



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



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Definitions

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

“AMC(s)”	the four financial asset management companies approved by the State Council, including our Company, China Huarong Asset Management Co., Ltd, China Great Wall Asset Management Corporation and China Orient Asset Management Corporation
“Articles”	the current articles of association of China Cinda Asset Management Co., Ltd.
“Board”	the board of directors of the Company
“Board of Supervisors”	the board of supervisors of the Company
“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 interim report, Hong Kong, Macau Special Administrative Region and Taiwan
“Cinda Capital”	Cinda Capital Management Co., Ltd. (信達資本管理有限公司)
“Cinda Futures”	Cinda Futures Co., Ltd. (信達期貨有限公司)
“Cinda Hong Kong”	China Cinda (HK) Holdings Company Limited (中國信達(香港)控股有限公司), formerly known as Well Kent International Investment Company Limited (華建國際投資有限公司)
“Cinda International”	Cinda International Holdings Limited (信達國際控股有限公司)
“Cinda Investment”	Cinda Investment Co., Ltd. (信達投資有限公司)
“Cinda Leasing”	Cinda Financial Leasing Co., Ltd. (信達金融租賃有限公司)
“Cinda P&C”	Cinda Property and Casualty Insurance Co., Ltd. (信達財產保險股份有限公司)
“Cinda Real Estate”	Cinda Real Estate Co., Ltd. (信達地產股份有限公司)
“Cinda Securities”	Cinda Securities Co., Ltd. (信達證券股份有限公司)
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	ordinary share(s) with nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as fully paid in Renminbi

“First State Cinda Fund”	First State Cinda Fund Management Co., Ltd. (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”	The Hong Kong Special Administrative Region of the PRC
“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 Stock Exchange of Hong Kong Limited, as amended from time to time
“MOF”	the Ministry of Finance of the PRC
“(our) Company”	China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司)
“(our) Group”	China Cinda Asset Management Co., Ltd. and its subsidiaries
“PRC GAAP”	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by MOF, as well as other relevant regulations.
“Reporting Period”	the six months ended June 30, 2015
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
“Share(s)”	ordinary share(s) in the capital of the Company with nominal value of RMB1.00 each
“Shareholder(s)”	holder(s) of the Share(s)
“Supervisor(s)”	supervisor(s) of the Company
“Zhongrun Development”	Zhongrun Economic Development Co., Ltd. (中潤經濟發展有限責任公司)

Corporate Information

Official Chinese name	中國信達資產管理股份有限公司
Chinese abbreviation	中國信達
Official English name	China Cinda Asset Management Co., Ltd.
English abbreviation	China Cinda
Legal representative	Hou Jianhang
Authorized representatives	Zang Jingfan, Zhang Weidong
Board Secretary	Zhang Weidong
Joint company secretaries	Zhang Weidong, Ngai Wai Fung
Registered address	No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing, the PRC
Postal code of place of registration	100031
Website	www.cinda.com.cn
Principal place of business in Hong Kong	12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong
Website of Hong Kong Stock Exchange for publishing the H Share interim report	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)
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	<p>Haiwen & Partners 20/F, Fortune Financial Tower 5 Dong San Huan Central Road Chaoyang District Beijing, China</p> <p>Zhong Lun Law Firm 36–37/F, SK Tower 6A Jianguomenwai Avenue Chaoyang District Beijing, China</p> <p>King & Wood Mallesons 20/F, East Tower, World Financial Center 1 Dongsanhuan Central Road Chaoyang District Beijing, China</p> <p>Fangda Partner 32/F, Plaza 66 Tower 1 1266 Nan Jing West Road Shanghai, China</p>
Legal advisors as to Hong Kong Law and the place of business	<p>Davis Polk & Wardwell Hong Kong Solicitors 18/F, The Hong Kong Club Building 3A Chater Road Central, Hong Kong</p> <p>Hogan Lovells Hong Kong office 11th Floor, One Pacific Place 88 Queensway Hong Kong</p>
International accounting firm and office address	Ernst & Young 22/F, CITIC Tower 1 Tim Mei Avenue Central, Hong Kong
Domestic accounting firm and office address	Ernst & Young Hua Ming LLP Level 16, Ernst & Young Tower Oriental Plaza No.1 East Chang An Avenue Dong Cheng District Beijing, China

