	(20.4)	9.1
Account receivables	(0.7)	(7.3)	6.6	(90.4)
Other assets	(5.4)	(25.1)	19.7	(78.5)
Total	**(2,686.0)**	**(3,475.9)**	**789.9**	**(22.7)**

The impairment losses on assets decreased by 22.7% to RMB2,686.0 million in the first half of 2014 as compared to RMB3,475.9 million in the first half of 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 142.6% to RMB1,808.8 million in the first half of 2014 from RMB745.7 million in the first half of 2013, primarily due to the increase in the balance of distressed debt assets classified as receivables from RMB80,086.4 million as at June 30, 2013 to RMB162,423.7 million as at June 30, 2014. Allowance for impairment losses which is collectively assessed was increased accordingly.

The impairment losses on available-for-sale financial assets decreased by 74.7% to RMB626.6 million in the first half of 2014 as compared to RMB2,473.7 million in the first half of 2013, primarily due to that the stock price of the listed DES Companies remained relatively stable during the period as compared with the first half of 2013.

Interest Expense

The table below sets out the principal components of the Group's interest expense for the periods indicated.

	For the six months ended June 30,			
	2014	2013	Change	Change in Percentage
	(in millions of RMB)			(%)
Borrowings from Central Bank	(26.8)	(59.5)	32.7	(55.0)
Accounts payable to brokerage clients	(10.5)	(10.8)	0.3	(2.8)
Financial assets sold under repurchase agreements	(147.2)	(233.0)	85.8	(36.8)
Borrowings	(5,959.1)	(2,267.6)	(3,691.5)	162.8
Amount due to the MOF	(188.8)	(295.8)	107.0	(36.2)
Bonds issued	(440.7)	(287.5)	(153.2)	53.3
Others	(43.9)	(0.9)	(43.0)	4,777.8
Total	**(6,816.9)**	**(3,155.1)**	**(3,661.8)**	**116.1**

The interest expense increased by 116.1% to RMB6,816.9 million in the first half of 2014 from RMB3,155.1 million in the first half of 2013, primarily due to the increase 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 162.8% to RMB5,959.1 million in the first half of 2014 from RMB2,267.6 million in the first half of 2013, primarily due to (1) an increase in the borrowings from banks and other financial institutions to support the growing acquisitions of distressed debt assets; and (2) an increase in borrowings by Cinda Investment and Cinda Leasing to support the growth of their businesses.

The interest expense on bonds issued increased by 53.3% to RMB440.7 million in the first half of 2014 from RMB287.5 million in the first half of 2013, primarily due to the financial bonds of RMB20.0 billion and senior notes of USD1.5 billion both issued in May 2014 by the Group.

Income Tax Expense

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

	For the six months ended June 30,			
	2014	2013	Change	Change in Percentage
	(in millions of RMB)			(%)
Profit before tax	7,265.8	5,137.4	2,128.4	41.4
Income tax expense	(1,905.9)	(1,120.4)	(785.5)	70.1
Effective tax rate (%)	26.2	21.8	4.4	20.2

The income tax expense increased by 70.1% to RMB1,905.9 million in the first half of 2014 as compared to RMB1,120.4 million in the first half of 2013, primarily due to an increase in the taxable income. In the first half of 2013 and 2014, the effective tax rates were 21.8% and 26.2%, respectively. The increase in the effective tax rate in the period was primarily due to the significant decrease in non-taxable items of the Company in the period as compared to the first half of 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 Well Kent International; and (3) financial services business such as securities and futures, trusts, financial leasing, fund management and insurance, which were conducted mainly through our subsidiaries.

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

	For the six months ended June 30,									
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	Distressed asset management		Financial investment and asset management		Financial services		Elimination		Consolidation	
	(in millions of RMB)									
Total income	14,284.6	10,049.1	4,824.3	3,304.4	7,237.8	5,511.9	(572.7)	(196.0)	25,773.9	18,669.4
Percentage of total (%)	55.4	53.8	18.7	17.7	28.1	29.5				
Total costs and expenses	(9,023.0)	(6,381.6)	(2,674.8)	(2,135.3)	(6,565.1)	(5,228.2)	291.2	191.7	(17,971.7)	(13,553.4)
Profit before tax	5,295.2	3,710.7	1,580.2	1,147.3	671.9	283.7	(281.5)	(4.3)	7,265.8	5,137.4
Percentage of total tax (%)	72.9	72.3	21.7	22.3	9.2	5.5				
Profit margin (%)	37.1	36.9	32.8	34.7	9.3	5.1			28.2	27.5
Return on net assets before tax (%)[1]	25.7	30.4	10.4	10.3	8.3	3.9			16.7	16.6

	As at June 30, 2014	As at December 31, 2013	As at June 30, 2014	As at December 31, 2013	As at June 30, 2014	As at December 31, 2013	As at June 30, 2014	As at December 31, 2013	As at June 30, 2014	As at December 31, 2013
	Distressed asset management		Financial investment and asset management		Financial services		Elimination		Consolidation	
	(in millions of RMB)									
Total assets	293,209.0	228,603.9	97,389.0	72,776.4	99,303.5	86,248.2	(7,745.9)	(3,843.1)	482,155.6	383,785.4
Percentage of total (%)	60.8	59.6	20.2	19.0	20.6	22.5				
Net assets	43,160.9	39,237.0	32,070.2	28,998.2	17,650.7	14,555.1	(2,103.5)	(28.2)	90,778.3	82,762.1
Percentage of total (%)	47.5	47.4	35.3	35.0	19.4	17.6				

Note:

(1) Return on net assets before tax refers to the annualized percentage calculated by dividing the profit before tax by the average of net assets at the beginning and end of the period.

Distressed asset management is our core business and one of our principal income contributors. In the first half of 2013 and 2014, the income generated from distressed asset management accounted for 53.8% and 55.4% of our total income, respectively, and the profit before tax generated from distressed asset management accounted for 72.3% and 72.9% of our profit before tax, respectively. As at December 31, 2013 and June 30, 2014, the total assets of our distressed asset management accounted for 59.6% and 60.8% of our total assets and the net assets of our distressed asset management accounted for 47.4% and 47.5%, of our net assets, respectively.

The profit contribution from the financial investment and asset management services remained stable in the first half of 2013 and 2014, accounting for 22.3% and 21.7% of the profit before tax of the Group, respectively. In the first half of 2013 and 2014, the profit margin of this segment remained stable at 34.7% and 32.8%, respectively, and average annualized return on net asset before tax were 10.3% and 10.4%, respectively.

As a key component of the Group and an important cross-selling driving force, the financial services segment benefited from the Group's synergistic and diversified operations and management strategies. The total income and profit before tax of the segment in the first half of 2014 increased by 31.3% and 136.8% from the first half of 2013, respectively.

Summary of Financial Position of the Group

As at December 31, 2013 and June 30, 2014, the total assets of the Group amounted to RMB383,785.4 million and RMB482,155.6 million respectively, representing an increase of 25.6%. Total liabilities amounted to RMB301,023.3 million and RMB391,377.2 million respectively, representing an increase of 30.0%. Total equity amounted to RMB82,762.1 million and RMB90,778.3 million respectively, representing an increase of 9.7%. The gearing ratio (interest-bearing liabilities/equity) of the Group was 2.9:1 and 3.5:1 respectively.

The table below sets forth the major items of the condensed statement of financial position as at the dates indicated.

	As at June 30, 2014		As at December 31, 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
	(in millions of RMB)			
Assets				
Cash and bank balances	66,997.9	13.9	57,059.1	14.9
Financial assets at fair value through profit or loss	30,746.9	6.4	25,178.5	6.6
Available-for-sale financial assets	65,497.4	13.6	72,747.2	19.0
Financial assets classified as receivables	185,045.6	38.4	116,662.7	30.4
Loans and advances to customers	62,655.1	13.0	48,636.4	12.7
Other assets	71,212.6	14.7	63,501.5	16.4
Total assets	**482,155.6**	**100.0**	**383,785.4**	**100.0**
Liabilities				
Borrowings from Central Bank	2,873.3	0.7	4,913.0	1.6
Accounts payable to brokerage clients	6,885.1	1.8	6,480.8	2.2
Borrowings	233,472.6	59.7	173,834.7	57.7
Accounts payable	24,373.3	6.2	22,814.1	7.6
Bonds issued	41,996.1	10.7	13,285.0	4.4
Other liabilities	81,776.9	20.9	79,695.7	26.5
Total liabilities	**391,377.2**	**100.0**	**301,023.3**	**100.0**
Equity				
Equity attributable to equity holders of the Company	83,808.1	92.3	75,998.3	91.8
Non-controlling interests	6,970.3	7.7	6,763.8	8.2
Total equity	**90,778.3**	**100.0**	**82,762.1**	**100.0**
Total equity and liabilities	**482,155.6**		**383,785.4**	

Assets

Cash and Bank Balances

Cash and bank balances primarily consist of cash, our bank deposits and deposits with banks and other financial institutions that Cinda Securities holds on behalf of its customers in the securities brokerage business. As at December 31, 2013 and June 30, 2014, cash and bank balances amounted to RMB57,059.1 million and RMB66,997.9 million, respectively, representing an increase of 17.4%. The increase was primarily due to the proceeds from issuing financial bonds of RMB20.0 billion and senior notes of USD1.5 billion by the Group both in May 2014 and the corresponding increase in deposits resulting from business development.

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 the Group's financial assets at fair value through profit or loss as at the dates indicated.

	As at June 30, 2014	As at December 31, 2013	Change	Change in percentage (%)
	(in millions of RMB)			
Held-for-trading financial assets				
Debt securities	3,513.9	4,096.6	(582.7)	(14.2)
Equity instruments listed or traded on exchanges	1,053.6	736.0	317.6	43.2
Mutual funds	984.5	1,097.3	(112.8)	(10.3)
Derivatives	27.8	18.0	9.8	54.4
Subtotal	**5,579.8**	**5,947.9**	**(368.1)**	**(6.2)**
Financial assets designated as at fair value through profit or loss				
Distressed debt assets	22,422.8	16,391.7	6,031.1	36.8
Financial institution convertible bonds	1,363.8	947.0	416.8	44.0
Corporate convertible bonds	105.5	106.7	(1.2)	(1.1)
Wealth management products	708.2	1,218.4	(510.2)	(41.9)
Unlisted equity instruments	566.8	566.8	—	—
Subtotal	**25,167.1**	**19,230.6**	**5,936.5**	**30.9**
Total	**30,746.9**	**25,178.5**	**5,568.4**	**22.1**

As at December 31, 2013 and June 30, 2014, held-for-trading financial assets amounted to RMB5,947.9 million and RMB5,579.8 million respectively, representing a decrease of 6.2%. The decrease was mainly attributable to the decrease in bonds and the mutual funds held by Happy Life and the decrease in the mutual funds held by Well Kent International, which was partially offset by the increase in equity instruments held by China Securities.

As at December 31, 2013 and June 30, 2014, financial assets designated as at fair value through profit or loss amounted to RMB19,230.6 million and RMB25,167.1 million, respectively, representing an increase of 30.9%, 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 36.8% from RMB16,391.7 million as at December 31, 2013 to RMB22,422.8 million as at June 30, 2014, mainly attributable to the acquisition of a large amount of such assets by the Company in the first half of 2014.

Available-for-sale Financial Assets

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

	As at June 30, 2014	As at 31 December, 2013	Change	Change in percentage
	(in millions of RMB)			(%)
Debt securities	10,190.0	10,738.6	(548.6)	(5.1)
Equity instruments	43,634.0	44,767.0	(1,133.0)	(2.5)
Funds	5,522.8	4,541.9	980.9	21.6
Trust products	1,222.0	839.9	382.1	45.5
Wealth management products	1,413.2	1,273.4	139.8	11.0
Right to trust assets	1,073.3	1,073.3	—	—
Debt instruments issued by financial institutions and asset management plans	2,036.6	9,404.3	(7,367.7)	(78.3)
Others	405.6	108.8	296.8	272.8
Total	**65,497.4**	**72,747.2**	**(7,249.8)**	**(10.0)**

As at December 31, 2013 and June 30, 2014, available-for-sale financial assets amounted to RMB72,747.2 million and RMB65,497.4 million respectively, representing a decrease of 10.0%.

Equity instruments are the largest component of available-for-sale financial assets of the Group. As at December 31, 2013 and June 30, 2014, equity instruments amounted to RMB44,767.0 million and RMB43,634.0 million, accounting for 61.5% and 66.6% of total available-for-sale financial assets, respectively.

Equity instruments in available-for-sale financial assets decreased from December 31, 2013 to June 30, 2014, primarily due to a decrease in DES Assets held by the Company as the Company disposed DES Assets.

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 for the periods indicated.

	(in millions of RMB)
December 31, 2012	(3,881.8)
Provisions for impairment losses	(2,473.7)
Disposal	58.0
June 30, 2013	(6,297.5)
December 31, 2013	(7,377.7)
Provisions for impairment losses	(626.6)
Disposal	1,327.6
June 30, 2014	**(6,676.7)**

In the first half of 2013 and 2014, provisions for impairment losses on available-for-sale financial assets amounted to RMB2,473.7 million and RMB626.6 million, respectively, which mainly reflected the market price changes of certain listed companies' equity interests held by the Group. The provisions for impairment losses for the current period were primarily affected by the decrease in the stock value of certain listed DES Companies.

Financial Assets Classified as Receivables

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

	As at June 30, 2014	As at December 31, 2013	Change	Change in percentage (%)
	(in millions of RMB)			
Distressed debt assets				
Loans acquired from financial institutions	49,261.7	36,512.9	12,748.8	34.9
Accounts receivable acquired from non-financial institutions	113,162.0	64,400.3	48,761.7	75.7
Subtotal	**162,423.7**	**100,913.2**	**61,510.5**	**61.0**
Allowance for impairment losses	(4,684.0)	(2,942.6)	(1,741.4)	59.2
Other debt investments				
Trust products	2,160.0	2,329.0	(169.0)	(7.3)
Certificate treasury bonds	142.7	142.7	—	—
Others	1,490.1	230.0	1,260.1	547.9
Subtotal	**3,792.8**	**2,701.7**	**1,091.1**	**40.4**
Allowance for impairment losses	(5.7)	(5.7)	—	—
Structured debt arrangements	**23,518.8**	**15,996.1**	**7,522.7**	**47.0**
Total	**185,045.6**	**116,662.7**	**68,382.9**	**58.6**

As at December 31, 2013 and June 30, 2014, distressed debt assets classified as receivables amounted to RMB100,913.2 million and RMB162,423.7 million, respectively, representing an increase of 61.0%. The increase was mainly because the Company acquired a large amount of distressed debt assets as the Company captured the market opportunities and provided products which were tailored to clients' needs.

As at December 31, 2013 and June 30, 2014, the impaired distressed debt assets classified as receivables were RMB1,010.7 million and RMB1,760.2 million, respectively, accounting for 1.00% and 1.08% of the total distressed debt assets classified as receivables, respectively. As at December 31, 2013 and June 30, 2014, the allowance for impairment losses on distressed debt assets classified as receivables was RMB2,942.6 million and RMB4,684.0 million, respectively, the coverage ratio of distressed debt assets classified as receivables was 291.1% and 266.1%, respectively, and the coverage ratio of allowance to total distressed debt assets classified as receivables was 2.92% and 2.88%, respectively.

As at December 31, 2013 and June 30, 2014, the balance of structured debt arrangements amounted to RMB15,996.1 million and RMB23,518.8 million, respectively. Such assets were acquired by the Company from banks through structured fund arrangements, and are non-derivative financial assets with fixed return which have no active market. Such assets were managed as loans and receivables and accounted for as financial assets classified as receivables.

Loans and Advances to Customers

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

	As at June 30, 2014	As at December 31, 2013	Change	Change in percentage (%)
	(in millions of RMB)			
Unsecured loans	629.3	50.0	579.3	1,158.6
Loans secured by properties	5,799.3	4,132.6	1,666.7	40.3
Other secured loans	1,670.1	1,445.4	224.7	15.5
Loans to margin customers	3,071.6	2,750.8	320.8	11.7
Net finance lease receivables	31,463.0	25,700.9	5,762.1	22.4
Entrusted loans	21,208.1	15,498.5	5,709.6	36.8
Subtotal	**63,841.4**	**49,578.2**	**14,263.2**	**28.8**
Allowance for impairment losses	(1,186.2)	(941.8)	(244.4)	26.0
Total	**62,655.1**	**48,636.4**	**14,018.7**	**28.8**

As at December 31, 2013 and June 30, 2014, loans and advances to customers amounted to RMB48,636.4 million and RMB62,655.1 million, respectively, representing an increase of 28.8%.

Entrusted loans increased by 36.8% from RMB15,498.5 million as at December 31, 2013 to RMB21,208.1 million as at June 30, 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 entrusted loan business of Cinda Investment.

Loans secured by properties increased by 40.3% from RMB4,132.6 million as at December 31, 2013 to RMB5,799.3 million as at June 30, 2014, mainly attributable to (1) the increase in consolidated structured entities which engaged in the operation of secured loans in line with the rapid development of asset management business; and (2) the growth of loans secured by properties of Well Kent International.

Net finance lease receivables (before allowance for impairment losses) increased by 22.4% from RMB25,700.9 million as at December 31, 2013 to RMB31,463.0 million as at June 30, 2014, mainly attributable to the expansion of Cinda Leasing business. As at December 31, 2013 and June 30, 2014, net finance lease receivables accounted for 51.8% and 49.3% of loans and advances to customers respectively. The decrease in percentages was mainly attributable to the rapid growth of entrusted loans and loans secured by properties.

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

	As at June 30, 2014	As at December 31, 2013	Change	Change in percentage
	(in millions of RMB)			(%)
Gross investment in finance leases	36,063.4	29,306.0	6,757.4	23.1
Less: Unearned finance income	(4,600.4)	(3,605.1)	(995.3)	27.6
Net finance lease receivables	**31,463.0**	**25,700.9**	**5,762.1**	**22.4**
Within 1 year (inclusive)	10,514.6	8,989.8	1,524.8	17.0
1 year to 5 years (inclusive)	20,205.3	16,256.9	3,948.4	24.3
Over 5 years	743.0	454.2	288.8	63.6
Allowance for impairment losses	(703.6)	(543.1)	(160.5)	29.6
Net carrying value	**30,759.4**	**25,157.8**	**5,601.6**	**22.3**

Liabilities

Liabilities of the Group mainly consist of borrowings, accounts payable and bonds issued, accounting for 59.7%, 6.2% and 10.7% of the total liabilities of the Group as at June 30, 2014, respectively.

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

	As at June 30, 2014		As at December 31, 2013	
	Amount	Percentage (%)	Amount	Percentage (%)
	(in millions of RMB)			
Borrowings from Central Bank	2,873.3	0.9	4,913.0	2.0
Accounts payable to brokerage clients	5,718.5	1.8	6,480.8	2.7
Financial assets sold under repurchase agreements	9,294.1	2.9	9,442.8	3.9
Borrowings	233,472.6	73.6	173,834.7	72.5
Accounts payable	21,836.4	6.9	21,676.7	9.0
Placements from banks and a financial institution	2,277.0	0.7	10,477.0	4.4
Bonds issued	41,996.1	13.2	13,285.0	5.5
Total	**317,468.0**	**100.0**	**240,110.0**	**100.0**

Borrowings

As at December 31, 2013 and June 30, 2014, the balance of borrowings of the Group amounted to RMB173,834.7 million and RMB233,472.6 million, respectively. The increase in borrowings was primarily due to (1) the increase of the Company's borrowings by 35.1% from RMB139,069.3 million as at December 31, 2013 to RMB187,927.0 million as at June 30, 2014, to finance the acquisitions of distressed debt assets in the first half of 2014; (2) Cinda Investment's increased borrowings to support the growth of its real estate projects and (3) Cinda Leasing's increased borrowings to support the growth of its finance lease receivables portfolio.