Financial Summary

The financial information contained in this interim 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		As at and for the year ended December 31,			
	June 30, 2015	2014	2014	2013	2012	2011
	(in millions of RMB)					
Income from distressed debt assets classified as receivables	9,498.4	7,576.7	18,113.6	10,144.2	3,518.4	180.9
Fair value changes on distressed debt assets	1,467.5	2,302.3	4,077.5	4,617.6	3,878.3	4,463.1
Fair value changes on other financial assets	1,990.5	376.3	2,180.5	539.0	399.3	40.5
Investment income	8,281.1	3,974.8	9,116.5	7,043.8	6,528.8	5,779.3
Other income and net gains or losses	16,618.9	11,543.8	26,302.0	20,068.6	18,010.4	13,918.3
Total income	37,856.4	25,773.9	59,790.1	42,413.2	32,335.2	24,382.1
Impairment losses on assets	(1,580.5)	(2,686.0)	(5,438.1)	(6,153.3)	(4,601.0)	(536.5)
Interest expense	(9,806.2)	(6,816.9)	(15,961.1)	(7,803.8)	(3,697.6)	(1,807.0)
Other costs and expenses	(14,538.1)	(8,468.9)	(20,634.4)	(16,643.8)	(14,901.5)	(13,683.3)
Total costs and expenses	(25,924.8)	(17,971.7)	(42,033.6)	(30,600.9)	(23,200.1)	(16,026.7)
Change in net assets attributable to other holders of consolidated structured entities	(1,247.2)	(713.2)	(1,909.9)	(540.5)	(151.5)	50.0
Share of results of associates	55.2	176.9	460.2	500.3	612.3	652.9
Profit before tax	10,739.6	7,265.8	16,306.7	11,772.1	9,595.9	9,058.2
Income tax expense	(2,484.0)	(1,905.9)	(4,164.0)	(2,671.0)	(2,378.7)	(2,271.9)
Profit for the period/year	8,255.7	5,359.9	12,142.7	9,101.0	7,217.2	6,786.3
Profit attributable to:						
Equity holders of the Company	7,823.8	5,296.0	11,896.2	9,027.3	7,306.3	6,762.8
Non-controlling interests	431.9	63.9	246.5	73.7	(89.1)	23.6
Assets						
Cash and bank balances	76,969.0	66,997.9	43,891.2	57,059.1	42,726.3	27,187.2
Financial assets at fair value through profit or loss	82,832.9	30,746.9	57,220.5	25,178.5	16,923.0	13,402.1
Available-for-sale financial assets	101,162.6	65,497.4	85,794.6	72,747.2	64,376.6	64,382.3
Financial assets classified as receivables	172,209.7	185,045.6	180,913.1	116,662.7	51,195.1	12,149.8
Loans and advances to customers	108,537.2	62,655.1	80,224.7	48,636.4	25,041.5	9,447.9
Other assets	116,246.0	71,212.6	96,383.3	63,501.5	54,351.9	46,554.7
Total assets	657,957.4	482,155.6	544,427.4	383,785.4	254,614.4	173,124.0

	As at and for					
	the six months ended		As at and for the year ended December 31,			
	June 30,					
	2015	2014	2014	2013	2012	2011
(in millions of RMB)						
Liabilities						
Borrowings from Central Bank	986.1	2,873.3	986.1	4,913.0	7,053.4	11,310.7
Accounts payable to brokerage clients	29,400.8	6,885.1	11,663.3	6,480.8	6,629.5	8,150.5
Borrowings	272,505.2	233,472.6	263,452.4	173,834.7	76,099.2	25,178.9
Accounts payable	11,068.0	24,373.3	13,891.2	22,814.1	39,539.4	47,994.9
Bonds issued	92,128.8	41,996.1	43,694.9	13,285.0	12,534.6	495.0
Other liabilities	141,312.8	81,776.9	108,876.3	79,695.7	51,873.5	37,151.3
Total liabilities	547,401.7	391,377.2	442,564.1	301,023.3	193,729.6	130,281.3
Equity						
Equity attributable to equity holders of the Company	100,533.6	83,808.1	93,368.9	75,998.3	54,773.6	37,813.1
Non-controlling interests	10,022.2	6,970.3	8,494.4	6,763.8	6,111.2	5,029.6
Total equity	110,555.8	90,778.3	101,863.3	82,762.1	60,884.8	42,842.7
Total equity and liabilities	657,957.4	482,155.6	544,427.4	383,785.4	254,614.4	173,124.0
Financial indicators						
Return on average shareholders' equity ⁽¹⁾⁽³⁾ (%)	16.1	13.3	14.0	13.8	15.8	18.1
Return on average assets ⁽²⁾⁽³⁾ (%)	2.7	2.5	2.6	2.9	3.4	4.2
Cost-to-income ratio ⁽⁴⁾ (%)	23.4	22.1	24.0	26.2	29.7	35.2
Earnings per share (RMB yuan) ⁽³⁾⁽⁵⁾	0.22	0.15	0.33	0.30	0.25	0.27
Net assets per share (RMB yuan) ⁽⁶⁾	2.77	2.31	2.58	2.50	1.90	1.50