Accounts Payable

As at December 31, 2013 and June 30, 2014, the balance of accounts payable amounted to RMB22,814.1 million and RMB24,373.3 million, respectively, mainly including the amount due to the MOF, reinsurance premium payable and accounts payable associated with the real estate business. The balance of interest-bearing accounts payable amounted to RMB21,676.7 million and RMB21,836.4 million, respectively.

Bonds Issued

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

	As at June 30, 2014	As at December 31, 2013
	(in millions of RMB)	
10-year 7.2% fixed rate subordinated bonds	522.0	504.2
3-year 4.35% fixed rate financial bonds	5,135.2	5,025.6
5-year 4.65% fixed rate financial bonds	5,139.6	5,024.0
3-year 4% fixed rate RMB bonds	1,992.3	1,989.2
90-day 6% fixed rate commercial bonds	—	715.0
5-year 4% fixed rated HKD bonds	27.2	27.0
3-year 5.2% fixed fate financial bonds	10,001.4	—
5-year 5.35% fixed fate financial bonds	10,002.1	—
5-year 4% fixed rate USD guaranteed senior notes	6,109.5	—
10-year 5.625% fixed rate USD guaranteed senior notes	3,066.7	—
Total	**41,996.1**	**13,285.0**

Bonds issued mainly consist of (1) financial bonds issued by the Company in October 2012, (2) bonds issued by Well Kent International 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) senior notes of USD1.5 billion issued by one of the subsidiaries of Well Kent International 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. Such borrowings bear a fixed interest rate at 2.25% per annum and are to be repaid in full by September 30, 2014.

As at December 31, 2013 and June 30, 2014, the balance of borrowings of the Company from the PBOC amounted to RMB4,913.0 million and RMB2,873.3 million, respectively.

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 provisions, as appropriate, for the probable losses with respect to those claims when our management can reasonably estimate the outcome of the proceedings based on the advice of legal counsel. We do not make provisions for pending litigation when the outcome of the litigation cannot be reasonably estimated or when our management believes that the probability of loss is remote or that any resulting liabilities will not have a material adverse effect on our financial condition or business operations.

As at December 31, 2013 and June 30, 2014, the claim amounts of pending litigations in which we were defendant were RMB1,811.5 million and RMB1,702.7 million for the Group respectively, and provision of RMB12.8 million were made for both periods based on court judgments or the advice of legal counsel. Directors believe that the final results of these lawsuits will not have material impacts on the financial position or operations of the Group and the Company.

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

There is no difference on the net profit and shareholders' equity for the reporting period between condensed 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 (private equity fund) and the consulting and financial advisory services by the Company, Cinda Investment and Well Kent International; 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 periods indicated:

	For the six months ended June 30,			
	2014		2013	
	Total income	% of total	Total income	% of total
	(in millions of RMB, except for percentages)			
Distressed Asset Management	14,284.6	55.4	10,049.1	53.8
Financial Investment and Asset Management	4,824.3	18.7	3,304.4	17.7
Financial Services	7,237.8	28.1	5,511.9	29.5
Elimination	(572.7)	(2.2)	(196.0)	(1.0)
Total	**25,773.9**	**100.0**	**18,669.4**	**100.0**

	For the six months ended June 30,			
	2014		2013	
	Profit before tax	% of total	Profit before tax	% of total
	(in millions of RMB, except for percentages)			
Distressed Asset Management	5,295.2	72.9	3,710.7	72.3
Financial Investment and Asset Management	1,580.2	21.7	1,147.3	22.3
Financial Services	671.9	9.2	283.7	5.5
Elimination	(281.5)	(3.9)	(4.3)	(0.1)
Total	**7,265.8**	**100.0**	**5,137.4**	**100.0**

For the six months ended June 30, 2014, the income from business segments of distressed asset management, financial investment and asset management and financial services represented 55.4%, 18.7% and 28.1% of the total income, respectively, and these segments' profit before tax represented 72.9%, 21.7% and 9.2% 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. For the six months ended June 30, 2013 and 2014, income from the distressed asset management business accounted for 53.8% and 55.4% of the total income, respectively, and profit before tax from the distressed asset management business accounted for 72.3% and 72.9% 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 DES Assets, and (3) custody, liquidation and restructuring of distressed financial institutions and non-financial enterprises.

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

	As at June 30, 2014	As at December 31, 2013
	(in millions of RMB)	
Net balance of distressed debt assets[1]	180,619.8	114,754.7
Entrusted distressed assets	40,024.0	39,747.5
Book value of DES Assets	41,752.1	42,274.8

	For the six months ended June 30, 2014	2013
	(in millions of RMB)	
Acquisition and disposal of distressed debt assets		
Acquisition cost of distressed debt assets	85,378.1	42,648.2
Income from distressed debt assets[2]	9,887.3	6,238.7
Management and disposal of DES Assets		
Dividend income from DES Assets	79.0	506.6
Acquisition cost of DES Assets disposed (net of allowance for impairment, if any)	1,257.6	2,394.5
Net gain from the disposal of DES Assets	2,065.9	2,659.6

Notes:

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

(2) Equivalent to the sum of the fair value changes on distressed debt assets of the Company, and income from distressed debt assets classified as receivables, as appeared in the condensed 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 periods indicated:

	As at June 30, 2014		As at December 31, 2013	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Net balance of distressed debt assets[(1)]				
FI Distressed Assets	70,375.7	39.0	52,345.4	45.6
NFE Distressed Assets	110,244.1	61.0	62,409.3	54.4
Total	**180,619.8**	**100.0**	**114,754.7**	**100.0**

	For the six months ended June 30,			
	2014		2013	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Acquisition cost of distressed debt assets				
FI Distressed Assets	25,337.9	29.7	18,106.5	42.5
NFE Distressed Assets	60,040.2	70.3	24,541.7	57.5
Total	**85,378.1**	**100.0**	**42,648.2**	**100.0**
Income from distressed debt assets[(2)]				
FI Distressed Assets	4,969.5	50.3	3,583.3	57.4
NFE Distressed Assets	4,917.8	49.7	2,655.4	42.6
Total	**9,887.3**	**100.0**	**6,238.7**	**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 condensed consolidated financial statements.

(2) Equivalent to the fair value changes on distressed debt assets of the Company, and income from distressed debt assets classified as receivables, as appeared in the condensed 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 is determined in accordance with business models and not sources of acquisition. For example, for distressed assets acquired from financial institutions (FI Distressed Assets), those managed under the Traditional Model will be classified as "distressed debt assets designated as at fair value through profit or loss" while those managed under the Restructuring Model will be classified as "distressed debt assets classified as receivables" in the statement of financial position.

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 from different types of banks and other non-bank financial institutions as at the dates and for the periods indicated:

	For the six months ended June 30,			
	2014		2013	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Large commercial banks	8,050.6	31.8	5,494.2	30.3
Joint-stock commercial banks	6,037.6	23.8	2,924.6	16.2
City and rural commercial banks	1,332.6	5.3	2,278.4	12.6
Other non-bank financial institutions	8,952.9	35.3	7,409.2	40.9
Other banks (including policy banks, the PSBC and foreign banks)	964.2	3.8	—	—
Total	**25,337.9**	**100.0**	**18,106.5**	**100.0**

NFE Distressed Assets

The NFE Distressed Assets acquired by the Company are primarily accounts receivable and other receivables of non-financial institutions, 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 periods indicated:

	As at June 30, 2014		As at December 31, 2013	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Net balance of distressed debt assets				
Traditional Distressed Assets(1)	22,855.3	12.7	16,784.1	14.6
Restructured Distressed Assets(2)	157,764.5	87.3	97,970.6	85.4
Total	**180,619.8**	**100.0**	**114,754.7**	**100.0**

	For the six months ended June 30,			
	2014		2013	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Acquisition cost of distressed debt assets(3)				
Traditional Distressed Assets	7,185.5	8.4	2,113.1	5.0
Restructured Distressed Assets	78,192.6	91.6	40,535.1	95.0
Total	**85,378.1**	**100.0**	**42,648.2**	**100.0**
Income from distressed debt assets				
Traditional Distressed Assets(4)	2,310.6	23.4	1,994.2	32.0
Restructured Distressed Assets(5)	7,576.7	76.6	4,244.5	68.0
Total	**9,887.3**	**100.0**	**6,238.7**	**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 condensed consolidated financial statements.

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

(3) Equivalent to the amounts of distressed debt assets acquired during each period indicated.

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

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

Traditional Distressed Assets

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

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

	As at June 30, 2014	As at December 31, 2013
	(in millions of RMB, except for percentages)	
Net balance of Traditional Distressed Assets	22,855.3	16,784.1

	For the six months ended June 30, 2014	2013
	(in millions of RMB, except for percentages)	
Acquisition cost of Traditional Distressed Assets	7,185.5	2,113.1
Carrying amount of Traditional Distressed Assets disposed[1]	1,831.5	2,090.2
Unrealized fair value changes	717.3	423.8
Income from Traditional Distressed Assets	2,310.6	1,994.2
Return on disposal (%)[2]	87.0	75.1

Notes:

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

(2) (Income from Traditional Distressed Assets — unrealized fair value changes)/(Carrying amount of Traditional Distressed Assets disposed).

Restructured Distressed Assets

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

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

	For the six months ended June 30,	
	2014	**2013**
	(in millions of RMB, except for percentages)	
Acquisition cost of Restructured Distressed Assets	78,192.6	40,535.1
Income from Restructured Distressed Assets	7,576.7	4,244.5
Annualized return on monthly average balance of Restructured Distressed Assets (%)[1]	12.2	13.8

	As at June 30, 2014	As at December 31, 2013
	(in millions of RMB, except for percentages)	
Net balance of Restructured Distressed Assets	157,764.5	97,970.6
Impaired Restructured Distressed Assets	1,760.2	1,010.7
Impaired Restructured Distressed Assets ratio (%)[2]	1.08	1.00
Allowance for impairment losses	4,684.0	2,942.6
Impaired Restructured Distressed Assets Coverage ratio (%)[3]	266.1	291.1

Notes:

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

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

(3) Allowance for impairment divided by the 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 by financial institutions, non-financial enterprises and local government authorities, and our income is primarily derived from commissions. As at December 31, 2013 and June 30, 2014, the balance of the entrusted distressed assets was RMB39.75 billion and RMB40.02 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") and listed shares of DES Companies ("Listed DES Assets"). As at December 31, 2013 and June 30, 2014, we held Unlisted DES Assets in 187 and 182 DES Companies with total book value of RMB34,134.9 million and RMB34,077.8 million, respectively, and Listed DES Assets in 26 and 25 DES Companies with total book value of RMB8,139.9 million and RMB7,674.3 million, respectively.

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

	As at June 30, 2014	As at December 31, 2013
	(in millions of RMB, except number of DES Companies)	
Basic Information about DES Assets		
Number of DES Companies	207	213
Unlisted	182	187
Listed	25	26
Total book value	41,752.1	42,274.8
Unlisted	34,077.8	34,134.9
Listed	7,674.3	8,139.9

Gain on disposal of DES Assets

For the six months ended June 30, 2013 and 2014, the Company disposed of the DES Assets in 12 and 20 DES Companies, respectively, with acquisition cost (net of allowance for impairment, if any) of RMB2,394.5 million and RMB1,257.6 million, respectively, realizing net gain of RMB2,659.6 million and RMB2,065.9 million, respectively and dividend income of RMB506.6 million and RMB79.0 million, respectively.

Prior to this interim report, the formula that the Company used to calculate the exit multiple of DES Assets disposed is the sum of net gain on disposal of DES Assets and acquisition cost of DES Assets disposed divided by acquisition cost of DES Assets disposed. According to the relevant requirements of IFRS, the Company performs impairment test on DES Assets and makes provision for impairment losses of DES Assets with indications of impairment, which is recognized in profit or loss in the current period. In order to better reflect the impact of disposal of DES Assets on the financial results of the current period, the formula used to calculate the exit multiple of DES Assets disposed will be changed to the sum of net gain on disposal of DES Assets and acquisition cost of DES Assets disposed (net of allowance for impairment, if any) divided by acquisition cost of DES Assets disposed (net of allowance for impairment, if any) starting from this interim period. The exit multiple of DES Assets disposed before and after the change of calculation are as below:

	For the six months ended June 30, 2014		For the year ended December 31, 2013		For the six months ended June 30, 2013	
	After	Before	After	Before	After	Before
Total equity	2.6	1.8	2.0	1.9	2.1	2.1
Of which:						
Unlisted equity	4.7	4.3	2.3	2.2	2.1	2.1

According to the adjusted calculation, for the six months ended June 30, 2014, the exit multiple of DES Assets disposed was 2.6, and the exit multiple of the unlisted DES Assets disposed was 4.7.

The table below sets forth details of our disposal of DES Assets for the periods indicated:

	For the six months ended June 30,	
	2014	2013
	(in millions of RMB, except number of DES Companies)	
Number of DES Companies disposed	20	12
Acquisition cost of DES Assets disposed (net of allowance for impairment, if any)	1,257.6	2,394.5
Net gain on disposal of DES Assets	2,065.9	2,659.6
Dividend income	79.0	506.6

Financial Investment and Asset Management

The financial investment and asset management business is conducted together by the Company, Cinda Investment, Well Kent International, Zhongrun Development and Cinda Capital and their subsidiaries, which primarily includes principal investment, asset management (including private equity fund) and other businesses. For the six months ended June 30, 2013 and 2014, the income from financial investment and asset management business accounted for 17.7% and 18.7% of the total income, respectively.

The table below sets forth the key financial data of Cinda Investment, Well Kent International and Zhongrun Development as at the dates and for the periods indicated:

	For the six months ended June 30,							
	2014		2013		As at June 30, 2014		As at December 31, 2013	
	Income	Profit before tax	Income	Profit before tax	Total assets	Net assets	Total assets	Net assets
	(in millions of RMB)							
Cinda Investment	3,314.6	1,031.8	2,440.7	820.1	48,201.8	14,078.1	37,946.3	13,417.1
Well Kent International	245.0	69.3	198.0	77.8	18,160.4	3,834.2	9,436.8	3,831.4
Zhongrun Development	99.9	73.6	89.3	58.2	1,086.1	865.0	1,089.4	845.3

Principal Investment

Our principal investment business primarily includes equity investments related to our distressed asset management business, real estate investment and development related to our distressed asset management business, and other investments, including investments in fund products, debt securities, trust products and wealth management products. As at December 31, 2013 and June 30, 2014, balance of the principal investment totalled RMB19.67 billion and RMB20.31 billion, respectively. For the six months ended June 30, 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, totalled RMB930 million and RMB850 million, respectively. As at June 30, 2014, the equity investments, real estate investments, fund investment and other investments represented 52.8%, 8.8%, 25.7% and 12.7%, respectively of the total principal investments.

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

	As at June 30, 2014		As at December 31, 2013	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Balance of principal investments — by investment type				
Equity investments[1]	10,729.8	52.8	10,797.6	55.0
Real estate investments[2]	1,781.4	8.8	1,858.0	9.4
Fund investments	5,216.0	25.7	3,584.5	18.2
Other investments[3]	2,584.0	12.7	3,429.5	17.4
Total	**20,311.2**	**100.0**	**19,669.6**	**100.0**
Balance of principal investments — by investment entities				
The Company	9,644.1	47.5	9,717.4	49.4
Cinda Investment	8,981.1	44.2	8,410.0	42.8
Well Kent International	3,738.1	18.4	3,483.8	17.7
Zhongrun Development	628.1	3.1	684.9	3.5
(Elimination)	(2,680.2)	(13.2)	(2,626.5)	(13.4)
Total	**20,311.2**	**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 condensed consolidated financial statements attributable to financial investment and asset management segment.

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

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

Equity Investment

The Company, Cinda Investment, Well Kent International 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 mining, energy, construction and environmental protection industries. Cinda Investment invests primarily in projects related to the Company's distressed asset management business. Well Kent International mainly handles equity investments outside of the PRC in relation to the Company's distressed asset management business. Zhongrun Development's equity investments are closely related to its custody, liquidation and restructuring business.

Equity Investments by the Company

The Company 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 June 30, 2014, the balance of the Company's direct equity investments classified under available-for-sale financial assets and interests in associates in the condensed consolidated financial statements, was RMB3.76 billion and RMB3.18 billion, respectively.

Equity Investments by Cinda Investment

Cinda Investment serves as the Group's professional investment platform. As at December 31, 2013 and June 30, 2014, the balance of Cinda Investment's equity investments classified under available-for-sale financial assets and Interests in Associates in the condensed consolidated financial statements was RMB2.51 billion and RMB3.08 billion, respectively.

Equity Investments by Well Kent International

Well Kent International and its subsidiaries serve as our overseas business platform. As at December 31, 2013 and June 30, 2014, the balance of Well Kent International's equity investments classified under financial assets at fair value through profit or loss, available-for-sale financial assets and interests in associates in the condensed consolidated financial statements was RMB2.84 billion and RMB3.09 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 June 30, 2014, the balance of Zhongrun Development's equity investments classified under available-for-sale financial assets and interests in associates in the condensed consolidated financial statements was RMB650 million and RMB598 million, respectively.

Real Estate Investment and Development

Cinda Investment, together with its 17 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 June 30, 2014, the value of our investment properties amounted to RMB1.86 billion and RMB1.78 billion, respectively. For the six months ended June 30, 2013 and 2014, the real estate development business generated real estate sales revenue of RMB1.28 billion and RMB1.69 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, Well Kent International and Zhongrun Development. As at December 31, 2013 and June 30, 2014, the balance of the investments in all types of funds was RMB3.58 billion and RMB5.22 billion, respectively. We invest in debt securities directly or through investment funds. As at December 31, 2013 and June 30, 2014, the balance of the debt securities investments was RMB528 million and RMB371 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 June 30, 2014, the balance of the investments in wealth management and trust products totaled RMB2.21 billion and RMB2.18 billion, respectively.

Asset Management Business (Private Equity Fund)

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

As at June 30, 2014, we have established 30 private equity 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 equity business as at the dates and for the periods indicated:

	As at June 30, 2014	As at December 31, 2013
Number of funds[1]	30	25
Total committed capital (AUM) (In billions of RMB)	72.00	61.17
Total paid-in capital (In billions of RMB)	34.32	23.07
Paid-in capital from third parties (In billions of RMB)[2]	29.66	20.08
Accumulated number of projects invested	88	59
Number of third-party investors	103	102

	For the six months ended June 30,	
	2014	2013
Fund management income (In millions of RMB)	141.7	41.1

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

For the six months ended June 30, 2013 and 2014, the aggregate fees and commission income from consulting and advisory services by the Company, Cinda Investment and Well Kent International totalled RMB75 million and RMB72 million, respectively.

Financial Services

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

For the six months ended June 30, 2013 and 2014, income from financial services represented 29.5% and 28.1%, 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 periods indicated:

	For the six months ended June 30,							
	2014		2013		As at June 30, 2014		As at December 31, 2013	
	Income	Profit before tax	Income	Profit before tax	Total assets	Net assets	Total assets	Net assets
	(In millions of RMB)							
Securities and Futures[1]	1,260.0	323.0	984.7	219.2	19,715.5	6,575.7	17,648.5	6,267.0
Jingu Trust	398.8	162.5	524.0	403.1	3,615.5	3,322.2	3,516.6	3,233.5
Cinda Leasing	1,253.1	357.2	749.8	71.2	35,184.7	5,116.0	30,759.6	2,809.7
First State Cinda Fund	71.4	2.3	55.5	4.1	241.1	194.1	255.0	193.4
Cinda P&C	1,644.5	1.1	1,477.9	(34.0)	6,416.2	2,766.7	6,052.9	2,635.0
Happy Life	2,608.9	(150.3)	1,732.8	(379.9)	35,917.7	1,474.9	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 in Hong Kong through Cinda International. For the six months ended June 30, 2013 and 2014, the revenue of Cinda Securities (including Cinda Futures) amounted to RMB790 million and RMB980 million, and the revenue of Cinda International amounted to RMB41.5 million and RMB48.3 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 periods indicated:

	For the six months ended June 30,			
	2014		2013	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Securities brokerage	337.2	34.5	354.6	44.7
Futures	64.6	6.6	84.6	10.7
Others[1]	575.1	58.9	354.4	44.6
Total	**976.9**	**100.0**	**793.6**	**100.0**

Note:

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

Securities brokerage: As at December 31, 2013 and June 30, 2014, the number of clients of Cinda Securities' securities brokerage business amounted to 1,123,000 and 1,163,000, respectively, the total value of its AUM amounted to RMB75.6 billion and 90.4 billion, respectively. For the six months ended June 30, 2013 and 2014, the total transaction volume of Cinda Securities' securities brokerage business amounted to RMB478.1 billion and 573.6 billion, respectively.

Investment banking: For the six months ended June 30, 2013 and 2014, Cinda Securities' underwriting fee and commission income amounted to RMB43.84 million and RMB225.68 million, respectively.

Asset management: As at December 31, 2013 and June 30, 2014, the AUM balance of Cinda Securities amounted to RMB35.4 billion and RMB40.8 billion, respectively. For the six months ended June 30, 2013 and 2014, fee and commission income from Cinda Securities' asset management business amounted to RMB36.29 million and RMB67.65 million, respectively.

Innovative businesses and other businesses: As at December 31, 2013 and June 30, 2014, the turnover of margin financing and securities lending business of the Cinda Securities amounted to RMB2.67 billion and RMB3.08 billion, respectively.

Cinda Futures

For the six months ended June 30, 2013 and 2014, the revenue of Cinda Futures amounted to RMB28.95 million and RMB12.56 million, respectively.

Cinda International

As at June 30, 2014, we held 63% of the equity interest in Cinda International through Well Kent International. For the six months ended June 30, 2013 and 2014, Cinda International generated revenue of RMB41.5 million and RMB48.3 million, respectively.

Trusts

We conduct trust business through Jingu Trust. As at December 31, 2013 and June 30, 2014, the outstanding trust AUM totalled RMB93.8 billion and RMB96.7 billion, respectively, and we managed 192 and 178 existing trust projects, respectively. For the six months ended June 30, 2013 and 2014, the fees and commission incomes generated from trust business were RMB442 million and RMB339 million, respectively, accounting for 82.8% and 85.2% respectively, of Jingu Trust's total revenue in respective periods.

Products

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

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

	As at June 30, 2014		As at December 31, 2013	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Individual trust schemes	82,593.0	85.4	71,571.0	76.3
Collective trust schemes	14,114.0	14.6	22,240.0	23.7
Total	**96,707.0**	**100.0**	**93,811.0**	**100.0**

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

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

	As at June 30, 2014		As at December 31, 2013	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Financing	60,359.0	62.4	63,951.0	68.2
Investment	20,337.0	21.0	24,878.0	26.5
Non-discretionary	16,011.0	16.6	4,982.0	5.3
Total	**96,707.0**	**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 June 30, 2014		As at December 31, 2013	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Infrastructure	36,033.0	37.2	36,830.0	39.3
Real estate	17,420.0	18.0	21,239.0	22.6
Industry and commerce	15,812.0	16.4	16,959.0	18.1
Financial institutions	3,543.0	3.7	2,103.0	2.2
Others	23,899.0	24.7	16,680.0	17.8
Total	**96,707.0**	**100.0**	**93,811.0**	**100.0**

Clients

As at June 30, 2014, the trust business had a total of 8,453 clients, including 7,926 individual customers and 527 institutional clients.

Financial Leasing

We conduct the financial leasing business through Cinda Leasing. As at December 31, 2013 and June 30, 2014, the net lease receivables of the Group was RMB25.16 billion and RMB30.73 billion, respectively. For the six months ended June 30, 2013 and 2014, the revenue generated by the financial leasing business was RMB304.0 million and RMB586.0 million, respectively. The net profit from the financial leasing business was RMB109.8 million and RMB322.0 million, respectively.

Products

For the six months ended June 30, 2014, the total income from specialized products and non-specialized products was RMB41.03 million and RMB544.93 million, respectively, representing 7% and 93%, respectively, of Cinda Leasing's total revenue for the same period.

Clients

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

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

	As at June 30, 2014		**As at December 31, 2013**	
	Amount	**% of total**	**Amount**	**% of total**
	(in millions of RMB, except for percentages)			
Manufacturing	11,549.5	36.4	10,163.6	39.5
Mining	5,869.4	18.5	3,192.1	12.4
Water conservancy, environment and public utilities management	7,004.2	22.0	6,163.5	24.0
Construction	1,781.9	5.6	1,439.9	5.6
Transportation, logistics and postal services	2,894.1	9.1	2,609.2	10.2
Others	2,672.1	8.4	2,132.6	8.3
Total	**31,771.2**	**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 June 30, 2014, we managed 10 public securities investment funds with total AUM of RMB5.25 billion. Management fee from such funds amounted to RMB35.45 million for the six months ended June 30, 2014. 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 June 30, 2014, our fund products had approximately 1.16 million individual clients and 1,120 institutional clients.

Insurance Business

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

The table below sets forth the Original Premium Income of Cinda P&C and Happy Life for the periods indicated:

	For the six months ended June 30,			
	2014		2013	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Cinda P&C	1,716.2	33.0	1,546.6	39.0
Happy Life	3,482.1	67.0	2,421.2	61.0
Total	**5,198.3**	**100.0**	**3,967.8**	**100.0**

Cinda P&C

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

The table below sets forth details of Original Premium Incomes of major products of Cinda P&C for the periods indicated:

	For the six months ended June 30,			
	2014		2013	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Motor vehicle insurance	1,394.3	81.2	1,273.1	82.3
Compulsory motor vehicle liability insurance	556.0	32.4	516.3	33.4
Commercial automobile insurance	838.3	48.8	756.8	48.9
Non-motor vehicle insurance	321.9	18.8	273.5	17.7
Total	**1,716.2**	**100.0**	**1,546.6**	**100.0**

Happy Life

Happy Life mainly offers various types of life and health insurance and accident insurance as well as re-insurance.

The table below sets forth details of Original Premium Incomes of the three main types of life insurance products for the periods indicated:

	For the six months ended June 30,			
	2014		2013	
	Amount	% of total	Amount	% of total
	(in millions of RMB, except for percentages)			
Life insurance	3,270.3	93.9	2,247.1	92.8
Participating life insurance	1,769.1	50.8	2,234.4	92.3
Others	1,501.2	43.1	12.7	0.5
Health insurance	94.6	2.7	84.3	3.5
Accident insurance	117.3	3.4	89.8	3.7
Total	**3,482.1**	**100.0**	**2,421.2**	**100.0**

Business Synergy

In the first half of 2014, the Group provided a wide range of financial services including financing, equity investment, insurance, asset management and financial advisory services through its versatile business platform for domestic and overseas clients. For the six months ended June 30, 2014, the financial subsidiaries generated total income of RMB921 million from cross-selling of 243 financial projects.

Financial leasing: For the six months ended June 30, 2014, the Group had 136 financial leasing projects from cross-selling, representing an increase of 25.9% as compared to the same period of last year. The financial leasing business volume from cross-selling was RMB29.62 billion, representing an increase of 55.7% as compared to the same period of last year. The total income from these projects amounted to RMB805 million, representing an increase of 10.7% as compared to the same period of last year.

Trusts: For the six months ended June 30, 2014, the Group had 9 trust projects from cross-selling. The trust business volume (defined as the outstanding trust AUM as at June 30, 2014) arising from cross-selling as at the end of June 2014 was RMB9 billion. Total income from these projects amounted to RMB73 million.

P&C insurance: For the six months ended June 30, 2014, the Group provided 79 products and services to customers recommended by the branches of the Company through the P&C insurance business platform, representing an increase of 107.9% as compared to the same period of last year. For the six months ended June 30, 2014, Cinda P&C recorded total income of RMB20 million from the P&C insurance business, representing an increase of 15.6% as compared to the same period of last year.

Human Resources Management

During the Reporting Period, with the development strategies, the Company further implemented the reform of the human resources management mechanism to improve systematic, standardized and competitive human resources management. The Company also expanded the career path for the employees, attracted a number of high-end professionals and strengthened middle management training and team building.

Employees

As at June 30, 2014, the Group had 17,964 employees (excluding those employees through labour dispatch agent), of which 17,719 were in Mainland China and 245 were in Hong Kong SAR and Macau SAR. In the Company and its tier-one subsidiaries, employees with postgraduate degree or above, and with undergraduate degree accounted for 39% and 46% of the total employees, respectively, and employees aged 45 and below accounted for 76% of the total employees.

Remuneration Policy

Committed to operation efficiency, the Company unified the remuneration management system and optimized the "performance-based" remuneration mechanism of the Group 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 is fair to all.

No Material Changes

Saved as disclosed in this interim report, after the disclosure of 2013 Annual Report, there are no material changes affecting the Company's performance that need to be disclosed under Appendix 16 of the Listing Rules.

Risk Management

In the first half of 2014, the Company further improved its comprehensive risk management system. Adhering to the risk management concept of "protecting the bottom-line by managing risks proactively" with an aim to prevent systemic and significant risks and to avoid moral hazards, the Company strengthened the monitoring and management of major risks. The various risks of the Company were managed within limits acceptable to the Company.

The Company conducted an overall review on its risk management structure and formulated guidelines on the further improvement of its risk management system and procedure. In the first half of the year, the Company formulated and improved the Administrative Measures for Customer Risk Limit (客戶風險限額管理辦法) and the Administrative Measures for Customer Credit Rating (客戶信用評級管理辦法), and revised the Administrative Measures for Connected Transactions (關聯交易管理辦法). In addition, risk and compliance officers were appointed for all departments in the headquarters to perform the headquarters' duties of risk management.

The Company continued to strengthen the monitoring and management of credit risk, market risk, compliance risk, concentration risk and other major risks. The Company also conducted through risk detection to enhance its operational risk management. As a result, the effectiveness and responsiveness of risk reporting were further improved.

In the first half of the year, the Company organized risk management training to improve the expertise and business skills of the risk management team.

Management of Credit Risk

Credit risk refers to the risk of business losses resulting from an obligor or counterparty's failure or unwillingness or due to the deterioration of its financial conditions to timely perform its repayment obligations. Our credit risk is primarily related to our distressed debt asset portfolio, the fixed-income investment portfolio of our financial subsidiaries, the financial lease receivables of our financial leasing business and other exposures to credit risk 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 the first half of 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 improved, 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 improved 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. In addition, the Company developed an internal rating system according to the above measures to evaluate the customer credit rating, customer risk limit and business rating to improve our credit risk management and enhance our credit risk control tools.

In the first half of the year, due to the slowdown of economic growth and the complicated real estate market conditions in China, the Company conducted special stress tests on real estate business and adjusted the structure of 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 with an aim to establish and refine the management system for the control and prevention of market risk, so as to improve the management of market risk.

The management of market risk of the Company aims to control the market risk within the acceptable range according to the risk tolerance of the Company, so as to maximize the risk-adjusted returns of the Company.

Our market risks primarily arise from interest rate and exchange rate sensitive assets and liabilities, equities vulnerable to market fluctuations owned by the Company, bond and equity stock investments owned by our insurance and securities subsidiaries, as well as interest-sensitive assets and liabilities owned by our financial leasing subsidiary.

With respect to interest-sensitive assets and liabilities held by the Company, we manage risks arising from interest rate fluctuations by paying close attention to the marketization of interest rates in China and the condition of currency market, strictly controlling the length of the debt restructuring term and strengthening the matching of the terms and interest rate structure of the Restructured Distressed Assets with our liabilities.

We are of the view that the Company's foreign exchange risk is not significant. The Company operates mainly in the PRC, and its transactions are denominated in RMB. The Company has substantially completed the settlement of foreign exchange of the proceeds from the issue and listing of H shares in Hong Kong in December 2013, and such proceeds have been utilized. In May 2014, the Company issued senior notes of USD1.5 billion through its overseas subsidiary. As investment assets are mainly denominated in US dollar and Hong Kong dollar, the exchange rate of which is linked to the US dollar, the assets and liabilities are denominated in the same currencies.

With respect to price fluctuation risks arising from listed companies' equities and high industry concentration, we closely monitor the impacts caused by macro-economic changes, industry trends and commodity price fluctuations on the operations and financial condition and valuation of the enterprises in which we own equities, and formulate and adjust our management strategies on the market value of public equities accordingly. We seek professional analysis from Cinda Securities with respect to the management of the market value of our public equities and closely monitor the market movements.

We have established market risk management systems at our insurance, securities and financial leasing subsidiaries in accordance with regulatory requirements and typical industry practices. These subsidiaries report their market risk management to our Risk Management Department regularly.

Management of Liquidity Risk

Liquidity risk refers to the risk that, while we remain solvent, we fail 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 refers to the risk that we may fail to meet our funding requirements without affecting daily operations or financial conditions; market liquidity risk refers to the risk that we may fail to obtain funds by disposing of our assets timely at a reasonable price due to the limited depth of the market or market fluctuations. Our liquidity risk arises primarily from the duration mismatch of assets and liabilities, insufficient financing to support business development, delay in collection of distressed assets or any loss incurred therefrom as well as risks related to our subsidiaries.

We established effective liquidity risk management mechanisms through identifying, measuring, supervising and monitoring liquidity risk, developed sustainable, stable and systematic financing channels and adjusted the maturity structure of assets and liabilities to maintain appropriate liquidity position and financing capabilities so as to prevent liquidity risk.

Our major liquidity risk management measures are as follows: we centralize the management of liquidity by establishing a centralized capital pool to manage our liquidity risk; we have set up liquidity analysis and alert mechanisms to carry our periodical analysis on the balance and changes of our liquidity as well as changes in external monetary policies and capital markets, accurately evaluate and forecast liquidity fluctuation trends and formulate corresponding plans with an aim to effectively prevent liquidity risk; we accurately analyze and forecast changes and trend of liquidity position, maintain reasonable product structure and maturity structure of liquidity portfolios and implement proactive liquidity management, so as to effectively control and manage liquidity risk.

We have developed diversified financing channels such as bond financing to control capital cost and expand funding sources. We also promote credit enhancements in different banks to enrich our credit reserve. Based on the analysis of external financing environment and the pattern and trend of internal capital requirement and expenditure, we have formulated and timely implemented prospective and targeted financing plans to ensure sufficient liquidity. We also control our financing costs by adjusting the maturity of liabilities flexibly, seeking financing from banks with competitive prices, choosing favourable financing opportunities and enhancing capital operation.

Management of Operational Risk

Operational risk refers to the risk of losses resulting from an inadequacy or deficiency of internal processes, working staff and information technology systems or from external events.

In the first half of 2014, we further strengthened the management of operational risks by carrying out assessment and supervision of operational risks for all business lines and establishing standardized system and internal control system. In order to fully understand the risks of the Company, we have conducted thorough operational risk detection in the first half of the year, which has prevented and resolved the operational risks effectively. Through the risk detection process, our risk awareness and identification capabilities were enhanced, the business control processes were refined, and the management of operational risks was strengthened.

We established risk inspection system in order to timely identify the potential risks and supervise and urge the branches and subsidiaries to enhance the awareness of risk control and strengthen their risk management.

Management of Reputation Risk

We put a great emphasis on the monitoring of reputation risk. An operating mechanism for monitoring, handling and reporting public sentiment has been set up in our daily management in order to maintain smooth communication of risk information. In addition, we promote the establishment of the management system of reputation risk to improve the management standard of the Company.

Anti-money Laundering

We have strictly complied with the relevant anti-money laundering laws and regulations and actively imposed requirements of anti-money laundering with focus on risk prevention. We also performed social responsibility of anti-money laundering seriously and continued to enhance the management standard of anti-money laundering.

Internal Audit

The Company constantly implements an independent internal audit system and allocates professional and specific internal auditors to conduct independent and objective supervision, inspection and evaluation on the effectiveness of risks management and internal control, accuracy and completeness of the financial information, and efficiency and results of operating activities of the Company. 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 the first half of 2014, we carried out comprehensive audit and supervision activities in respect of key business and major procedures in accordance with the annual internal audit plan, including audit for the assets management, accounting and financial management of certain subsidiaries, audit for the management of operation, finance and risks and the effectiveness of internal control of certain subsidiaries, and audit for the economic responsibility of the relevant mid-level management during their term of offices, according to the transfers of management personnel in the Company. We also conducted special audit research in respect of financial investment and alternative assets management of the Company. In addition, we further improved our internal audit ability by strengthening the tracking of audit deficiency correction and focusing on improving the audit quality and efficiency as well as the training of internal auditors.

Capital Management

Based on the regulatory requirement in relation to capital and in line with our development strategies, we continued to strengthen our capital management capability and enhance the guidance and constraint function of capital on business development. Capital allocation of the Group was optimized and the growth rate of risk assets was under control. Inefficient use of capital was minimized to improve the efficiency of capital utilization, so as to deliver competitive returns to our shareholders and safeguard the Group's ability of sustainable development.

As at June 30, 2014, the capital adequacy ratio of the Company was 18.42%.

Prospect

In the second half of 2014, the general economic conditions will remain complicated. In the real economy sector, since China's economy is still subject to the impacts brought by the transformation of economic growth pattern and economic restructuring, some enterprises will face more operation difficulties and tighter capital chains, which may increase the risk of credit default. In the financial sector, increasing non-traditional models of investment and financing lead to more diversified counterparties, resulting in higher difficulty to detect irregular operations and more complicated risk characteristics. It is necessary for the Company to fully understand the situation in order to maintain the balance between reform, development and stability, improve the quality of service to the real economy effectively by accelerating the transformation and development, enhance the compliance awareness and strictly control the risks.

On the one hand, both the balance and ratios of non-performing loans of PRC commercial banks have been increasing continuously. At the end of the first half of 2014, the balance of non-performing loans amounted to RMB694.4 billion with the non-performing loan ratio of 1.08%. The growth rate of non-performing loans for a single quarter was significantly higher than that in the corresponding period of 2013. In addition, loans of the "special mention" category for the quarter increased by RMB84.5 billion as compared to the last quarter, and its percentage to the total non-performing loans increased by 0.05 percentage point. The continuous rise of both the balance and ratio of non-performing loans has brought market opportunities for the traditional businesses of the Company. The Company will devote more efforts to market expansion and further strengthen the dominant position of our core business of distressed asset management.

On the other hand, the scale of distressed assets of the domestic non-banking sector in China continued to rise. Since 2014, several trust companies had overdue trust products with individual amounts up to several hundreds of millions of RMB. A majority of the corporate bonds and enterprise bonds will fall due in the second and third quarters of 2014, and the bonds related to the real estate, financing platform, coal, photovoltaic and steel industries may be under particularly high pressure for repayment. Certain industrial enterprise may also have higher demand for liquidity. As a result, the Company faces more opportunities to further expand the businesses under restructuring model and will provide differentiated financial services tailored to customer needs.