Notes:

- Return on average shareholders' equity (ROE): Represents the percentage of profit attributable to the equity holders for the period in the average balance of equity attributable to the equity holders of the Company as at the beginning and the end of the period.
- 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.
- Return on average shareholders' equity, return on average assets and earnings per share for the six months ended June 30 presented above have been annualized.
- 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.
- 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.
- 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 2015, despite of the relatively high downturn pressure, the overall economy of China showed a slow but steady improvement. While the growth of consumption and investment continued to slow down and the total import and export declined, there were obvious improvement for sales of properties in tier-one and tier-two cities, with optimized economic structure and better growth quality. Accordingly, the PRC government introduced additional proactive fiscal policies and fine-tuned the prudent monetary policy appropriately while removing various restrictions in order to stimulate innovation in different markets. The macro economy is expected to improve steadily and realize the expected growth targets in the second half of 2015.

Firstly, more favourable fiscal policies have been implemented, such as accelerating the construction of major projects, further lowering taxes and promoting the public-private-partnership (PPP) model. Secondly, rapid increase in liquidity supply provides strong support to the economic recovery. The average financing cost of enterprises dropped to some extent as compared to the end of 2014, which helped to ease the downturn pressure on the investment and property markets. Thirdly, the positive impacts of the new policies on the property market increased the sales of properties significantly during the peak season, setting a tone for the recovery in the property market and real estate investment. Fourthly, the relevant government departments facilitated the approval of key projects such as water conservancy, railway, ecological environment and affordable housing construction along with the launch of stimulating policies on structural adjustment, thereby maintaining the faster growth of infrastructure investment.

Affected by liquidity, valuation pressure and other factors, the financial market of China, including Shanghai and Shenzhen stock markets, National Equities Exchange and Quotations (全國中小企業股份轉讓系統) and other capital markets of China, experienced significant fluctuations in the first half of 2015, and the risk exposure of the financial system increased. As at the end of the second quarter of 2015, the balance of non-performing loans of PRC commercial banks was RMB1,091,900 million, representing an increase of RMB109,400 million as compared with the end of last quarter, and an increase for the fifteenth consecutive quarter. The non-performing loan ratio was 1.50%, representing an increase of 0.11 percentage point as compared to the end of last quarter and an increase of 0.25 percentage point as compared to the beginning of the year¹. The year-on-year growth in net profits of commercial banks also slowed down remarkably. The Company believes that while the asset quality of financial system might be under further pressure in the next stage, risks are controllable and there will not be any systematic financial risk. Under such circumstances, financial asset management companies will play a more important role in the multi-level financial system of China.

Since 2015, the relevant government department has implemented various policies and regulations including the Administrative Measures on Regulating Financial Asset Management Companies (《金融資產管理公司監管辦法》) to guide the prudent operation and self-restraining of financial asset management companies to prevent risk, while supporting the transformation of business model and development of financial asset management companies. The Company will further support the transformation of economic structure and economic growth by leveraging its professional edges to facilitate the development of real economy in China and enhancing its corporate value.

¹ Relevant information was derived from statistical data of CBRC.

Analysis of Financial Statements

Operating Results of the Group

In the first half of 2015, the net profit attributable to equity holders of the Company amounted to RMB7,823.8 million, representing an increase of RMB2,527.8 million, or 47.7%, as compared with the same period of the previous year. Annualized ROE and ROA were 16.1% and 2.7%, respectively.