In general, the prospects of the major businesses of the Company remain promising, and we are highly competitive in distressed assets management in terms of our experience, licenses and policy support. Firstly, during economic restructuring stage, the core business of distressed asset management of the Company will face more market opportunities, which will facilitate the Company to enhance its sustainable development through acquiring additional distressed assets from financial institutions and non-financial enterprises. Secondly, the economic restructuring, industrial transformation and upgrade and the new round of reform on state-owned enterprises will enable the Company to further strengthen and expand the distressed assets business by exploring the value of existing assets and developing the financial investment and asset management business associated with capital market transactions. Thirdly, the Company can benefit from the policy support for financial innovation to develop new products and improve the business model, so as to promote the business development of asset management and financial services and the optimization of the profitability model.

The Company will closely monitor the domestic and international economic and financial conditions and control the adjustment of asset structure. While adjusting and optimizing the existing asset structure, the Company will improve the quality and profitability of the incremental assets. The Company will consolidate its advantageous position in the market by achieving synergy among the three major business segments of the distressed asset management, financial investment and asset management and financial services.

Changes in Share Capital and Information on Substantial Shareholders

Changes in Share Capital

The share capital of the Company as at June 30, 2014 was as follows:

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

Substantial Shareholders and De Facto Controller

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

The Company had 2,333 registered shareholders as at June 30, 2014. So far as the Directors and Supervisors are aware, the following persons had, or were deemed to have, an interest or short position in the shares and underlying shares which have been recorded in the register kept by the Company pursuant to Rule 336 of the SFO:

Name of substantial shareholders	Capacity	Number of shares held directly and indirectly	Class of share	Nature of interest	Approximate percentage to the total issued share capital (%)	Approximate percentage to the relevant class of shares (%)
MOF	Beneficial owner	24,596,932,316	Domestic shares	Long position	67.84%	100%
NSSF	Beneficial owner	2,914,843,174	H shares	Long position	8.04%	25.00%

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 (%)
UBS AG	Beneficial owner	1,614,599,507	H shares	Long position	4.45%	13.85%
	Beneficial owner	1,548,206,364	H shares	Short position	4.27%	13.28%
	Person holding a security interest in shares	223,815,000	H shares	Long position	0.62%	1.92%
	Interest of controlled corporation	1,371,327,199	H shares	Long position	3.78%	11.76%
	Interest of controlled corporation	20,902,000	H shares	Short position	0.06%	0.18%
JPMorgan Chase & Co.	Beneficial owner	36,925,000	H shares	Long position	0.10%	0.32%
	Beneficial owner	48,532,000	H shares	Short position	0.13%	0.42%
	Investment manager	308,199,000	H shares	Long position	0.85%	2.64%
	Custodian – corporation/ approved lending agent	592,255,665	H shares	Long position/ lending pool	1.63%	5.08%

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

General Information of Directors, Supervisors and Senior Management

Directors

As at June 30, 2014, the Board of the Company consisted of Mr. Hou Jianhang, Mr. Zang Jingfan and Mr. Xu Zhichao as executive Directors, Ms. Wang Shurong, Mr. Yin Boqin, Ms. Xiao Yuping, Ms. Yuan Hong and Mr. Lu Shengliang as non-executive Directors, and Mr. Li Xikui, Mr. Qiu Dong, Mr. Chang Tso Tung, Stephen and Mr. Xu Dingbo as independent non-executive Directors.

Supervisors

As at June 30, 2014, the Board of Supervisors of the Company consisted of Mr. Chen Weizhong as shareholder representative Supervisor, Ms. Dong Juan as external Supervisor, and Mr. Lin Jian and Mr. Wei Jianhui as employee representative Supervisors.

Senior Management

As at June 30, 2014, the senior management of the Company consisted of Mr. Zang Jingfan, Mr. Chen Xiaozhou, Mr. Yang Junhua, Mr. Xiao Lin, Mr. Zhuang Enyue, Mr. Xu Zhichao, Mr. Li Yuejin, Mr. Wu Songyun, Mr. Gu Jianguo, Mr. Liu Ligeng, Mr. Zhang Weidong and Mr. Luo Zhenhong.

Changes in Directors, Supervisors and Senior Management

Directors

On August 13, 2014, Ms. Wang Shurong and Mr. Yin Boqin tendered their resignation to the Board respectively. Due to other work arrangement, Ms. Wang Shurong ceased to act as non-executive Director and member of the Strategic Development Committee, Audit Committee, Risk Management Committee and Nomination and Remuneration Committee of the Company, and Mr. Yin Boqin ceased to act as non-executive Director and member of the Strategic Development Committee and Audit Committee of the Company.

On June 30, 2014, Mr. Li Honghui and Mr. Song Lizhong were elected as 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 until the expiry of the current session of the Board. Upon the election at the third meeting (the third regular meeting) of the Board for 2014 on August 27, 2014, Mr. Li Honghui was appointed as the member of the Strategic Development Committee, Audit Committee and Risk Management Committee, and Mr. Song Lizhong was appointed as the member of the Strategic Development Committee and Nomination and Remuneration Committee.

Supervisors

On June 5, 2014, Mr. Liu Xianghui tendered his resignation to the Board of Supervisors of the Company due to other work arrangement, and ceased to act as external Supervisor and member of the Supervision Committee of the Board of Supervisors of the Company.

On July 16, 2014, due to other work arrangement, Mr. Lin Jian ceased to act as employee representative Supervisor and member of the Supervision Committee of the Board of Supervisors of the Company. Pursuant to the resolution of the second meeting of the second session of the employee representative meeting, Ms. Gong Hongbing has acted as employee representative Supervisor of the Company with effect from July 16, 2014 until the expiry of the current session of the Board of Supervisors. Ms. Dong Juan, the external Supervisor of the Company, resigned as the chairman of the board of directors of Grandchina International Consulting Co., Ltd. in March, 2014.

Senior Management

In January 2014, Mr. Liu Ligeng was appointed as a member of the senior management of the Company.

Significant Events

Corporate Governance

The Company has strictly complied with the Company Law of the People's Republic of China, Securities Law of the People's Republic of China and other laws and regulations, relevant laws and regulations in Hong Kong and the Listing Rules. The Company has also refined its corporate governance structure and continuously enhanced its corporate governance based on its operation conditions.

During the Reporting Period, the Company continued to strive for comprehensive protection for the rights of Shareholders by placing focus on information disclosure. The Company strictly observed the rules and regulations of places where its shares were listed with full disclosure of information related to shareholders' interests through websites of the Company and the Stock Exchange to ensure fairness between domestic and overseas investors and protection of the interests of all Shareholders.

Shareholders' General Meetings

The annual general meeting for 2013 was held on June 30, 2014 in Beijing. At the annual general meeting, 8 resolutions were considered and approved, including the work report of the Board for 2013, the work report of the Board of Supervisors for 2013, the final financial account for 2013, the profit distribution plan for 2013, the fixed asset investment budget for 2014, the appointment of accounting firms for 2014, the election of Mr. Li Honghui and Mr. Song Lizhong as non-executive Directors of the Company and the capital increase in Happy Life (by way of a special resolution). The work report of the independent non-executive Directors for 2013 was also reviewed at the annual general meeting.

Board

As at June 30, 2014, the Board of the Company comprised 12 members, including three executive Directors, five non-executive Directors and four independent non-executive Directors. The independent non-executive Directors accounted for one-third of the Board members.

During the Reporting Period, the Board held two meetings, at which 13 resolutions were passed, including, among others, the operation plan for 2014, the fixed asset investment budget for 2014, the annual report for 2013, the internal audit work plan for 2014 and the internal control evaluation report for 2013.

Board of Supervisors

As at June 30, 2014, the Board of Supervisors of the Company comprised four members, including one shareholder representative Supervisor (the chairman of the Board of Supervisors), two employee representative Supervisors and one external Supervisor.

The Board of Supervisors duly performed its duty to consider and approve proposals. During the Reporting Period, the supervision committee convened three meetings and reviewed the relevant proposals for the consideration and approval of the Board of Supervisors. The Board of Supervisors held five meetings and considered and approved 11 resolutions, including, among others, the appraisal reports on the performance of the Directors and senior management for 2013, the final financial account for 2013, the internal control evaluation report for 2013, the annual report for 2013, the supervision report of the Board of Supervisors for 2013, the work report of the Board of Supervisors for 2013, the work plan of the Board of Supervisors for 2014 and the supervision plan of the Board of Supervisors for 2014.

During the Reporting Period, the Board of Supervisors carried out supervision and evaluation on the performance of Directors and senior management for 2013. Its communication with relevant departments of the Company was further strengthened through regularly receiving reports on financial and risk management. It diligently performed its duties of financial supervision, internal control and risk management supervision and made relevant suggestions. In addition, it monitored the independence and effectiveness of external auditors. It also placed emphasis on the strategic and overall development of the Company, and conducted researches on issues such as synergistic business model and customer strategy of the Group in depth.

Senior Management

During the Reporting Period, the senior management of the Company carried out operation and management in accordance with the Articles and within the authorized scope of the Board. It consolidated the strength of the Company in distressed asset management and strived to develop asset management business based on the operation plan approved by the Board. Efforts were also made to synchronize the healthy development of each business segment and stimulate the continuous growth in operating results through diversified business platforms.

Code of Corporate Governance

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

Internal Control

In the first half of 2014, the Company implemented the Basic Internal Control Norms for Enterprises (企業內部控制基本規範) and its matching 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) promulgated by the MOF and four other ministries and other regulatory requirements in respect of internal control as stipulated by relevant authorities and the Hong Kong Stock Exchange, to further improve its internal control system.

During the Reporting Period, the internal control system of the Company was further optimized with higher effectiveness. The Company conducted in-depth review and upgrade of its corporate systems to strengthen system coordination and management. Its system management platform was enhanced for the establishment of an effective system management mechanism. In addition, it kept track of the external laws and regulations in its implementation of regulatory requirements. Special inspection was carried out on internal control and risk management of projects with high risk potential. Internal control and compliance culture were further promoted to raise the awareness on such issues.

Profit and Dividend Distribution

The Company formulated and implemented the cash dividend policy in line with the requirements of the Articles and resolutions of the Shareholders' general meeting. The cash dividend policy has clear distribution standard and proportion with comprehensive decision-making procedures and mechanism approved by the independent non-executive Directors. Minority Shareholders are allowed to fully express opinions and suggestions with their legitimate interests being protected.

Upon the approval of the annual general meeting for 2013 held on June 30, 2014, in respect of the net profit for the special dividend period commencing from July 1, 2013 to November 30, 2013, the Company would distribute cash dividends to all Shareholders of the Company whose names appeared on the register of members on the benchmark date for the special dividend distribution (i.e. November 30, 2013). Such special dividend distribution amounted to RMB1,202,803,605.03, accounting for 13.32% of the net profit attributable to equity holders of the Company recorded by the Group for 2013. Other than the above special dividend distribution, the Company does not intend to distribute any dividends for 2013. Moreover, no interim dividends will be declared for 2014 and no general reserves will be converted to the share capital of the Company.

Use of Proceeds

The proceeds from the offering of H shares were used as disclosed in the prospectus. In particular, the proceeds were used to increase the capital for more effective distressed asset management so as to facilitate the development of the asset management business. The proceeds were also used to replenish the capital for integrated and diversified financial service platforms.

Material Litigation and Arbitration

During the Reporting Period, the Company was not involved in any litigation and arbitration which was material to its operation.

Major Acquisition and Disposal of Assets and Merger

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

Implementation of Share Incentive Plan

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

Major Connected Transactions

The Company did not conduct any connected transaction or continuing connected transaction which were required to be disclosed or approved by independent Shareholders in accordance with Chapter 14A of the Listing Rules during the Reporting Period.

Material Contracts and their Implementation

Material Custodies, Contracting and Leasing

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

Material Guarantees

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

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 regulatory authorities, reprimanded by any stock exchange, or prosecuted for criminal liabilities by the judicial authority.

Purchase, Sale and Redemption of Listed Securities

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

Securities Transactions by Directors and Supervisors

The Company has adopted a set of codes of conduct which are no less exacting than the standards set out in the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Listing Rules for securities transactions by Directors and Supervisors. The Company has made enquires to all Directors and Supervisors. All Directors and Supervisors confirmed that they had complied with the code during the Reporting Period.

Directors' and Supervisors' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at June 30, 2014, none of the Directors and Supervisors of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Listing Rules.

Review of Interim Report

The interim financial statements for 2014 prepared by the Company according to IFRS have been reviewed by Deloitte Touche Tohmatsu in accordance with International Standards on Review Engagements.

The interim report of the Company has been reviewed and approved by the Board and Audit Committee under the Board.

In accordance with 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)) issued by the MOF, the Company has organized the selection and appointment of accounting firm for 2014. At the annual general meeting for 2013 held on June 30, 2014, the resolution on the appointment of accounting firm for 2014 was passed. Deloitte Touche Tohmastu Certified Public Accountants LLP and Deloitte Touche Tohmatsu, which are engaged as the domestic and international auditors of the Company for 2014, respectively, are responsible for the audit of annual financial report, review of the interim report and audit of internal control of the Company for 2014.

Review Report and Condensed Consolidated Financial Statements

For the six months ended June 30, 2014

Report on Review of Condensed Consolidated Financial Statements

Deloitte.
德勤

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

Introduction

We have reviewed the condensed 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 73 to 156, which comprise the condensed consolidated statement of financial position as of June 30, 2014 and the related condensed consolidated income statement, statement of comprehensive income, statement of cash flows and statement of changes in equity for the six-month period then ended, and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of these condensed consolidated financial statements consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

Deloitte Touche Tohmatsu

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

August 27, 2014

Condensed Consolidated Income Statement

For the six months ended June 30, 2014

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	Six months ended June 30, 2014 Unaudited	Six months ended June 30, 2013 Audited
Income from distressed debt assets classified as receivables	1	**7,576,705**	4,244,535
Fair value changes on distressed debt assets	2	**2,302,328**	1,967,949
Fair value changes on other financial assets		**376,253**	321,647
Investment income	3	**3,974,764**	3,908,664
Net insurance premiums earned	4	**3,269,175**	2,603,579
Interest income	5	**3,806,838**	1,934,206
Revenue from sales of inventories	6	**1,798,568**	1,376,571
Commission and fee income	7	**1,297,626**	1,129,155
Net gains on disposal of subsidiaries and associates		**238,195**	111,480
Other income and other net gains or losses	8	**1,133,406**	1,071,564
Total		**25,773,858**	18,669,350
Interest expense	9	**(6,816,867)**	(3,155,108)
Insurance costs	10	**(2,938,974)**	(2,176,747)
Employee benefits		**(1,885,290)**	(1,699,445)
Purchases and changes in inventories	6	**(1,122,173)**	(823,865)
Commission and fee expense		**(457,859)**	(479,371)
Business tax and surcharges		**(764,681)**	(523,040)
Depreciation and amortization expenses		**(211,281)**	(210,895)
Other expenses		**(1,088,636)**	(1,008,998)
Impairment losses on assets	11	**(2,685,963)**	(3,475,938)
Total		**(17,971,724)**	(13,553,407)
Change in net assets attributable to other holders of consolidated structured entities	25	**(713,240)**	(216,396)
Profit before share of results of associates and tax		**7,088,894**	4,899,547
Share of results of associates		**176,874**	237,897
Profit before tax		**7,265,768**	5,137,444
Income tax expense	12	**(1,905,865)**	(1,120,428)
Profit for the period		**5,359,903**	4,017,016

Condensed Consolidated Income Statement

For the six months ended June 30, 2014

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	Six months ended June 30, 2014 Unaudited	Six months ended June 30, 2013 Audited
Profit attributable to:			
Equity holders of the Company		**5,295,973**	4,064,824
Non-controlling interests		**63,930**	(47,808)
		5,359,903	4,017,016
Earnings per share attributable to equity holders of the Company *(Expressed in RMB Yuan per share)*	13		
— Basic		**0.15**	0.13
— Diluted		**0.15**	N/A

Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2014

(Amounts in thousands of RMB, unless otherwise stated)

	Six months ended June 30,	
	2014	2013
	Unaudited	Audited
Profit for the period	**5,359,903**	4,017,016
Other comprehensive income/(expense)		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on available-for-sale financial assets		
— fair value changes arising during the period	**(40,854)**	(2,844,860)
— amounts reclassified to profit or loss upon disposal	**14,470**	(115,553)
— amounts reclassified to profit or loss upon impairment	**622,238**	2,406,377
Income tax effect	**(6,903)**	170,876
	588,951	(383,160)
Share of other comprehensive income/(expense) of associates	**122**	(19,936)
Exchange differences arising on translation of foreign operations	**10,911**	(44,740)
Other comprehensive income/(expense) for the period, net of income tax	**599,984**	(447,836)
Total comprehensive income for the period	**5,959,887**	3,569,180
Total comprehensive income attributable to:		
Equity holders of the Company	**5,625,377**	3,515,721
Non-controlling interests	**334,510**	53,459
	5,959,887	3,569,180

Condensed Consolidated Statement of Financial Position

As at June 30, 2014

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	As at June 30, 2014 Unaudited	As at December 31, 2013 Audited
Assets			
Cash and bank balances	15	**66,997,895**	57,059,107
Clearing settlement funds		**2,042,483**	1,707,859
Deposits with exchanges and a financial institution		**636,592**	831,073
Placements with banks and a financial institution		**–**	290,000
Financial assets at fair value through profit or loss	16	**30,746,936**	25,178,498
Financial assets held under resale agreements	17	**1,584,859**	1,053,527
Available-for-sale financial assets	18	**65,497,421**	72,747,155
Financial assets classified as receivables	19	**185,045,599**	116,662,697
Loans and advances to customers	20	**62,655,143**	48,636,362
Accounts receivable	21	**7,921,260**	6,448,944
Held-to-maturity investments	22	**7,421,297**	7,592,298
Properties held for sale	23	**21,109,697**	17,789,854
Investment properties	24	**1,781,420**	1,857,970
Interests in associates		**9,039,529**	8,961,606
Property and equipment	27	**3,584,839**	3,620,195
Goodwill		**324,827**	323,721
Other intangible assets		**147,975**	159,608
Deferred tax assets	28	**4,061,950**	3,937,398
Other assets	29	**11,555,868**	8,927,535
Total assets		**482,155,590**	383,785,407
Liabilities			
Borrowings from Central Bank	30	**2,873,259**	4,912,977
Accounts payable to brokerage clients		**6,885,078**	6,480,797
Financial liabilities at fair value through profit or loss		**40,063**	48,465
Financial assets sold under repurchase agreements	31	**9,294,082**	9,442,824
Placements from banks and a financial institution	32	**2,277,000**	10,477,000
Borrowings	33	**233,472,640**	173,834,689
Accounts payable	34	**24,373,284**	22,814,138
Investment contract liabilities for policyholders	35	**5,528,659**	3,244,367
Tax payable		**826,401**	2,060,566
Insurance contract liabilities	36	**22,136,400**	20,722,452
Bonds issued	37	**41,996,053**	13,285,017
Deferred tax liabilities	28	**529,152**	450,849
Other liabilities	38	**41,145,178**	33,249,145
Total liabilities		**391,377,249**	301,023,286

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	As at June 30, 2014 Unaudited	As at December 31, 2013 Audited
Equity			
Share capital	39	**36,256,690**	35,458,864
Capital reserve	40	**17,290,186**	15,903,578
Investment revaluation reserve	41	**1,049,067**	730,574
Surplus reserve		**2,483,115**	2,483,115
General reserve	42	**3,348,747**	2,967,886
Retained earnings		**23,789,745**	18,874,633
Foreign currency translation reserve		**(409,469)**	(420,380)
Equity attributable to equity holders of the Company		**83,808,081**	75,998,270
Non-controlling interests		**6,970,260**	6,763,851
Total equity		**90,778,341**	82,762,121
Total equity and liabilities		**482,155,590**	383,785,407