	For the six months ended June 30,			
	2015	2014	Change	Change in Percentage
	(in millions of RMB)			(%)
Income from distressed debt assets classified as receivables	9,498.4	7,576.7	1,921.7	25.4
Fair value changes on distressed debt assets	1,467.5	2,302.3	(834.8)	(36.3)
Fair value changes on other financial assets	1,990.5	376.3	1,614.2	429.0
Investment income	8,281.1	3,974.8	4,306.3	108.3
Net insurance premiums earned	6,397.9	3,269.2	3,128.7	95.7
Commission and fee income	2,349.6	1,297.6	1,052.0	81.1
Revenue from sales of inventories	2,039.4	1,798.6	240.8	13.4
Interest income	5,205.2	3,806.8	1,398.4	36.7
Net gains on disposal of subsidiaries and associates	150.6	238.2	(87.6)	(36.8)
Other income and net gains or losses	476.2	1,133.4	(657.2)	(58.0)
Total income	37,856.4	25,773.9	12,082.5	46.9
Insurance costs	(6,618.4)	(2,939.0)	(3,679.4)	125.2
Commission and fee expense	(744.2)	(457.9)	(286.3)	62.5
Purchases and changes in inventories	(1,388.3)	(1,122.2)	(266.1)	23.7
Employee benefits	(2,723.0)	(1,885.3)	(837.7)	44.4
Impairment losses on assets	(1,580.5)	(2,686.0)	1,105.5	(41.2)
Interest expense	(9,806.2)	(6,816.9)	(2,989.3)	43.9
Other expenses	(3,064.1)	(2,064.6)	(999.5)	48.4
Total costs and expenses	(25,924.8)	(17,971.7)	(7,953.1)	44.3
Change in net assets attributable to other holders of consolidated structured entities	(1,247.2)	(713.2)	(534.0)	74.9
Share of results of associates	55.2	176.9	(121.7)	(68.8)
Profit before tax	10,739.6	7,265.8	3,474.0	47.8
Income tax expense	(2,484.0)	(1,905.9)	(578.1)	30.3
Profit for the period	8,255.7	5,359.9	2,895.8	54.0
Profit attributable to:				
Equity holders of the Company	7,823.8	5,296.0	2,527.8	47.7
Non-controlling interests	431.9	63.9	368.0	575.8

Management Discussion and Analysis

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 their nature, 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; (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,			
	2015	2014	Change	Change in Percentage
	(in millions of RMB)			(%)
Income from distressed debt assets classified as receivables	9,498.4	7,576.7	1,921.7	25.4
Fair value changes on distressed debt assets	1,467.5	2,302.3	(834.8)	(36.3)
Investment income from available-for-sale financial assets ⁽¹⁾	2,795.7	2,144.9	650.8	30.3
Net gains on disposal of assets in satisfaction of debts ⁽²⁾	21.6	184.2	(162.6)	(88.3)
Total	13,783.2	12,208.1	1,575.1	12.9

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" in its consolidated income statement.
- (2) Included in "other income and net gains or losses" in its consolidated income statement.

The income from distressed assets increased by 12.9% from RMB12,208.1 million in the first half of 2014 to RMB13,783.2 million in the first half of 2015, accounting for 47.4% and 36.4% of the total income for the respective periods, respectively.

Income from Distressed Debt Assets Classified as Receivables

The income from distressed debt assets classified as receivables increased by 25.4% from RMB7,576.7 million in the first half of 2014 to RMB9,498.4 million in the first half of 2015, accounting for 29.4% and 25.1% of the total income for the respective periods. The increase in income was primarily due to the expansion of monthly average balance of distressed debt assets classified as receivables. In the first half of 2014 and 2015, the monthly average balance of distressed debt assets classified as receivables was RMB103,460.8 million and RMB169,745.7 million, respectively.

Annualized return of monthly average balance of distressed debt assets classified as receivables of the Company decreased from 12.2% in the first half of 2014 to 11.2% in the first half of 2015, due to the various general factors such as economic downturn in China and the enhancement of risk control by the Company to adjust business structure and to use risk-mitigation tools.

Fair Value Changes of Distressed Debt Assets

The fair value of distressed debt assets decreased by 36.3% from RMB2,302.3 million in the first half of 2014 to RMB1,467.5 million in the first half of 2015, accounting for 8.9% and 3.9% of the total income for the respective periods. As at June 30, 2014 and 2015, the balance of distressed debt assets designated as at fair value was RMB22,422.8 million and RMB60,116.8 million, respectively.

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

	For the six months ended June 30,			
	2015	2014	Change	Change in Percentage
	(in millions of RMB)			(%)
Realized fair value changes	1,541.5	1,624.5	(83.0)	(5.1)
Unrealized fair value changes	(74.0)	677.8	(751.8)	(110.9)
Total	1,467.5	2,302.3	(834.8)	(36.3)

Management Discussion and Analysis

The table below sets out the changes of distressed debt assets designated as at fair value for the periods indicated.