The condensed consolidated financial statements on pages 73 to 156 are authorized for issue by the Board of Directors and signed on its behalf by:

CHAIRMAN

PRESIDENT

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2014

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	Six months ended June 30, 2014 Unaudited	2013 Audited
OPERATING ACTIVITIES			
Profit before tax		**7,265,768**	5,137,444
Adjustments for:			
Impairment losses on assets	11	**2,685,963**	3,475,938
Depreciation of property and equipment, and investment properties		**163,466**	180,705
Amortization of intangible assets and other long-term assets		**47,815**	30,190
Share of results of associates		**(176,874)**	(237,897)
Net gains on disposal of property and equipment, and investment properties		**(64,555)**	(305,334)
Net gains on disposal of subsidiaries and associates		**(238,195)**	(111,480)
Fair value changes on financial assets		**(906,616)**	(325,696)
Investment income		**(3,974,764)**	(3,908,664)
Borrowing costs		**1,068,021**	808,571
Change in reserves for insurance contracts		**842,219**	2,088,207
Operating cash flows before movements in working capital		**6,712,248**	6,831,984
(Increase)/Decrease in bank balances		**(324,264)**	571,224
(Increase)/Decrease in financial assets at fair value through profit or loss ("FVTPL")		**(4,661,822)**	558,851
Increase in financial assets held under resale agreements		**(409,374)**	(88,480)
Increase in financial assets classified as receivables		**(69,033,188)**	(30,535,879)
Increase in loans and advances to customers		**(14,263,236)**	(7,159,678)
Increase in accounts receivable		**(598,743)**	(770,970)
Increase in properties held for sale		**(3,319,843)**	(823,339)
Decrease in borrowings from Central Bank		**(2,039,718)**	(180,759)
Increase in accounts payable to brokerage clients		**404,281**	144,259
Decrease in financial assets sold under repurchase agreements		**(1,016,740)**	(2,431,852)
Increase in borrowings		**53,603,390**	28,456,561
Increase/(Decrease) in accounts payable		**1,399,435**	(861,902)
Decrease/(Increase) in other operating assets		**6,492,130**	(2,225,510)
(Decrease)/Increase in other operating liabilities		**(2,527,495)**	6,851,597
Cash generated from operations		**(29,582,939)**	(1,663,893)
Income taxes paid		**(3,193,181)**	(2,763,943)
NET CASH USED IN OPERATING ACTIVITIES		**(32,776,120)**	(4,427,836)

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	Six months ended June 30, 2014 Unaudited	2013 Audited
INVESTING ACTIVITIES			
Cash receipts from disposals and recovery of investment securities		**9,890,202**	11,669,806
Dividends received from investment securities		**185,675**	619,689
Dividends received from associates		**94,172**	206,565
Interest received from investment securities		**1,570,780**	631,985
Cash receipts from disposals of property and equipment, investment properties and other intangible assets		**123,965**	446,442
Cash receipts from disposals of subsidiaries	50	**317,228**	(446)
Cash receipts from disposals of associates		**50,849**	—
Cash payments to acquire investment securities		**(10,984,702)**	(15,947,080)
Cash payments for purchase of property and equipment, investment properties and other assets		**(82,209)**	(171,909)
Cash payments for establishment and acquisition of interests in associates		**(61,000)**	(572,500)
Other investing cash flows		**—**	216,395
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		**1,104,960**	(2,901,053)
FINANCING ACTIVITIES			
Proceeds from issue of shares		**2,248,329**	—
Expense on issue of shares		**(64,589)**	—
Capital contribution from non-controlling interests of subsidiaries of the Company		**—**	4,924
Cash payments for capital injection into subsidiaries		**—**	(35,240)
Net cash flows from consolidated structured entities		**4,984,148**	—
Cash receipts from borrowings raised		**8,049,319**	2,921,926
Cash receipts from bonds issued		**29,228,327**	—
Cash payments for transaction cost of bonds issued		**(186,141)**	—
Cash repayments for bonds issued		**(700,000)**	—
Cash receipts from financial assets sold under repurchase agreements		**6,684,654**	1,123,608
Cash repayments on financial assets sold under repurchase agreements		**(5,816,656)**	(4,450,363)
Cash repayments on borrowings		**(2,014,758)**	(3,376,880)
Interest expenses on borrowings paid		**(612,170)**	(551,070)
Dividends paid to non-controlling interests of subsidiaries		**(126,170)**	(76,123)
NET CASH FROM/(USED IN) FINANCING ACTIVITIES		**41,674,293**	(4,439,218)

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2014

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	Six months ended June 30, 2014 Unaudited	2013 Audited
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**10,003,133**	(11,768,107)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**48,192,046**	31,093,404
Effect of foreign exchange changes		**(1,106)**	2,103
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	43	**58,194,073**	19,327,400
Net cash flows from operating activities include:			
Interest received		**3,522,913**	1,529,926
Interest paid		**5,463,694**	2,346,537

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2014

(Amounts in thousands of RMB, unless otherwise stated)

Unaudited	Notes IV	Equity attributable to equity holders of the Company								Non-controlling interests	Total
		Share capital (Note IV.39)	Capital reserve (Note IV.40)	Investment revaluation reserve (Note IV.41)	Surplus reserve	General reserve (Note IV.42)	Retained earnings	Foreign currency translation reserve	Subtotal		
As at January 1, 2014		35,458,864	15,903,578	730,574	2,483,115	2,967,886	18,874,633	(420,380)	75,998,270	6,763,851	82,762,121
Profit for the period		–	–	–	–	–	5,295,973	–	5,295,973	63,930	5,359,903
Other comprehensive income for the period		–	–	318,493	–	–	–	10,911	329,404	270,580	599,984
Total comprehensive income for the period		–	–	318,493	–	–	5,295,973	10,911	5,625,377	334,510	5,959,887
Shares issued	39, 40	797,826	1,385,914	–	–	–	–	–	2,183,740	–	2,183,740
Deemed acquisition of additional interest in subsidiary		–	694	–	–	–	–	–	694	(694)	–
Disposal of interests in subsidiaries		–	–	–	–	–	–	–	–	(1,237)	(1,237)
Appropriation to general reserve	42	–	–	–	–	380,861	(380,861)	–	–	–	–
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(126,170)	(126,170)
As at June 30, 2014		36,256,690	17,290,186	1,049,067	2,483,115	3,348,747	23,789,745	(409,469)	83,808,081	6,970,260	90,778,341

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2014

(Amounts in thousands of RMB, unless otherwise stated)

Audited	Notes IV	Equity attributable to equity holders of the Company								Non-controlling interests	Total
		Share capital (Note IV.39)	Capital reserve (Note IV.40)	Investment revaluation reserve (Note IV.41)	Surplus reserve	General reserve (Note IV.42)	Retained earnings	Foreign currency translation reserve	Subtotal		
As at January 1, 2013		30,140,024	6,520,646	406,054	1,760,041	912,279	15,426,502	(391,978)	54,773,568	6,111,175	60,884,743
Profit for the period		–	–	–	–	–	4,064,824	–	4,064,824	(47,808)	4,017,016
Other comprehensive (expense)/ income for the period		–	–	(504,363)	–	–	–	(44,740)	(549,103)	101,267	(447,836)
Total comprehensive (expense)/ income for the period		–	–	(504,363)	–	–	4,064,824	(44,740)	3,515,721	53,459	3,569,180
Capital contribution from non-controlling interests		–	–	–	–	–	–	–	–	4,924	4,924
Deemed acquisition of additional interest in subsidiary		–	(297,776)	–	–	–	–	–	(297,776)	297,776	–
Acquisition of additional interests in subsidiaries		–	(13,857)	–	–	–	(1,495)	–	(15,352)	(31,171)	(46,523)
Acquisition of subsidiaries		–	–	–	–	–	–	–	–	22,674	22,674
Deconsolidation of a consolidated structured entity		–	–	–	–	–	(511)	–	(511)	–	(511)
Appropriation to general reserve	42	–	–	–	–	1,229,760	(1,229,760)	–	–	–	–
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	(76,123)	(76,123)
Dividends recognized as distribution	14	–	–	–	–	–	(1,613,059)	–	(1,613,059)	–	(1,613,059)
As at June 30, 2013		30,140,024	6,209,013	(98,309)	1,760,041	2,142,039	16,646,501	(436,718)	56,362,591	6,382,714	62,745,305

I. GENERAL INFORMATION

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

The Company has financial services certificate No. J0004H111000001 issued by the China Banking Regulatory Commission (the "CBRC"), and business license No. 100000000031562 issued by the State Administration of Industry and Commerce of the PRC.

The Company listed on The Stock Exchange of Hong Kong Limited on December 12, 2013. Details of the share issue are included in note IV.39.

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 condensed 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. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

1. Basis of preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" and the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange.

2. Principal accounting policies

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2014 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2013.

The condensed consolidated financial statements of the Group should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2013.

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

In the current interim period, the Group has applied the following new interpretation and amendments to IFRSs 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 or disclosures set out in these condensed consolidated financial statements.

III. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

The preparation of the condensed consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2013.

IV. EXPLANATORY NOTES

1. Income from distressed debt 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 IV.19).

2. Fair value changes on distressed debt assets

The amounts represent fair value changes on distressed debt assets designated by the Group as at fair value through profit or loss during the period (see note IV.16).

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)

IV. EXPLANATORY NOTES (continued)

3. Investment income

	Six months ended June 30, 2014	2013
Net realized gain from disposal of		
— available-for-sale financial assets	**2,055,211**	2,647,140
Interest income from investment securities		
— available-for-sale financial assets	**477,529**	313,306
— debt securities classified as receivables	**1,010,131**	167,692
— held-to-maturity financial assets	**180,038**	176,513
Dividend income from		
— available-for-sale financial assets	**251,855**	604,013
Total	**3,974,764**	3,908,664

Investment securities mainly include debt securities, debt instruments, trust products and structured debt arrangements.

4. Net insurance premiums earned

	Six months ended June 30, 2014	2013
Gross written premiums	**5,195,365**	3,953,635
Less: Premiums ceded to reinsurers	**1,785,358**	1,194,672
Change of unearned premium reserves	**140,832**	155,384
Total	**3,269,175**	2,603,579

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

	Six months ended June 30, 2014	2013
Life insurance	**3,482,141**	2,421,180
Property and casualty insurance	**1,713,224**	1,532,455
Total	**5,195,365**	3,953,635

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

5. Interest income

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

	Six months ended June 30,	
	2014	2013
Loans and advances to customers	**2,719,026**	1,245,587
Bank balances	**759,935**	431,519
Accounts receivable	**200,756**	155,197
Placements with banks and a financial institution	**22,077**	32,140
Financial assets held under resale agreements	**39,621**	5,698
Others	**65,423**	64,065
Total	**3,806,838**	1,934,206

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

	Six months ended June 30,	
	2014	2013
Revenue from sales of inventories	**1,798,568**	1,376,571
Purchases and changes in inventories	**(1,122,173)**	(823,865)
Including:		
Revenue from sales of properties held for sales	**1,694,423**	1,277,956
Purchases and changes in properties held for sales	**(1,057,868)**	(767,617)
Gross profit from sales of properties	**636,555**	510,339
Revenue from other trading operations	**104,145**	98,615
Purchases and changes in inventories of other trading operations	**(64,305)**	(56,248)
Gross profit from other trading operations	**39,840**	42,367

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

7. Commission and fee income

	Six months ended June 30,	
	2014	2013
Securities and futures brokerage	**376,736**	413,012
Trustee services	**316,651**	408,199
Consultancy and financial advisory	**223,592**	127,301
Securities underwriting	**207,212**	50,726
Fund and asset management business	**103,608**	93,893
Agency business	**22,599**	15,270
Others	**47,228**	20,754
Total	**1,297,626**	1,129,155

8. Other income and other net gains or losses

	Six months ended June 30,	
	2014	2013
Net gains on disposal of investment properties	**65,151**	296,580
Net gains on disposal of other assets	**184,198**	27,813
Net gains/(losses) on exchange differences	**246,224**	(11,630)
Rental income	**152,910**	284,690
Revenue from hotel operation	**249,324**	214,443
Revenue from property management business	**73,851**	71,616
Government grant and compensation	**5,903**	12,075
Others	**155,845**	175,977
Total	**1,133,406**	1,071,564

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

9. Interest expense

	Six months ended June 30,	
	2014	2013
Borrowings from Central Bank	**(26,783)**	(59,503)
Accounts payable to brokerage clients	**(10,469)**	(10,774)
Financial assets sold under repurchase agreements	**(147,151)**	(232,999)
Borrowings	**(5,959,132)**	(2,267,519)
Amount due to the MOF	**(188,799)**	(295,774)
Bonds issued	**(440,659)**	(287,517)
Others	**(43,874)**	(1,022)
Total	**(6,816,867)**	(3,155,108)

10. Insurance costs

	Six months ended June 30,	
	2014	2013
Reserves for insurance contracts	**(701,387)**	(1,897,458)
Policyholder dividends	**(328,674)**	(232,726)
Refund of reinsurance premiums	**750,490**	1,154,233
Other insurance expenses	**(2,659,403)**	(1,200,796)
Total	**(2,938,974)**	(2,176,747)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

11. Impairment losses on assets

	Six months ended June 30,	
	2014	2013
Allowances of impairment losses on assets		
— Distressed debt assets classified as receivables	**(1,808,826)**	(745,660)
— Available-for-sale financial assets	**(626,643)**	(2,473,696)
— Loans and advances to customers	**(244,455)**	(224,112)
— Accounts receivable	**(686)**	(7,328)
— Other assets	**(5,353)**	(25,142)
Total	**(2,685,963)**	(3,475,938)

12. Income tax expense

	Six months ended June 30,	
	2014	2013
Current income tax:		
— PRC Enterprise Income Tax	**(1,902,257)**	(1,989,494)
— PRC Land Appreciation Tax	**(51,883)**	(56,785)
— Hong Kong Profits Tax	**(7,378)**	—
Over-provision in prior years:		
— PRC Enterprise Income Tax	**2,501**	107,648
Subtotal	**(1,959,017)**	(1,938,631)
Deferred income tax		
— Current period (Note IV.28)	**53,152**	818,203
Total	**(1,905,865)**	(1,120,428)

The statutory income tax rate applicable to PRC enterprise is 25% for the period (Six months ended June 30, 2013: 25%).

Hong Kong Profits Tax is calculated at 16.5% (Six months ended June 30, 2013: 16.5%) of the estimated assessable profit for the period.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

13. Earnings per share attributable to equity holders of the Company

The calculation of basic and diluted earnings per share is as follows:

	Six months ended June 30,	
	2014	2013
Earnings:		
Profit attributable to equity holders of the Company	**5,295,973**	4,064,824
Number of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	**36,230,243**	30,140,024
Basic earnings per share (RMB Yuan)	**0.15**	0.13
Diluted earnings per share (RMB Yuan)	**0.15**	N/A

The Group has considered the impact of the over-allotment option issued in the calculation of diluted earnings per share and the amount remains at RMB0.15 yuan per share because such impact is insignificant in the computation of diluted earnings per share. There was no potential ordinary share outstanding for the six months ended June 30, 2013.

14. Dividends

	Six months ended June 30,	
	2014	2013
Final dividend for 2012[1]	**–**	1,613,059
Dividends recognized as distribution during the period	**–**	1,613,059

(1) Distribution of final dividend for 2012

A cash dividend of RMB1,613 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 China Accounting Standards, at the annual general meeting held on June 28, 2013.

The above dividend had been recognized as distribution during the six months ended June 30, 2013.

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

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

15. Cash and bank balances

	As at June 30, 2014	As at December 31, 2013
Cash	**3,695**	3,358
Bank balances		
— House accounts	**61,616,079**	52,588,913
— Cash held on behalf of clients	**5,378,121**	4,466,836
Total	**66,997,895**	57,059,107
Including:		
Restricted bank balances	**10,061,128**	9,936,264
— including pledged bank deposits	**148,832**	732,000

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

16. Financial assets at fair value through profit or loss

	As at June 30, 2014	As at December 31, 2013
Held-for-trading financial assets		
Debt securities		
— Government bonds	**19,333**	—
— Public sector and quasi-government bonds	**923,274**	1,646,201
— Corporate bonds	**2,571,294**	2,450,365
	3,513,901	4,096,566
Equity instruments	**1,053,649**	735,989
Mutual funds	**984,508**	1,097,289
Derivatives	**27,781**	18,083
Subtotal	**5,579,839**	5,947,927

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

16. Financial assets at fair value through profit or loss (continued)

	As at June 30, 2014	As at December 31, 2013
Financial assets designated as at fair value through profit or loss		
Distressed debt assets[(1)]	**22,422,818**	16,391,690
Financial institution convertible bonds	**1,363,815**	947,024
Corporate convertible bonds	**105,479**	106,677
Wealth management products	**708,168**	1,218,363
Unlisted equity instruments	**566,817**	566,817
Subtotal	**25,167,097**	19,230,571
Total	**30,746,936**	25,178,498

(1) Distressed debt assets designated as at fair value through profit or loss of the Company accounts for the majority portion of the Group balance as at June 30, 2014 and December 31, 2013, respectively.

17. Financial assets held under resale agreements

	As at June 30, 2014	As at December 31, 2013
By collateral type:		
Bonds	**633,413**	568,683
Equity instruments	**951,446**	484,844
Total	**1,584,859**	1,053,527

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 June 30, 2014, the Group had received securities with a fair value of approximately RMB3,164 million (December 31, 2013: RMB1,849 million) that the Group can resell or repledge. The Group did not repledge or resell any of such securities as at June 30, 2014 and December 31, 2013. The Group 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)

IV. EXPLANATORY NOTES (continued)

18. Available-for-sale financial assets

	As at June 30, 2014	As at December 31, 2013
Debt securities		
— Government bonds	**74,752**	73,081
— Public sector and quasi-government bonds	**3,942,058**	4,479,842
— Financial institution bonds	**1,612,009**	1,647,823
— Corporate bonds	**4,561,176**	4,537,896
Subtotal	**10,189,995**	10,738,642
Equity instruments(1)	**43,634,006**	44,767,005
Debt instruments issued by financial institutions(2)	**—**	8,502,079
Asset management plans	**2,036,612**	902,151
Equity funds(1)	**5,522,808**	4,541,891
Wealth management products	**1,413,189**	1,273,424
Rights to trust assets	**1,073,250**	1,073,250
Trust products	**1,221,968**	839,929
Others	**405,593**	108,784
Total	**65,497,421**	72,747,155
Including:		
Debt securities pledged for borrowings	**433,443**	182,469

(1) Included in the balances are amounts of equity instruments and funds totaling RMB40,386 million as at June 30, 2014 (December 31, 2013: RMB39,600 million) that were measured at cost less impairment because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that their fair values cannot be reliably measured.

(2) Debt instruments issued by financial institutions mainly include asset portfolios with inter-bank assets as underlying assets, which were matured during the current interim period.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

19. Financial assets classified as receivables

	As at June 30, 2014	As at December 31, 2013
Distressed debt assets[1]		
— Loans acquired from financial institutions	**49,261,667**	36,512,891
— Accounts receivable acquired from non-financial institutions	**113,162,019**	64,400,286
	162,423,686	100,913,177
Less: Allowance for impairment losses		
— Individually assessed	**432,463**	194,228
— Collectively assessed	**4,251,504**	2,748,380
	4,683,967	2,942,608
Subtotal	**157,739,719**	97,970,569
Debt instruments		
— Trust products	**2,160,000**	2,329,000
— Certificate treasury bonds	**142,700**	142,700
— Debt investment plans	**1,490,073**	230,000
	3,792,773	2,701,700
Less: Allowance for impairment losses		
— Individually assessed	**5,671**	5,671
Subtotal	**3,787,102**	2,696,029
Structured debt arrangements[2]	**23,518,778**	15,996,099
Total	**185,045,599**	116,662,697

(1) Distressed debt assets balances of the Group as at June 30, 2014 and December 31, 2013 solely arise from the Company's operation in this business.