	As at and for the six months ended June 30, (in millions of RMB)
As at 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
As at June 30, 2014	22,422.8
As at December 31, 2014	42,302.0
Acquisition during the period	26,277.9
Disposal during the period	(8,389.1)
Unrealized fair value changes	(74.0)
As at June 30, 2015	60,116.8

The fair value of distressed debt assets of the Group decreased by 36.3% in the first half of 2015 as compared to the same period in 2014, primarily due to a decrease in the unrealized fair value changes of distressed debt assets by 110.9% from net gains of RMB677.8 million in the first half of 2014 to net loss of RMB74.0 million in the first half of 2015. The realized fair value changes, representing the net gains on disposal of such assets, decreased by 5.1% from RMB1,624.5 million in the first half of 2014 to RMB1,541.5 million in the first half in 2015. The slight decrease of the net gains on disposal of such assets of the Company as compared to the same period of the previous year was primarily due to the speeding up of disposal process to shorten the disposal cycle while maintaining stable annualized return.

Investment Income

The investment income of the Group increased by 108.3% from RMB3,974.8 million in the first half of 2014 to RMB8,281.1 million in the first half of 2015, accounting for 15.4% and 21.9% of the total income for the respective periods.

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

	For the six months ended June 30,			
	2015	2014	Change	Change in Percentage (%)
	(in millions of RMB)			
Net realized gains from disposal of				
Available-for-sale financial assets	5,197.8	2,055.2	3,142.6	152.9
Interest income from investment in securities				
Available-for-sale financial assets	608.9	477.5	131.4	27.5
Debt instruments classified as receivables	918.0	1,010.1	(92.1)	(9.1)
Held-to-maturity investments	155.0	180.0	(25.0)	(13.9)
Dividend income				
Available-for-sale financial assets	1,401.4	251.9	1,149.5	456.3
Total	8,281.1	3,974.8	4,306.3	108.3

The total investment income of the Group increased by 108.3% in the first half of 2015 as compared to the same period of the previous year, primarily due to the sound performance of domestic stock markets in the first half of 2015: (1) the net gains from disposal of available-for-sale financial assets increased by 152.9% from RMB2,055.2 million in the first half of 2014 to RMB5,197.8 million in the first half of 2015; (2) the dividend income of available-for-sale financial assets increased by 456.3% from RMB251.9 million in the first half of 2014 to RMB1,401.4 million in the first half of 2015.

Management Discussion and Analysis

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

	For the six months ended June 30,			
	2015	2014	Change	Change in Percentage
	(in millions of RMB)			
				(%)
Net realized gains on disposal of available-for-sale financial assets	5,197.8	2,055.2	3,142.6	152.9
DES Assets of the Company ⁽¹⁾	2,525.6	2,065.9	459.7	22.3
Others	2,672.2	(10.7)	2,682.9	(25,073.8)
Interest income from available-for-sale financial assets	608.9	477.5	131.4	27.5
Dividend income from available-for-sale financial assets	1,401.4	251.9	1,149.5	456.3
DES Assets of the Company	270.1	79.0	191.1	241.9
Proprietary equity investment of the Company and others	1,131.3	172.9	958.4	554.3
Total	7,208.1	2,784.6	4,423.5	158.9

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 investment income of the Group, accounted for 70.1% and 87.0% of the total investment income in the first half of 2014 and 2015, respectively.

Net Insurance Premiums Earned

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

	For the six months ended June 30,			
	2015	2014	Change	Change in Percentage
	(in millions of RMB)			
				(%)
Gross written premiums	6,455.3	5,195.4	1,259.9	24.3
Less: Premiums ceded to reinsurers	(74.3)	(1,785.4)	1,711.1	(95.8)
Change of unearned premium reserves	16.9	(140.8)	157.7	(112.0)
Net insurance premiums earned	6,397.9	3,269.2	3,128.7	95.7

The gross written premiums of the Group increased by 24.3% from RMB5,195.4 million in the first half of 2014 to RMB6,455.3 million in the first half of 2015, primarily attributable to the sound performance of stock and bond markets and the support of the ten favorable government policies on the insurance industry (國十條). The gross written premiums of Happy Life increased by 38.3% from RMB3,482.1 million in the first half of 2014 to RMB4,817.4 million in the first half of 2015.

The premiums of the Group ceded to reinsurers decreased by 95.8% from RMB1,785.4 million in the first half of 2014 to RMB74.3 million in the first half of 2015, primarily due to reduction in reinsurance of Happy Life for improved solvency as a result of improvement in business and higher profitability.

The change of unearned premium reserves of the Group decreased by 112.0% from net charge of RMB140.8 million in the first half of 2014 to net reversals of RMB16.9 million in the first half of 2015, primarily because the change of unearned premium reserves of Cinda P&C in 2014 was partly reversed in 2015.