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

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

19. Financial assets classified as receivables (continued)

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

	2014		
	Individually assessed allowance	**Collectively assessed allowance**	**Total**
As at January 1	**199,899**	**2,748,380**	**2,948,279**
Net impairment losses recognized	**305,702**	**1,503,124**	**1,808,826**
Unwinding of discount on allowance	**(67,467)**	**—**	**(67,467)**
As at June 30	**438,134**	**4,251,504**	**4,689,638**

	2013		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	197,861	1,302,331	1,500,192
Net impairment losses recognized	52,791	1,446,049	1,498,840
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)

IV. EXPLANATORY NOTES (continued)

20. Loans and advances to customers

	As at June 30, 2014	As at December 31, 2013
Loans to customers		
— Unsecured loans	**629,329**	50,000
— Loans secured by properties	**5,799,271**	4,132,636
— Other secured loans	**1,670,065**	1,445,442
Loans to margin clients	**3,071,644**	2,750,848
Finance lease receivables	**31,462,972**	25,700,934
Entrusted loans	**21,208,073**	15,498,258
Subtotal	**63,841,354**	49,578,118
Less: Allowance for impairment losses		
— Individually assessed	**194,698**	172,402
— Collectively assessed	**991,513**	769,354
Subtotal	**1,186,211**	941,756
Total	**62,655,143**	48,636,362

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

20. Loans and advances to customers (continued)

Finance lease receivables are analyzed as follows:

	As at June 30, 2014	As at December 31, 2013
Minimum finance lease receivables:		
Within 1 year (inclusive)	**12,512,936**	10,600,630
1 year to 5 years (inclusive)	**22,722,084**	18,177,621
Over 5 years	**828,397**	527,752
Gross investment in finance leases	**36,063,417**	29,306,003
Less: Unearned finance income	**4,600,445**	3,605,069
Net investment in finance leases	**31,462,972**	25,700,934
Present value of minimum lease receivables:		
Within 1 year (inclusive)	**10,514,627**	8,989,855
1 year to 5 years (inclusive)	**20,205,312**	16,256,892
Over 5 years	**743,033**	454,187
Total	**31,462,972**	25,700,934
Including:		
Finance lease receivables pledged for borrowings	**2,955,544**	2,320,547

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

20. Loans and advances to customers (continued)

The movements of allowance for loans and advances to customers during the period/year are:

	2014		
	Individually assessed allowance	**Collectively assessed allowance**	**Total**
As at January 1	**172,402**	**769,354**	**941,756**
Net impairment losses recognized	**22,296**	**222,159**	**244,455**
As at June 30	**194,698**	**991,513**	**1,186,211**

	2013		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	83,974	354,471	438,445
Net impairment losses recognized	88,428	414,883	503,311
As at December 31	172,402	769,354	941,756

The Company had no loans and advances to customers as at June 30, 2014 and December 31, 2013.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Accounts receivable

	As at June 30, 2014	As at December 31, 2013
Accounts receivable relating to distressed assets[(1)]	**5,856,404**	5,555,211
Accounts receivable from sales of properties	**264,309**	372,101
Insurance premium and reinsurance refund receivables	**1,058,220**	170,843
Due from brokerage clients and securities companies	**424,072**	150,349
Commission and fee receivable	**16,277**	25,024
Others	**427,012**	301,071
Subtotal	**8,046,294**	6,574,599
Less: Allowance for impairment loss	**125,034**	125,655
Total	**7,921,260**	6,448,944

(1) The major component comprises outstanding amount of RMB4,465 million (December 31, 2013: RMB3,447 million) mainly arising from disposals of several debt-to-equity assets. These receivables bear interest from nil to 6.15% per annum. The outstanding balances are repayable no later than September 30, 2016.

Ageing analysis of:

Accounts receivable relating to distressed assets

	As at June 30, 2014				As at December 31, 2013			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	**1,548,775**	**26**	**–**	**1,548,775**	2,501,329	45	–	2,501,329
1 year to 2 years (inclusive)	**3,440,114**	**59**	**–**	**3,440,114**	1,546,668	28	–	1,546,668
2 years to 3 years (inclusive)	**5,623**	**–**	**–**	**5,623**	–	–	–	–
Over 3 years	**861,892**	**15**	**(80,111)**	**781,781**	1,507,214	27	(80,111)	1,427,103
Total	**5,856,404**	**100**	**(80,111)**	**5,776,293**	5,555,211	100	(80,111)	5,475,100

No ageing analysis is disclosed on items such as accounts receivable from sales of properties, 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)

IV. EXPLANATORY NOTES (continued)

21. Accounts receivable (continued)

Movements of allowance for impairment loss during the six months ended June 30, 2014 and for the year ended December 31, 2013 are as follows:

	2014	2013
At beginning of the period/year	**125,655**	118,550
Net impairment losses recognized	**686**	7,220
Amounts written off as uncollectible	**(1,307)**	(115)
At end of the period/year	**125,034**	125,655

22. Held-to-maturity investments

	As at June 30, 2014	As at December 31, 2013
Debt securities		
— Public sector and quasi-government bonds	**4,237,625**	4,511,154
— Financial institution bonds	**2,262,884**	2,262,411
— Corporate bonds	**920,788**	818,733
Total	**7,421,297**	7,592,298

23. Properties held for sale

	As at June 30, 2014	As at December 31, 2013
Completed properties	**2,595,439**	2,294,921
Properties under development	**18,472,899**	15,463,704
Others	**41,359**	31,229
Total	**21,109,697**	17,789,854
Including:		
Pledged for borrowings	**9,929,786**	8,486,484

IV. EXPLANATORY NOTES (continued)

24. Investment properties

During the current interim period, the Group acquired and disposed of certain investment properties with an aggregate amounts of RMB4 million at cost and RMB45 million at net book value, respectively (Six months ended June 30, 2013: RMB0.3 million at cost and RMB121 million at net book value, respectively).

As at June 30, 2014, the net book value of investment properties pledged for borrowings amounted to RMB1,672 million (December 31, 2013: RMB1,375 million).

As at June 30, 2014, the investment properties which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB41 million (December 31, 2013: RMB42 million).

25. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts, asset management plans, wealth management products and mutual funds. The judgments used by the Group to determine whether control exists are the same as those that applied to the consolidated financial statements for the year ended December 31,2013.

The financial impact of each of the private equity funds, trusts, asset management plans, wealth management products and mutual funds on the Group's financial position as at June 30, 2014 and December 31, 2013, and results and cash flows for the six months ended June 30, 2014 and the year ended December 31, 2013, though consolidated, are not significant and therefore not disclosed separately.

Interests held by other holders are presented as change in net assets attributable to other holders of consolidated structured entities in the condensed consolidated income statement and included in other liabilities in the condensed consolidated statement of financial position as set out in note IV.38.

26. Interests in unconsolidated structured entities

Structured entities the Group served as general partner, manager or trustee, therefore had power over them during the period include private equity funds, trusts, asset management plans, wealth management products and mutual funds. Except for the structured entities the Group has consolidated as detailed in note IV.25, 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.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

27. Property and equipment

During the current interim period, the Group acquired and disposed of property and equipment with an aggregate amount of RMB60 million at cost and RMB14 million at net book value, respectively (Six months ended June 30, 2013: RMB158 million at cost and RMB70 million at net book value, respectively).

As at June 30, 2014, the Group's construction in progress amounted to RMB308 million (December 31, 2013: RMB241 million).

As at June 30, 2014, the Group's property which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB728 million (December 31, 2013: RMB761 million).

As at June 30, 2014, the net book value of property and equipment pledged for borrowings amounted to RMB574 million (December 31, 2013: RMB153 million).

28. Deferred taxation

For the purpose of presentation on the condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The followings are the analysis of the deferred tax balances:

	As at June 30, 2014	As at December 31, 2013
Deferred tax assets	**4,061,950**	3,937,398
Deferred tax liabilities	**(529,152)**	(450,849)
	3,532,798	3,486,549

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

28. Deferred taxation (continued)

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	**327,848**	**(32,712)**	**(9,023)**	**1,103**	**–**	**(164)**	**(3,642)**	**806**	**(4,260)**	**(222,566)**	**–**	**(4,238)**	**53,152**
Charge to other comprehensive income	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(6,903)**	**–**	**(6,903)**
June 30, 2014	**3,228,023**	**53,562**	**10,437**	**68,568**	**(175,260)**	**379,475**	**167,000**	**42,698**	**64,119**	**25,765**	**(297,957)**	**(33,632)**	**3,532,798**
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)
Change 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

29. Other assets

	As at June 30, 2014	As at December 31, 2013
Other receivables	**3,657,707**	2,114,097
Interest receivable	**1,732,472**	1,351,629
Statutory deposits	**1,379,409**	1,379,409
Assets in satisfaction of debts	**1,255,983**	1,366,177
Reinsurers' share of insurance contract provisions	**829,891**	170,318
Dividend receivable	**608,459**	542,279
Prepayments for construction costs for properties held for sale	**401,313**	352,248
Prepaid taxes	**252,587**	208,730
Prepayments for leasing assets	**215,694**	239,605
Land use rights	**178,164**	182,638
Others	**1,044,189**	1,020,405
Total	**11,555,868**	8,927,535

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

30. Borrowings from Central Bank

	As at June 30, 2014	As at December 31, 2013
Borrowings from Central Bank	**2,873,259**	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. The loans will be repayable in full no later than September 30, 2014.

31. Financial assets sold under repurchase agreements

	As at June 30, 2014	As at December 31, 2013
By collateral type:		
Debt securities	**7,670,682**	6,641,824
Finance lease receivables	**823,400**	2,501,000
Loans to margin clients	**800,000**	300,000
Total	**9,294,082**	9,442,824

32. Placements from banks and a financial institution

	As at June 30, 2014	As at December 31, 2013
Placements from banks	**1,000,000**	9,400,000
Placements from a financial institution	**1,277,000**	1,077,000
Total	**2,277,000**	10,477,000

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

33. Borrowings

	As at June 30, 2014	As at December 31, 2013
Banks and other financial institutions borrowings		
Unsecured loans	**217,311,124**	161,394,681
Loans secured by properties	**7,478,559**	6,554,913
Other secured loans	**7,142,957**	5,367,595
Other borrowings		
Unsecured loans	**1,540,000**	517,500
Total	**233,472,640**	173,834,689

Loans secured by properties were collateralized by property and equipment, investment properties, properties held for sale at an aggregate carrying amount of RMB12,176 million as at June 30, 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 RMB3,538 million as at June 30, 2014 (December 31, 2013: RMB3,235 million).

The ranges of effective interest rates per annum (which are also equal to contractual interest rates) on the Group's borrowings are as follows:

	As at June 30, 2014	As at December 31, 2013
Fixed-rate borrowings	**0.99% to 12%**	2.71% to 12.40%
Variable-rate borrowings	**1.63% to 8.2%**	2.70% to 8.61%

The ranges of effective interest rates per annum on the Company's fixed-rate borrowings and variable-rate borrowings are from 4.75% to 7.2% and from 5.1% to 6.25% as at June 30, 2014 (December 31, 2013: 4.75% to 6.9% and 5.1% to 6.25%), respectively.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

34. Accounts payable

	As at June 30, 2014	As at December 31, 2013
Amount due to the MOF[(1)]	**21,836,375**	21,676,664
Reinsurance premium payable	**1,710,811**	—
Accounts payable associated with real estate business[(2)]	**673,515**	979,637
Others	**152,583**	157,837
Total	**24,373,284**	22,814,138

(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 the following five year 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 comprised 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.

35. Investment contract liabilities for policyholders

A summary of the movements of the Group's investment contract liabilities for policyholders during the six months ended June 30, 2014 and the year ended December 31, 2013 is set out below:

	2014	2013
At beginning of the period/year	**3,244,367**	3,213,126
Deposits received	**2,946,977**	887,738
Deposits withdrawn	**(629,657)**	(779,880)
Fees deducted	**(30,032)**	(60,116)
Interest credited	**89,652**	112,256
Others	**(92,648)**	(128,757)
At end of the period/year	**5,528,659**	3,244,367

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

36. Insurance contract liabilities

	January 1, 2014	Increase	Decrease	June 30, 2014
Short-term insurance contracts				
— Unearned premium reserves	**1,234,341**	**1,854,655**	**(1,695,233)**	**1,393,763**
— Outstanding claim reserves	**1,050,086**	**969,169**	**(884,023)**	**1,135,232**
Long-term life insurance contracts	**18,438,025**	**3,270,048**	**(2,100,668)**	**19,607,405**
Total	**20,722,452**	**6,093,872**	**(4,679,924)**	**22,136,400**

	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

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

36. Insurance contract liabilities (continued)

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

	As at June 30, 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	**1,236,913**	**156,850**	**1,393,763**	1,122,882	111,459	1,234,341
– Outstanding claim reserves	**615,797**	**519,435**	**1,135,232**	606,151	443,935	1,050,086
Long-term life insurance contracts	**5,834**	**19,601,571**	**19,607,405**	4,708	18,433,317	18,438,025
Total	**1,858,544**	**20,277,856**	**22,136,400**	1,733,741	18,988,711	20,722,452

37. Bonds issued

	Notes	**As at June 30, 2014**	As at December 31, 2013
10-year 7.2% fixed rate subordinated bonds	(1)	**522,027**	504,207
3-year 4.35% fixed rate financial bonds	(2)	**5,135,245**	5,025,631
5-year 4.65% fixed rate financial bonds	(3)	**5,139,649**	5,023,998
3-year 4% fixed rate RMB bonds	(4)	**1,992,292**	1,989,200
90-day 6% fixed rate commercial papers	(5)	**—**	715,014
5-year 4% fixed rate HKD bonds	(6)	**8,011**	7,964
5-year 4% fixed rate HKD bonds	(7)	**8,011**	7,945
5-year 4% fixed rate HKD bonds	(8)	**3,204**	3,171
5-year 4% fixed rate HKD bonds	(9)	**8,011**	7,887
3-year 5.2% fixed rate financial bonds	(10)	**10,001,362**	—
5-year 5.35% fixed rate financial bonds	(11)	**10,002,053**	—
5-year 4% fixed rate USD Guarantee Senior Notes	(12)	**6,109,462**	—
10-year 5.625% fixed rate USD Guarantee Senior Notes	(12)	**3,066,726**	—
Total		**41,996,053**	13,285,017

IV. EXPLANATORY NOTES (continued)

37. 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, with 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, with 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, with a fixed coupon rate of 4.65% per annum, payable annually.

(4) The fixed rate RMB bonds issued in December 2012 in Hong Kong with a principal of RMB2,000 million by a subsidiary of the Company have a tenure of 3 years, with a fixed coupon rate of 4% per annum, payable semi-annually.

(5) 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, with 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.

(6) The fixed rate HKD bonds issued in September 2013 in Hong Kong with a principal of HKD10 million by a subsidiary of the Company have a tenure of 5 years, with a fixed coupon rate of 4% per annum, payable semi-annually.

(7) The fixed rate HKD bonds issued in September 2013 in Hong Kong with a principal of HKD10 million by a subsidiary of the Company have a tenure of 5 years, with a fixed coupon rate of 4% per annum, payable semi-annually.

(8) 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, with a fixed coupon rate of 4% per annum, payable semi-annually.

(9) 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, with a fixed coupon rate of 4% per annum, payable semi-annually.

(10) 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, with a fixed coupon rate of 5.2% per annum, payable annually.

(11) 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, with a fixed coupon rate of 5.35% per annum, payable annually.

(12) The 5-year and 10-year fixed rate USD Guarantee Senior Notes ("Notes") with principal of USD1,000 million and USD500 million issued in May 2014 by China Cinda Finance (2014) Limited (the "Issuer") Hong Kong, a wholly owned subsidiary of the Company's subsidiary – Well Kent International ("Well Kent"), 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 International 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.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

38. Other liabilities

	As at June 30, 2014	As at December 31, 2013
Payables to other holders of consolidated structured entities (Note IV.25)	**22,499,169**	16,801,781
Guarantee deposits received on leasing business	**4,747,843**	4,020,657
Receipts in advance from property sales	**3,076,995**	2,852,996
Other payables	**2,831,055**	2,750,516
Staff costs payable	**1,806,163**	1,966,984
Interest payable	**1,347,007**	606,004
Special dividends payable	**1,202,804**	1,202,804
Liabilities related to insurance business	**1,165,115**	1,213,647
Sundry taxes payable	**330,541**	299,475
Provisions	**307,193**	324,229
Others	**1,831,293**	1,210,052
Total	**41,145,178**	33,249,145

39. Share capital

A summary of the movements of the Company's share capital during the six months ended June 30, 2014 and the year ended December 31, 2013 is as follows:

	2014	2013
Authorized, issued and fully paid, at par value of RMB1 each:		
At beginning of the period/year	**35,458,864**	30,140,024
Issue of shares(1)	**797,826**	5,318,840
At end of the period/year	**36,256,690**	35,458,864

(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.

IV. EXPLANATORY NOTES (continued)

39. Share capital (continued)

A summary of the movements of the Company's issued shares (in thousands of shares) during the six months ended June 30, 2014 and the year ended December 31, 2013 is as follows:

	2014			
	As at January 1,	Issuance	Transfer (a)	As at June 30, (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**

	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 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 current interim period (Year ended December 31, 2013: 485,360,536 shares).

(b) As at June 30, 2014, 24,596,932,316 domestic shares and 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).

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

40. Capital reserve

The share premium of the Group increased by RMB1,386 million due to the over-allotment issue as mentioned in Note IV.39.

41. Investment revaluation reserve

A summary of the movements of the Group's investment revaluation reserve attributable to equity holders during the six months ended June 30, 2014 and the year ended December 31, 2013 is set out below:

	2014	2013
At beginning of the period/year	**730,574**	406,054
Fair value changes on available-for-sale financial assets		
— fair value changes arising during the period/year	**(272,533)**	(3,106,570)
— amounts reclassified to profit or loss upon disposal	**(10,402)**	113,559
— amounts reclassified to profit or loss upon impairment	**606,790**	3,431,993
Income tax effect	**(5,484)**	(163,331)
Share of other comprehensive income of associates	**122**	48,869
Subtotal	**318,493**	324,520
At end of the period/year	**1,049,067**	730,574

42. General reserve

Pursuant to the Administrative Measures for the Provision of Reserves of Financial Enterprises (Caijin [2012] No. 20) issued by the MOF, the Company is required to maintain a general reserve at no less than 1.5% of its risk assets at the end of the reporting period, and the minimum threshold can be accumulated over a period of no more than five years, starting from July 1, 2012.

For the six months ended June 30, 2014 and 2013, as approved in the general meetings, the Company transferred RMB381 million and RMB1,230 million to general reserve pursuant to the regulatory requirements in the PRC.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

43. Cash and cash equivalents

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

	As at June 30, 2014	As at December 31, 2013
Cash on hand	**3,695**	3,358
Unrestricted balances with original maturity of less than 3 months		
Bank balances	**56,933,072**	47,119,485
Clearing settlement funds	**505,961**	149,816
Placements with banks and a financial institution	**—**	290,000
Financial assets held under resale agreements	**751,345**	629,387
Cash and cash equivalents	**58,194,073**	48,192,046

44. Major non-cash transaction

	Six months ended June 30,	
	2014	2013
Equity swap(1)		
— transferred into available-for-sale financial assets	**—**	435,255
— available-for-sale financial assets transferred out	**—**	(228,501)

(1) As part of its distressed asset management business, the Group entered into transactions of equity swap with counter-parties in the ordinary course of business during the period.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

45. Contingent liabilities and commitments

(1) Legal proceedings

The Company and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at June 30, 2014, total claim amount of pending litigations for the Group was RMB1,703 million (December 31, 2013: RMB1,812 million), and provisions of RMB128 million (December 31, 2013: RMB128 million) for the Group was 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.