Management Discussion and Analysis

Commission and Fee Income

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

	For the six months ended June 30,			
	2015	2014	Change	Change in Percentage
	(in millions of RMB)			
Securities and futures brokerage	1,716.0	376.7	1,339.3	355.5
Trustee services	151.6	316.7	(165.1)	(52.1)
Consultancy and financial advisory	93.3	223.6	(130.3)	(58.3)
Securities underwriting	169.7	207.2	(37.5)	(18.1)
Fund and asset management business	159.7	103.6	56.1	54.1
Agency business	18.1	22.6	(4.5)	(19.9)
Others	41.3	47.2	(5.9)	(12.6)
Total	2,349.6	1,297.6	1,052.0	81.1

The commission and fee income of the Group increased by 81.1% to RMB2,349.6 million in the first half of 2015 as compared to RMB1,297.6 million in the first half of 2014, primarily due to a significant increase in commission and fee income from securities and futures brokerage, which was partially offset by a decrease in commission and fee income from trustee services and consultancy and financial advisory.

Commission and fee income from securities and futures brokerage increased by 355.5% from RMB376.7 million in the first half of 2014 to RMB1,716.0 million in the first half of 2015, primarily due to the sound performance of domestic stock markets resulting in the significant increase in such income of Cinda Securities.

Commission and fee income from consultancy and financial advisory decreased by 58.3% from RMB223.6 million in the first half of 2014 to RMB93.3 million in the first half of 2015, mainly due to the decrease in such business of Cinda Leasing.

Commission and fee income from trustee services mainly includes the income of the trustee business of Jingu Trust. The income decreased by 52.1% from RMB316.7 million in the first half of 2014 to RMB151.6 million in the first half of 2015, primarily due to the increase in trustee business for securitization of which the fee rate was lower.

Revenue from Sales of Inventories and Purchases and Changes in Inventories

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

	For the six months ended June 30,			
	2015	2014	Change	Change in Percentage
	(in millions of RMB)			
				(%)
Revenue from sales of inventories	2,039.4	1,798.6	240.8	13.4
Purchases and changes in inventories including:	(1,388.3)	(1,122.2)	(266.1)	23.7
Revenue from sales of properties held for sales	1,994.3	1,694.4	299.9	17.7
Purchases of changes in properties held for sales	(1,353.0)	(1,057.9)	(295.1)	27.9
Gross profit from sales of properties	641.3	636.6	4.7	0.7
Gross profit margin from sales of properties (%)	32.2	37.6	(5.4)	(14.5)

The revenue from sales of inventories of the Group increased by 13.4% from RMB1,798.6 million in the first half of 2014 to RMB2,039.4 million in the first half of 2015 and the purchases and changes in inventories increased by 23.7% from RMB1,122.2 million in the first half of 2014 to RMB1,388.3 million in the first half of 2015.

The revenue from sales of properties held for sales of the Group increased by 17.7% from RMB1,694.4 million in the first half of 2014 to RMB1,994.3 million in the first half of 2015 while the purchases and changes in properties held for sales increased by 27.9% from RMB1,057.9 million in the first half of 2014 to RMB1,353.0 million in the first half of 2015. The gross profit margin from sales of properties decreased by 5.4 percentage points from 37.6% in the first half of 2014 to 32.2% in the first half of 2015 as the increase in revenue from sales of properties was largely offset by the increase in cost of sales of properties.

Management Discussion and Analysis

Interest Income

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

	For the six months ended June 30,			
	2015	2014	Change	Change in Percentage
	(in millions of RMB)			
Loans and advances to customers	3,914.4	2,719.0	1,195.4	44.0
Bank balances	831.7	759.9	71.8	9.4
Accounts receivable	126.2	200.8	(74.6)	(37.1)
Placements with banks and financial institutions	18.6	22.1	(3.5)	(15.7)
Financial assets held under resale agreements	240.7	39.6	201.1	507.9
Others ⁽¹⁾	73.5	65.4	8.1	12.3
Total	5,205.2	3,806.8	1,398.4	36.7

Note:

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

The interest income of the Group increased by 36.7% to RMB5,205.2 million in the first half of 2015 from RMB3,806.8 million in the first half of 2014, primarily due to the increase in interest income from loans and advances to customers and financial assets held under resale agreements, which was partly offset by the decrease in interest income from accounts receivable.

The interest income from loans and advances to customers increased by 44.0% to RMB3,914.4 million in the first half of 2015 from RMB2,719.0 million in the first half of 2014, primarily due to (1) an increase in entrusted loans and loans secured by properties granted by consolidated structured entities, and (2) the increase in entrusted loans of subsidiaries such as Cinda Investment and Cinda Hong Kong.

The interest income from financial assets held under resale agreements increased by 507.9% to RMB240.7 million in the first half of 2015 from RMB39.6 million in the first half of 2014, primarily attributable to the increase in financial assets held under resale agreements due to enhanced short-term cash management of the Company.

The interest income from accounts receivables decreased by 37.1% to RMB126.2 million in the first half of 2015 as compared to RMB200.8 million in the first half of 2014, primarily due to partly recovery of accounts receivables by the Company.

Other Income and Other Net Gains or Losses

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

	For the six months ended June 30,			
	2015	2014	Change	Change in Percentage
	(in millions of RMB)			
Net gains on disposal of investment properties	75.4	65.2	10.2	15.7
Net gains on disposal of other assets	21.6	184.2	(162.6)	(88.3)
Net gains on exchange differences	3.2	246.2	(243.0)	(98.7)
Rental income	176.2	152.9	23.3	15.3
Revenue from hotel operation	258.2	249.3	8.9	3.6
Revenue from property management business	90.6	73.9	16.7	22.6
Government grant and compensation	1.9	5.9	(4.0)	(67.7)
Others	(151.0)	155.8	(306.8)	(196.9)
Total	476.2	1,133.4	(657.2)	(58.0)

The other income and other net gains and losses of the Group decreased by 58.0% from RMB1,133.4 million in the first half of 2014 to RMB476.2 million in the first half of 2015, mainly due to: (1) the net gains on disposal of other assets decreased by 88.3% from RMB184.2 million in the first half of 2014 to RMB21.6 million in the first half of 2015, (2) the net gains on exchange differences decreased by 98.7% from RMB246.2 million in the first half of 2014 to RMB3.2 million in the first half of 2015. The significant net gains on exchange differences in the first half of 2014 was primarily because the proceeds of Hong Kong dollars from its initial public offering in the end of 2013 was settled in 2014 and as at December 31, 2014, the Company has completed the settlement of such proceeds.

Management Discussion and Analysis

Total Costs and Expenses

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

	For the six months ended June 30,			
	2015	2014	Change	Change in Percentage
	(in millions of RMB)			(%)
Insurance costs	(6,618.4)	(2,939.0)	(3,679.4)	125.2
Commission and fee expense	(744.2)	(457.9)	(286.3)	62.5
Purchases and changes in inventories	(1,388.3)	(1,122.2)	(266.1)	23.7
Employee benefits	(2,723.0)	(1,885.3)	(837.7)	44.4
Business tax and surcharges	(1,269.5)	(764.7)	(504.8)	66.0
Depreciation and amortization	(218.9)	(211.3)	(7.6)	3.6
Impairment losses on assets	(1,580.5)	(2,686.0)	1,105.5	(41.2)
Interest expense	(9,806.2)	(6,816.9)	(2,989.3)	43.9
Other expenses	(1,575.7)	(1,088.6)	(487.1)	44.7
Total	(25,924.8)	(17,971.7)	(7,953.1)	44.3

The total costs and expenses of the Group increased by 44.3% from RMB17,971.7 million in the first half of 2014 to RMB25,924.8 million in the first half of 2015, mainly due to the increase in insurance costs, interest expenses and employee benefits arising from business expansion of the Group.

Insurance Costs

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

	For the six months ended June 30,			
	2015	2014	Change	Change in Percentage
	(in millions of RMB)			(%)
Reserves for insurance contracts	(1,601.3)	(701.4)	(899.9)	128.3
Interests and policyholder dividends	(621.6)	(328.7)	(292.9)	89.1
Refund of reinsurance premiums	0.6	750.5	(750.0)	(99.9)
Other insurance expenses ⁽¹⁾	(4,396.1)	(2,659.4)	(1,736.7)	65.3
Total	(6,618.4)	(2,939.0)	(3,679.4)	125.2

Note:

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

The insurance costs of the Group increased by 125.2% from RMB2,939.0 million in the first half of 2014 to RMB6,618.4 million in the first half of 2015. Other insurance costs increased by 65.3% from RMB2,659.4 million in the first half of 2014 to RMB4,396.1 million in the first half of 2015, mainly due to the increase in claims and surrender payments in line with the business growth of Happy Life.