(2) Commitments other than operating lease commitments

	As at June 30, 2014	As at December 31, 2013
Contracted but not provided for		
— commitments for the acquisition of property and equipment	**21,537**	107,161
— commitments for the establishment of an investment equity	**436,749**	828,000
— loan commitments	**195,600**	—
Total	**653,886**	935,161

(3) Operating lease commitments

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

	As at June 30, 2014	As at December 31, 2013
Within 1 year	**269,887**	238,507
1–2 years	**155,659**	133,137
2–3 years	**81,252**	69,447
3–5 years	**50,423**	66,502
Over 5 years	**56,576**	34,156
Total	**613,797**	541,749

IV. EXPLANATORY NOTES (continued)

45. 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 June 30, 2014, the exposure to the credit enhancements amounted to RMB1,600 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., subsidiaries of the Company, jointly set up Ningbo Qiushi Investment Management Limited Partnership ("Ningbo Qiushi") 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 June 30, 2014, the capital subscribed and paid in by Kunlun Trust amounted to RMB9,690 million and RMB6,788 million (December 31, 2013: RMB9,690 million and RMB5,899 million), respectively. The guaranteed basic return ranges from 8% to 10%, depends on the duration period of the investment projects.

(iii) Ningbo Chunhong Investment Management Partnership (Limited Partnership) ("Chunhong") was set up by the Company together with three subsidiaries of the Company in 2013. Cinda Securities Co., Ltd. ("Cinda Securities"), a subsidiary of the Company, which is one of the limited partners of Chunhong, then set up Directional Asset Management Plan (the "Plan") with funds raised for Chunhong. The Group provided unconditional purchase commitment to the unit holders of the Plan at an aggregate amount of their contribution plus any shortfall from the guaranteed returns of 8.2% that might rise, if the annualized return falls below 8.2%. The size of the Plan is RMB4,500 million. As at June 30, 2014, the outstanding amount of the Plan was RMB4,131 million (December 31, 2013: RMB2,817 million).

IV. EXPLANATORY NOTES (continued)

45. 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 Asset Management Co., Ltd. at an aggregate amount of its investment plus any shortfall from the guaranteed returns ranging from 6.6% to 7.0% that might arise, if the annualized return falls below this range. The capital subscribed by Taikang Asset Management Co., Ltd. amount to RMB12,000 million. As at June 30, 2014, Taikang Asset Management Co., Ltd. has made contribution of RMB7,629 million (December 31, 2013: RMB4,170 million).

(v) As a result of these purchase commitments 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 of the Company, transferred 35% of its interests in Hainan Jincui Real Estate Co., Ltd. to Shoutai Jinxin (Beijing) Equity Investment Fund Management Co., Ltd. ("Shoutai Jinxin"). The Group provided guaranteed return to Shoutai Jinxin for a period of 3 years. Maximum exposure to the Group resulted from the return guarantee amounted to RMB456 million as at June 30, 2014 (December 31, 2013: RMB480 million).

(vii) During 2012, the Group provided guarantee to China Zheshang Bank Co., Ltd. for a series of collective notes issued by the bank at an aggregate amount of RMB639 million at a coupon rate of 6% per annual for a period ranging from one to two years. As at June 30, 2014, the remaining amount that the Group provided guarantee were RMB548 million (December 31, 2013: RMB548 million).

IV. EXPLANATORY NOTES (continued)

46. 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.

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.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

46. Segment information (continued)

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.

	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Six months ended June 30, 2014					
Income from distressed debt assets classified as receivables	7,576,705	–	–	–	7,576,705
Fair value changes on distressed debt assets	2,326,461	–	–	(24,133)	2,302,328
Fair value changes on other financial assets	–	(17,700)	393,953	–	376,253
Investment income	3,005,024	411,244	669,706	(111,210)	3,974,764
Net insurance premiums earned	–	–	3,270,589	(1,414)	3,269,175
Interest income	716,225	1,612,855	1,592,099	(114,341)	3,806,838
Revenue from sales of inventories	–	1,798,568	–	–	1,798,568
Commission and fee income	78,413	12,899	1,299,563	(93,249)	1,297,626
Net gains/(losses) on disposal of subsidiaries and associates	–	239,370	(1,175)	–	238,195
Other income and other net gains or losses	581,757	767,022	13,023	(228,396)	1,133,406
Total	14,284,585	4,824,258	7,237,758	(572,743)	25,773,858
Interest expense	(5,621,248)	(427,889)	(907,860)	140,130	(6,816,867)
Insurance costs	–	–	(2,938,974)	–	(2,938,974)
Employee benefits	(506,237)	(269,851)	(1,109,202)	–	(1,885,290)
Purchases and changes in inventories	–	(1,122,173)	–	–	(1,122,173)
Commission and fee expense	(872)	(13,859)	(453,771)	10,643	(457,859)
Business tax and surcharges	(294,147)	(255,181)	(215,353)	–	(764,681)
Depreciation and amortization expenses	(36,101)	(98,447)	(76,733)	–	(211,281)
Other expenses	(288,263)	(412,151)	(528,649)	140,427	(1,088,636)
Impairment losses on assets	(2,276,106)	(75,294)	(334,563)	–	(2,685,963)
Total	(9,022,974)	(2,674,845)	(6,565,105)	291,200	(17,971,724)
Change in net assets attributable to other holders of consolidated structured entities	–	(713,240)	–	–	(713,240)
Profit before share of results of associates and tax	5,261,611	1,436,173	672,653	(281,543)	7,088,894
Share of results of associates	33,540	144,054	(720)	–	176,874
Profit before tax	5,295,151	1,580,227	671,933	(281,543)	7,265,768
Income tax expense					(1,905,865)
Profit for the period					5,359,903
Capital expenditure	4,973	46,014	26,444	–	77,431
As at June 30, 2014					
Segment assets	293,208,985	97,388,986	99,303,527	(7,745,908)	482,155,590
Including: Interests in associates	3,159,742	5,800,398	79,389	–	9,039,529
Total assets	293,208,985	97,388,986	99,303,527	(7,745,908)	482,155,590
Segment liabilities	250,048,063	65,318,788	81,652,801	(5,642,403)	391,377,249
Total liabilities	250,048,063	65,318,788	81,652,801	(5,642,403)	391,377,249

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

46. Segment information (continued)

	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Six months ended June 30, 2013					
Income from distressed debt assets classified as receivables	4,244,535	–	–	–	4,244,535
Fair value changes on distressed debt assets	2,003,017	–	–	(35,068)	1,967,949
Fair value changes on other financial assets	(6,975)	(37,191)	357,700	8,113	321,647
Investment income	3,295,032	264,698	348,934	–	3,908,664
Net insurance premiums earned	–	–	2,605,730	(2,151)	2,603,579
Interest income	443,220	470,753	1,073,051	(52,818)	1,934,206
Revenue from sales of inventories	–	1,376,571	–	–	1,376,571
Commission and fee income	15,486	14,459	1,119,135	(19,925)	1,129,155
Net gains on disposal of subsidiaries and associates	–	111,480	–	–	111,480
Other income and other net gains or losses	54,735	1,103,616	7,366	(94,153)	1,071,564
Total	10,049,050	3,304,386	5,511,916	(196,002)	18,669,350
Interest expense	(2,410,480)	(248,711)	(570,696)	74,779	(3,155,108)
Insurance costs	–	–	(2,176,747)	–	(2,176,747)
Employee benefits	(400,086)	(336,346)	(963,013)	–	(1,699,445)
Purchases and changes in inventories	–	(823,865)	–	–	(823,865)
Commission and fee expense	–	(8,568)	(470,803)	–	(479,371)
Business tax and surcharges	(120,294)	(197,574)	(205,172)	–	(523,040)
Depreciation and amortization expenses	(29,971)	(125,843)	(55,081)	–	(210,895)
Other expenses	(307,370)	(259,891)	(558,671)	116,934	(1,008,998)
Impairment losses on assets	(3,113,353)	(134,534)	(228,051)	–	(3,475,938)
Total	(6,381,554)	(2,135,332)	(5,228,234)	191,713	(13,553,407)
Change in net assets attributable to other holders of consolidated structured entities	–	(216,396)	–	–	(216,396)
Profit before share of results of associates and tax	3,667,496	952,658	283,682	(4,289)	4,899,547
Share of results of associates	43,265	194,632	–	–	237,897
Profit before tax	3,710,761	1,147,290	283,682	(4,289)	5,137,444
Income tax expense					(1,120,428)
Profit for the period					4,017,016
Capital expenditure	115,573	19,729	36,582	–	171,884
As at 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)

IV. EXPLANATORY NOTES (continued)

47. Related party transactions

(1) The MOF

As at June 30, 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 June 30, 2014	As at December 31, 2013
Accounts receivable	**164,769**	164,769
Financial assets at fair value through profit or loss	**19,333**	—
Available-for-sale financial assets	**74,752**	73,081
Financial assets classified as receivables	**142,700**	142,700
Interest receivable	**26,401**	21,506
Accounts payable	**21,836,375**	21,676,664
Interest payable	**29,088**	—

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

	Six months ended June 30,	
	2014	2013
Interest income	**5,855**	4,227
Interest expense	**188,799**	295,774

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

47. Related party transactions (continued)

(2) 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.

The Group had the following balances with its associates:

	As at June 30, 2014	As at December 31, 2013
Loans and advances to customers	**152,846**	230,000
Accounts receivable	**6,216**	—
Interest receivable	**9,593**	8,291
Other receivables	**139,289**	266,511
Borrowings	**—**	25,000
Bonds issued	**150,000**	150,000
Interest payable	**2,790**	3,123
Other payables	**—**	241

The Group has entered into the following transactions with its associates:

	Six months ended June 30,	
	2014	2013
Interest income	**13,163**	6,641
Commission and fee income	**593**	—
Dividend income	**70,560**	206,418
Net insurance premiums earned	**731**	96
Insurance cost	**2**	—
Interest expense	**10,807**	9,198

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

47. Related party transactions (continued)

(3) 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.

(4) Annuity Scheme

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

	Six months ended June 30,	
	2014	2013
Contribution to Annuity Scheme	**9,800**	10,534

(5) Key management remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers. The aggregate compensation paid/payable to senior management for employment services is as follows:

	Six months ended June 30,	
	2014	2013
Emoluments of key management personnel	**8,280**	6,536

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

48. Financial risk management

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

The Group's primary objectives of risk management, risk management framework, the nature of the risks faced by the Group and the risk management measures taken by management are the same as those set out in the Group's consolidated financial statements for the year ended December 31, 2013.

48.1 Credit Risk

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

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

	As at June 30, 2014	As at December 31, 2013
Bank balances	**66,994,200**	57,055,749
Clearing settlement funds	**2,042,483**	1,707,859
Deposits with exchanges and a financial institution	**636,592**	831,073
Placements with banks and a financial institution	**–**	290,000
Financial assets at fair value through profit or loss	**5,719,144**	6,386,713
Financial assets held under resale agreements	**1,584,859**	1,053,527
Available-for-sale financial assets	**16,332,682**	23,429,039
Financial assets classified as receivables	**185,045,599**	116,662,697
Loans and advance to customers	**62,655,143**	48,636,362
Accounts receivable	**7,921,260**	6,448,944
Held-to-maturity investments	**7,421,297**	7,592,298
Other assets	**3,143,681**	3,162,937
Total	**359,496,940**	273,257,198

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

48. Financial risk management (continued)

48.1 Credit Risk (continued)

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

Distressed debt assets designated as at fair value through profit or loss contain certain elements of credit risk. The carrying amount of distressed debt assets designated as at fair value through profit or loss for the Group as at June 30, 2014 amounted to RMB22,423 million (December 31, 2013: RMB16,392 million).

The major credit risk to which the Group exposes to arises from distressed debt assets classified as receivables and loans and advances to customers. Directors of the Company considered the credit risk of other financial assets is at the level that is similar to that existed at December 31, 2013.

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

	As at June 30, 2014	As at December 31, 2013
Distressed debt assets classified as receivables	**162,423,686**	100,913,177
Loans and advances to customers	**63,841,354**	49,578,118
Subtotal	**226,265,040**	150,491,295
Allowance for impairment losses		
Distressed debt assets classified as receivables	**(4,683,967)**	(2,942,608)
Loans and advances to customers	**(1,186,211)**	(941,756)
Subtotal	**(5,870,178)**	(3,884,364)
Net carrying amounts		
Distressed debt assets classified as receivables	**157,739,719**	97,970,569
Loans and advances to customers	**62,655,143**	48,636,362
Total	**220,394,862**	146,606,931

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

48. Financial risk management (continued)

48.1 Credit Risk (continued)

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

By geographical area

Area	As at June 30, 2014 Gross amount	%	As at December 31, 2013 Gross amount	%
Distressed debt assets classified as receivables				
Western Region	**38,638,694**	**23.8**	27,218,829	27.0
Bohai Rim	**38,835,529**	**23.9**	21,592,256	21.4
Central Region	**25,265,324**	**15.6**	17,336,839	17.2
Yangtze River Delta	**17,196,474**	**10.6**	11,698,731	11.6
Pearl River Delta	**30,741,785**	**18.9**	15,623,087	15.5
Northeastern Region	**11,745,880**	**7.2**	7,443,435	7.3
Total	**162,423,686**	**100.0**	100,913,177	100.0

Area	As at June 30, 2014 Gross amount	%	As at December 31, 2013 Gross amount	%
Loans and advances to customers				
Western Region	**16,241,929**	**25.4**	13,829,738	27.9
Bohai Rim	**15,409,352**	**24.1**	13,538,072	27.3
Central Region	**11,720,580**	**18.4**	6,857,234	13.8
Yangtze River Delta	**6,993,280**	**11.0**	4,795,359	9.7
Pearl River Delta	**4,827,682**	**7.6**	3,221,122	6.5
Northeastern Region	**5,259,387**	**8.2**	4,751,183	9.6
Overseas	**3,389,144**	**5.3**	2,585,410	5.2
Total	**63,841,354**	**100.0**	49,578,118	100.0

IV. EXPLANATORY NOTES (continued)

48. Financial risk management (continued)

48.1 Credit Risk (continued)

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

By geographical area (continued)

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, Heilongjiang.
Overseas:	Including Hong Kong and other overseas regions.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

48. Financial risk management (continued)

48.1 Credit Risk (continued)

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

By Industry

Industry	As at June 30, 2014 Gross amount	%	As at December 31, 2013 Gross amount	%
Distressed debt assets classified as receivables				
Real estate	**96,190,303**	**59.2**	60,844,378	60.3
Manufacturing	**10,534,892**	**6.5**	5,661,599	5.6
Water, environment and public utilities management	**6,486,744**	**4.0**	5,741,497	5.7
Leasing and commercial services	**11,016,193**	**6.8**	10,567,224	10.5
Construction	**8,294,409**	**5.1**	4,977,126	4.9
Transportation, logistics and postal services	**7,168,419**	**4.4**	3,101,035	3.1
Mining	**1,602,576**	**1.0**	1,283,467	1.3
Others	**21,130,150**	**13.0**	8,736,851	8.6
Total	**162,423,686**	**100.0**	100,913,177	100.0
Loans and advances to customers				
Real estate	**22,486,178**	**35.2**	14,777,127	29.8
Manufacturing	**13,956,888**	**21.9**	11,009,588	22.2
Water, environment and public utilities management	**7,564,179**	**11.8**	6,723,528	13.6
Leasing and commercial services	**1,607,789**	**2.5**	1,450,000	2.9
Construction	**1,781,921**	**2.8**	1,439,904	2.9
Transportation, logistics and postal services	**3,527,556**	**5.5**	2,609,177	5.3
Mining	**6,059,905**	**9.5**	4,136,248	8.3
Others	**6,856,938**	**10.8**	7,432,546	15.0
Total	**63,841,354**	**100.0**	49,578,118	100.0

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

48. Financial risk management (continued)

48.1 Credit Risk (continued)

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

By contractual maturity and security type

	Gross amount as at June 30, 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
Distressed debt assets classified as receivables								
Unsecured	80,200	269,893	–	350,093	293,467	397,664	–	691,131
Guaranteed	2,651,785	44,333,120	–	46,984,905	2,703,922	28,660,463	–	31,364,385
Mortgaged	6,673,066	83,280,920	–	89,953,986	3,586,768	49,709,939	–	53,296,707
Pledged	631,554	24,503,148	–	25,134,702	348,316	15,212,638	–	15,560,954
Total	10,036,605	152,387,081	–	162,423,686	6,932,473	93,980,704	–	100,913,177
Loans and advances to customers								
Unsecured	231,786	1,942,534	–	2,174,320	1,138,262	737,446	–	1,875,708
Guaranteed	636,000	14,530,648	1,473,601	16,640,249	–	13,086,508	462,346	13,548,854
Mortgaged	16,239,954	14,517,560	2,224,088	32,981,602	1,438,612	23,147,280	1,323,217	25,909,109
Pledged	5,497,602	5,618,463	929,118	12,045,183	2,845,850	4,383,197	1,015,400	8,244,447
Total	22,605,342	36,609,205	4,626,807	63,841,354	5,422,724	41,354,431	2,800,963	49,578,118

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

48. Financial risk management (continued)

48.1 Credit Risk (continued)

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

	As at June 30, 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	**3,137,292**	**1,092,757**	**902,176**	**–**	**5,132,225**	108,845	1,075,748	409,303	–	1,593,896
Loans and advances to customers	**1,728,053**	**1,273,005**	**214,942**	**–**	**3,216,000**	423,205	195,034	214,942	–	833,181
Total	**4,865,345**	**2,365,762**	**1,117,118**	**–**	**8,348,225**	532,050	1,270,782	624,245	–	2,427,077

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

	As at June 30, 2014	As at December 31, 2013
Neither past due nor impaired	**217,916,815**	147,944,672
Past due but not impaired(1)	**5,998,112**	1,009,706
Impaired(2)	**2,350,113**	1,536,917
Subtotal	**226,265,040**	150,491,295
Allowance for impairment loss	**(5,870,178)**	(3,884,364)
Net carrying amount	**220,394,862**	146,606,931

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

48. Financial risk management (continued)

48.1 Credit Risk (continued)

(iv) 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

	Gross amount as at June 30, 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	3,064,117	2,189	305,756	–	3,372,062	51,013	314,147	218,002	–	583,162
Loans and advances to customers	1,629,056	996,994	–	–	2,626,050	423,205	3,339	–	–	426,544
Total	4,693,173	999,183	305,756	–	5,998,112	474,218	317,486	218,002	–	1,009,706

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

	As at June 30, 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	1,760,163	(432,463)	1,327,700	1,010,734	(194,228)	816,506
Loans and advances to customers — Individually assessed	589,950	(194,698)	395,252	526,183	(172,402)	353,781
Total	2,350,113	(627,161)	1,722,952	1,536,917	(366,630)	1,170,287

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

48. Financial risk management (continued)

48.1 Credit Risk (continued)

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

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

	As at June 30, 2014	As at December 31, 2013
Distressed debt assets classified as receivables		
Individually assessed and impaired	**1,760,163**	1,010,734
Individually assessed and impaired as a % of total distressed debt assets classified as receivables (%)	**1.1**	1.0
Fair value of collateral	**1,327,700**	816,506
Loans and advances to customers		
Individually assessed and impaired	**589,950**	526,183
Individually assessed and impaired as a % of total loans and advances to customers (%)	**0.9**	1.1
Fair value of collateral	**376,437**	248,095

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

48. Financial risk management (continued)

48.1 Credit Risk (continued)

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

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

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

	As at June 30, 2014		As at December 31, 2013	
	Gross amount	**%**	Gross amount	%
Distressed debt assets classified as receivables				
Western Region	**258,560**	**14.6**	42,915	4.3
Bohai Rim	**276,649**	**15.7**	263,047	26.0
Central Region	**383,061**	**21.8**	133,118	13.2
Yangtze River Delta	**73,100**	**4.2**	73,100	7.2
Pearl River Delta	**251,170**	**14.3**	—	—
Northeastern Region	**517,623**	**29.4**	498,554	49.3
Total	**1,760,163**	**100.0**	1,010,734	100.0
Loans and advances to customers				
Western Region	**98,997**	**16.8**	—	—
Bohai Rim	**124,923**	**21.2**	124,923	23.7
Central region	**—**	**—**	46,971	8.9
Yangtze River Delta	**366,030**	**62.0**	354,289	67.4
Total	**589,950**	**100.0**	526,183	100.0

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

48. Financial risk management (continued)

48.2 Market risk

Interest rate risk

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

	As at June 30, 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	55,775,351	2,830,575	5,578,274	2,810,000	–	3,695	66,997,895
Clearing settlement funds	2,042,483	–	–	–	–	–	2,042,483
Deposits with exchanges and a financial institution	170,300	–	–	–	–	466,292	636,592
Financial assets at fair value through profit or loss	30,132	1,545,897	1,482,885	849,986	1,418,555	25,419,481	30,746,936
Financial assets held under resale agreements	634,770	116,575	810,069	23,445	–	–	1,584,859
Available-for-sale financial assets	770,061	557,255	1,464,917	4,907,870	5,273,233	52,524,085	65,497,421
Financial assets classified as receivables	3,519,328	11,633,169	74,877,550	94,825,552	190,000	–	185,045,599
Loans and advances to customers	31,299,986	866,660	5,634,142	22,941,517	1,912,838	–	62,655,143
Accounts receivable	14,814	437,757	3,682,577	611,903	–	3,174,209	7,921,260
Held-to-maturity investments	–	9,990	143,288	1,893,525	5,374,494	–	7,421,297
Other financial assets	133,179	131,820	184,892	1,149,409	–	1,763,352	3,362,652
Total financial assets	94,390,404	18,129,698	93,858,594	130,013,207	14,169,120	83,351,114	433,912,137
Borrowings from Central Bank	–	(2,873,259)	–	–	–	–	(2,873,259)
Accounts payable to brokerage clients	(5,718,607)	–	–	–	–	(1,166,471)	(6,885,078)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(40,063)	(40,063)
Financial assets sold under repurchase agreements	(7,670,482)	(223,600)	(1,400,000)	–	–	–	(9,294,082)
Placements from banks and a financial institution	(1,200,000)	(877,000)	(200,000)	–	–	–	(2,277,000)
Borrowings	(8,815,201)	(97,132,317)	(45,336,302)	(81,569,670)	(619,150)		(233,472,640)
Accounts payable	–	–	(12,443,370)	(9,393,005)	–	(2,536,909)	(24,373,284)
Investment contract liabilities for policyholders	(5,528,659)	–	–	–	–	–	(5,528,659)
Bonds issued	–	(148)	(419,678)	(38,509,501)	(3,066,726)	–	(41,996,053)
Other financial liabilities	–	–	–	(1,952,577)	–	(23,133,001)	(25,085,578)
Total financial liabilities	(28,932,949)	(101,106,324)	(59,799,350)	(131,424,753)	(3,685,876)	(26,876,444)	(351,825,696)
Interest rate gap	65,457,455	(82,976,626)	34,059,244	(1,411,546)	10,483,244	56,474,670	82,086,441

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

48. Financial risk management (continued)

48.2 Market risk (continued)

Interest rate risk (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
Placement with a financial institution	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 institution	(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

IV. EXPLANATORY NOTES (continued)

48. Financial risk management (continued)

48.2 Market risk (continued)

Foreign exchange risk

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

Directors of the Company considered the foreign exchange risk of the Group is at the level that is similar to that existed as at December 31, 2013.

Price risk

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

Directors of the Company considered the price risk of the Group is at the level that is similar to that existed as at December 31, 2013.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

48. Financial risk management (continued)

48.3 Liquidity risk

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

	As at June 30, 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	–	33,311,586	22,467,460	2,830,575	5,578,274	2,810,000	–	66,997,895
Clearing settlement funds	–	2,042,483	–	–	–	–	–	2,042,483
Deposits with exchanges and a financial institution	636,592	–	–	–	–	–	–	636,592
Financial assets at fair value through profit or loss	25,419,481	–	–	364,260	160,151	2,730,235	2,072,809	30,746,936
Financial assets held under resale agreements	–	–	634,770	116,575	810,069	23,445	–	1,584,859
Available-for-sale financial assets	48,694,015	2,501,770	253,089	427,063	1,464,917	6,568,620	5,587,947	65,497,421
Financial assets classified as receivables	4,863,880	–	3,351,805	11,268,431	71,829,085	93,542,398	190,000	185,045,599
Loans and advances to customers	1,113,513	–	1,130,977	2,669,025	13,414,265	41,683,132	2,644,231	62,655,143
Accounts receivable	584,005	62,969	10,663	446,146	6,095,383	722,094	–	7,921,260
Held-to-maturity investments	–	–	–	9,990	143,288	1,893,525	5,374,494	7,421,297
Other financial assets	159,359	247,841	300,633	536,499	836,618	1,281,702	–	3,362,652
Total financial assets	81,470,845	38,166,649	28,149,397	18,668,564	100,332,050	151,255,151	15,869,481	433,912,137
Borrowings from Central Bank	–	–	–	(2,873,259)	–	–	–	(2,873,259)
Accounts payable to brokerage clients	–	(6,885,078)	–	–	–	–	–	(6,885,078)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(40,063)	–	(40,063)
Financial assets sold under repurchase agreements	–	–	(7,670,482)	(77,000)	(1,476,100)	(70,500)	–	(9,294,082)
Placements from banks and a financial institution	–	–	(1,200,000)	(877,000)	(200,000)	–	–	(2,277,000)
Borrowings	(250,000)	–	(4,682,245)	(12,010,386)	(100,455,804)	(115,455,055)	(619,150)	(233,472,640)
Accounts payable	(79,071)	(119,828)	(7,667)	(667,549)	(14,106,164)	(9,393,005)	–	(24,373,284)
Investment contract liabilities for policyholders	(1,158)	(142,298)	–	–	–	(5,385,203)	–	(5,528,659)
Bonds issued	–	–	–	(148)	(419,678)	(38,509,501)	(3,066,726)	(41,996,053)
Other financial liabilities	(112,230)	(147,713)	(172,187)	(444,052)	(1,627,826)	(22,581,570)	–	(25,085,578)
Total financial liabilities	(442,459)	(7,294,917)	(13,732,581)	(16,949,394)	(118,285,572)	(191,434,897)	(3,685,876)	(351,825,696)
Net position	81,028,386	30,871,732	14,416,816	1,719,170	(17,953,522)	(40,179,746)	12,183,605	82,086,441

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

48. Financial risk management (continued)

48.3 Liquidity risk (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
Placement with a financial institution	–	–	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

IV. EXPLANATORY NOTES (continued)

48. Financial risk management (continued)

48.4 Risk management of distressed assets

Risk of distressed assets represents the potential loss that may arise from counterparty's failure to meet its obligation or changes in market conditions that lead to decline in asset value. Risk of distressed assets can also arise from operational failures due to unauthorized or inappropriate purchase, disposal or management activities, which result in the recoverable amount of the distressed assets lower than their carrying amounts.

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

The types of risk, their risk management procedures, fair value measurement techniques and impairment assessment are the same as those described in the consolidated financial statements for the year ended December 31, 2013.

48.5 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.

The types of risk and their risk management measures are the same as those described in the consolidated financial statements for the year ended December 31, 2013.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

48. Financial risk management (continued)

48.5 Insurance risk (continued)

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

	Six months ended June 30,			
	2014		2013	
	Amount	**%**	Amount	%
Life insurance	**3,482,141**	**67.1**	2,406,181	60.9
Motor vehicles insurance contract	**1,394,286**	**26.8**	1,273,159	32.2
General property insurance	**121,278**	**2.3**	114,007	2.9
Others	**197,660**	**3.8**	160,288	4.0
Total	**5,195,365**	**100.0**	3,953,635	100.0

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

	As at June 30, 2014		As at December 31, 2013	
	Amount	**%**	Amount	%
Life insurance	**19,588,182**	**88.6**	18,424,119	88.9
Motor vehicle commercial insurance	**1,888,207**	**8.5**	1,742,741	8.4
Health insurance contract	**141,209**	**0.6**	116,025	0.6
Others	**518,802**	**2.3**	439,567	2.1
Total	**22,136,400**	**100.0**	20,722,452	100.0

IV. EXPLANATORY NOTES (continued)

48. Financial risk management (continued)

48.6 Capital management

The Group's objectives on capital management are as follows:

- Ensure compliance with regulatory requirements;
- Optimize capital allocation among the Group entities;
- Improve efficiency of capital employment;
- Safeguard the Group's ability to continue as a going concern to support the Group's development.

In accordance with the requirements of Consolidated Supervision Guidelines on Financial Asset Management Companies (Provisional) (Yinjianfa [2011] No. 20), issued by the CBRC in 2011, the Group manages its capital based on required minimum capital. Compliance with the requirement of minimum capital is the primary goal of capital management of the Group.

Minimum capital of the Group is the total of minimum capital of the Company and its subsidiaries after taking into account the percentage of shareholding, after making deduction as required by relevant rules and regulations. The Group is required to meet this minimum capital requirement stipulated by the CBRC.

In accordance with the requirements of Off-site Supervision Reporting Index System on Financial Asset Management Companies (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 June 30, 2014 and December 31, 2013, the Company complied with the regulatory requirements on the minimum CAR.

IV. EXPLANATORY NOTES (continued)

49. 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. If there are no available observable current market transactions for similar instruments, the prices used for valuation are from the management's best estimation at the expected risk level; and

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

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

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

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

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

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Fair value of financial instruments (continued)

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

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

	As at June 30, 2014		As at December 31, 2013	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Financial assets classified as receivables	**185,045,599**	**183,464,131**	116,662,697	117,032,300
Loans and advances to customers	**62,655,143**	**62,680,357**	48,636,362	48,718,628
Accounts receivable	**7,921,260**	**8,020,306**	6,448,944	6,577,962
Held-to-maturity investments	**7,421,297**	**7,049,534**	7,592,298	6,948,212
Total	**263,043,299**	**261,214,328**	179,340,301	179,277,102
Financial liabilities				
Borrowings	**(233,472,640)**	**(233,924,299)**	(173,834,689)	(174,071,284)
Bonds issued	**(41,996,053)**	**(41,779,960)**	(13,285,017)	(12,963,269)
Total	**(275,468,693)**	**(275,704,259)**	(187,119,706)	(187,034,553)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Fair value of financial instruments (continued)

49.1 Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis (continued)

	As at June 30, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets classified as receivables	**–**	**–**	**183,464,131**	**183,464,131**
Loans and advances to customers	**–**	**–**	**62,680,357**	**62,680,357**
Accounts receivable	**–**	**–**	**8,020,306**	**8,020,306**
Held-to-maturity investments	**–**	**7,049,534**	**–**	**7,049,534**
Total	**–**	**7,049,534**	**254,164,794**	**261,214,328**
Borrowings	**–**	**–**	**(233,924,299)**	**(233,924,299)**
Bonds issued	**–**	**(41,258,912)**	**(521,048)**	**(41,779,960)**
Total	**–**	**(41,258,912)**	**(234,445,347)**	**(275,704,259)**

	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)

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)

IV. EXPLANATORY NOTES (continued)

49. Fair value of financial instruments (continued)

49.2 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.

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2014	As at December 31, 2013				
1) Held-for-trading financial assets	**5,579,839**	5,947,927				
Debt securities	**3,513,901**	4,096,566				
– Public sector and quasi-government bonds traded in inter-bank market	**923,274**	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
– Government bonds traded in inter-bank market	**19,333**	–	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	**675,949**	1,376,699	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Corporate bonds traded in inter-bank market	**1,895,345**	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)

IV. EXPLANATORY NOTES (continued)

49. Fair value of financial instruments (continued)

49.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2014	As at December 31, 2013				
Equity instruments listed or traded on exchanges	**1,053,649**	735,989	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Manufacturing	**660,253**	439,967				
– Finance	**50,910**	12,454				
– Mining	**16,749**	64,416				
– Real estate	**80,652**	37,529				
– Information transmission, software and information technology services	**151,546**	56,515				
– others	**93,539**	125,108				
Mutual funds	**984,508**	1,097,289	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Listed	**774,816**	711,125				
– Unlisted	**209,692**	386,164				
Derivatives	**27,781**	18,083	Level 3	• Note (1)	Note (1)	Note (1)
2) Financial assets designated as at fair value through profit or loss	**25,167,097**	19,230,571				
Distressed debt assets	**22,422,818**	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. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Fair value of financial instruments (continued)

49.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value As at June 30, 2014	Fair value As at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Debt securities	**1,469,294**	1,053,701				
– Financial institution convertible bonds traded in stock exchange	**1,363,815**	947,024	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Corporate convertible bonds traded in stock exchange	**63,410**	69,567	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Corporate convertible bonds not traded in active market	**42,069**	37,110	Level 3	• Discounted cash flow for the debt component and binomial option pricing model for the option component. • Future cash flows are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty.	• Discount rates that correspond to expected risk level. • Risk-free rates that are specific to the market. • Volatility rates that are in line with those of similar products.	• The lower the discount rates, the higher the fair value. • The higher the risk-free rate, the higher the fair value. • The higher the volatility rate, the higher the fair value.
Wealth management products issued by banks or other financial institutions	**708,168**	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	**566,817**	566,817				
– Equity investments in unlisted companies	**566,817**	566,817	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected incomes streams, discounted at rates that reflect management's best estimation of the expected risk level.	• 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)

IV. EXPLANATORY NOTES (continued)

49. Fair value of financial instruments (continued)

49.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value As at June 30, 2014	Fair value As at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
3) Available-for-sale financial asset	**25,111,197**	33,147,606				
Debt securities	**10,189,995**	10,738,642				
– Government bonds traded in stock exchange	**74,752**	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	**3,942,058**	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	**1,612,009**	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	**2,508,952**	2,568,281	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Corporate bonds traded in inter-bank market	**2,052,224**	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)

IV. EXPLANATORY NOTES (continued)

49. Fair value of financial instruments (continued)

49.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value As at June 30, 2014	Fair value As at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Listed equity instruments	**6,864,162**	7,382,774	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Mining	**3,755,225**	4,046,699				
– Manufacturing	**1,714,153**	2,105,853				
– Other industries	**1,394,784**	1,230,222				
Funds	**1,906,428**	2,326,573	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Listed	**1,185,938**	1,026,776				
– Unlisted	**720,490**	1,299,797				
Trust products	**1,221,968**	839,929				
– Trust products investing in listed shares	**211,281**	144,697	Level 2	• Calculated based on the quoted prices of equity instruments on which the trust products invested in.	N/A	N/A
– Other trust products	**1,010,687**	695,232	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Fair value of financial instruments (continued)

49.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value As at June 30, 2014	Fair value As at December 31, 2013	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Wealth management products	**1,413,189**	1,273,424				
– Investing in listed shares and debt securities	**713,189**	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
– Investing in deposit agreement	**700,000**	700,000	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
Rights to trust assets	**1,073,250**	1,073,250	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Fair value of financial instruments (continued)

49.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

Financial assets/ financial liabilities	Fair value		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	As at June 30, 2014	As at December 31, 2013				
Asset management plan	**2,036,612**	902,151				
– Issued by fund and securities companies	**1,676,612**	602,151	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
– Issued by other financial institutions	**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. • 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.
Debt instruments issued by financial institutions	**–**	8,502,079	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
Others	**405,593**	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	**(40,063)**	(48,465)				
Income guarantee and repurchase commitment	**(40,063)**	(48,465)	Level 3	• Note (1)	Note (1)	Note (1)

Note:

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

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Fair value of financial instruments (continued)

49.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (continued)

The following tables provide a summary of financial instruments that are measured at fair value subsequent to initial recognition, grouped into three levels:

	As at June 30, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit or loss	**4,141,331**	**3,546,120**	**23,059,485**	**30,746,936**
Available-for-sale financial assets	**11,354,294**	**10,612,966**	**3,143,937**	**25,111,197**
Total assets	**15,495,625**	**14,159,086**	**26,203,422**	**55,858,133**
Financial liabilities at fair value through profit or loss	**–**	**–**	**(40,063)**	**(40,063)**
Total liabilities	**–**	**–**	**(40,063)**	**(40,063)**

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Fair value of financial instruments (continued)

49.2 Fair value of financial assets and financial liabilities that are measured at fair value on a recurring basis (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	18,028,415	2,768,482	33,147,606
Total assets	16,577,277	21,966,645	19,782,182	58,326,104
Financial liabilities at fair value through profit or loss	—	—	(48,465)	(48,465)
Total liabilities	—	—	(48,465)	(48,465)

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

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Fair value of financial instruments (continued)

49.3 Reconciliation of Level 3 fair value measurements

	Financial assets at FVTPL	Available-for-sale financial assets	Financial liabilities at FVTPL
As at January 1, 2014	**17,013,700**	**2,768,482**	**(48,465)**
Recognized in profit or loss	**2,316,984**	**—**	**8,402**
Accumulated fair value changes transfer out upon disposal	**(1,588,719)**	**—**	**—**
Purchases	**7,185,827**	**375,455**	**—**
Settlements/disposals at cost	**(1,868,307)**	**—**	**—**
As at June 30, 2014	**23,059,485**	**3,143,937**	**(40,063)**
Total gain for the period for assets/liabilities held as at June 30, 2014 — included in profit or loss	**710,806**	**—**	**8,402**

	Financial assets at FVTPL	Available-for-sale financial assets	Financial liabilities at FVTPL
As at January 1, 2013	8,170,809	1,879,113	(49,845)
Recognized in profit or loss	4,663,534	—	—
Accumulated fair value changes transfer out upon disposal	(4,272,209)	—	—
Purchases	12,782,819	889,369	(52,538)
Settlements/disposals at cost	(4,331,253)	—	53,918
As at December 31, 2013	17,013,700	2,768,482	(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)

IV. EXPLANATORY NOTES (continued)

49. Fair value of financial instruments (continued)

49.3 Reconciliation of Level 3 fair value measurements (continued)

The total gains of the Group for the period included an unrealized gain of RMB719 million relating to financial assets/financial liabilities that were measured at fair value for the six months ended June 30, 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.

50. Disposal of subsidiaries

During the six months ended June 30, 2014, 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:

	Six months ended June 30,	
	2014	2013
Cash received	**321,973**	—
Deferred cash consideration	**—**	266,530
	321,973	266,530

Analysis of assets and liabilities over which control was lost:

	As at June 30, 2014	As at December 31, 2013
Current assets	**250,352**	185,129
Non-current assets	**3,034**	58,223
Current liabilities	**(98,030)**	(44,624)

IV. EXPLANATORY NOTES (continued)

50. Disposal of subsidiaries (continued)

Net cash flows arising on disposal:

	Six months ended June 30,	
	2014	2013
Cash consideration received	**321,973**	—
Less: cash and cash equivalent balances disposed of	**4,745**	446
Net cash flows	**317,228**	(446)

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