The refund of reinsurance premiums reduced by 99.9% from RMB750.5 million in the first half of 2014 to RMB0.6 million in the first half of 2015, mainly due to the decline in reinsurance premiums of Happy Life.

The reserves for insurance contracts increased by 128.3% from RMB701.4 million in the first half of 2014 to RMB1,601.3 million in the first half of 2015, mainly due to the significant growth in the business of Happy Life.

Impairment Losses on Assets

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

	For the six months ended June 30,			
	2015	2014	Change	Change in Percentage
	(in millions of RMB)			(%)
Distressed debt assets classified				
as receivables	(667.0)	(1,808.8)	1,141.8	(63.1)
Available-for-sale financial assets	(144.5)	(626.6)	482.1	(76.9)
Loans and advances to customers	(885.2)	(244.5)	(640.7)	262.1
Accounts receivable	118.7	(0.7)	119.4	(17,057.1)
Other assets	(2.5)	(5.4)	2.9	(53.4)
Total	(1,580.5)	(2,686.0)	1,105.5	(41.2)

The impairment losses on assets of the Group decreased by 41.2% from RMB2,686.0 million in the first half of 2014 to RMB1,580.5 million in the first half of 2015, mainly due to the decrease in the provision for impairment losses on available-for-sale financial assets and distressed debt assets classified as receivables, which was partly offset by the increase in provision for impairment losses on loans and advances to customers.

The impairment losses on available-for-sale financial assets of the Group decreased by 76.9% from RMB626.6 million in the first half of 2014 to RMB144.5 million in the first half of 2015, primarily due to the sound performance of domestic stock markets and because there were no significant impairment of shares of listing companies in the first half of 2015.

Management Discussion and Analysis

The impairment losses on distressed debt assets classified as receivables decreased by 63.1% from RMB1,808.8 million in the first half of 2014 to RMB667.0 million in the first half of 2015, mainly due to the decrease in the balance of distressed debt assets classified as receivables from RMB162,423.7 as at June 30, 2014 to RMB156,973.2 million as at June 30, 2015 and the allowance for impairment losses which is collectively assessed decreased accordingly.

Interest Expense

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

	For the six months ended June 30,			
	2015	2014	Change	Change in Percentage
	(in millions of RMB)			(%)
Borrowing from Central Bank	—	(26.8)	26.8	(100.0)
Accounts payable to brokerage clients	(34.0)	(10.5)	(23.5)	224.0
Financial assets sold under repurchase agreements	(277.3)	(147.2)	(130.1)	88.4
Borrowings	(7,891.6)	(5,959.1)	(1,932.5)	32.4
Amount due to the MOF	(80.5)	(188.8)	108.3	(57.4)
Bonds issued	(1,505.4)	(440.7)	(1,064.7)	241.6
Others	(17.3)	(43.9)	26.6	(60.5)
Total	(9,806.2)	(6,816.9)	(2,989.3)	43.9

The interest expense of the Group increased by 43.9% from RMB6,816.9 million in the first half of 2014 to RMB9,806.2 million in the first half of 2015, primarily due to the significant increase in borrowings in line with the rapid growth of core business resulting in the increase in interest expenses on borrowings and bonds issued.

The interest expenses on borrowing increased by 32.4% from RMB5,959.1 million in the first half of 2014 to RMB7,891.6 million in the first half of 2015, primarily due to: (1) increase in borrowings from banks and other financial institutions in line with the increase in purchase of distressed debt assets of the Company, and (2) increase in borrowings in line with business expansion of Cinda Leasing and Cinda Investment.

The interest expenses on bonds issued increased by 241.6% from RMB440.7 million in the first half of 2014 to RMB1,505.4 million in the first half of 2015, due to the issue of financial bonds of RMB20 billion in May 2014 and May 2015 respectively, Guaranteed Senior Notes of USD1.5 billion issued in May 2014 and Guaranteed Senior Notes of USD3.0 billion issued in April 2015.

Income Tax Expense

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

	For the six months ended June 30,			
	2015	2014	Change	Change in Percentage
	(in millions of RMB)			
				(%)
Profit before tax	10,739.6	7,265.8	3,473.8	47.8
Income tax expense	(2,484.0)	(1,905.9)	(578.1)	30.3
Effective tax rate (%)	23.1	26.2	(3.1)	(11.7)

The income tax expense increased by 30.3% from RMB1,905.9 million in the first half of 2014 to RMB2,484.0 million in the first half of 2015, mainly due to the increase of taxable income. In the first half of 2014 and 2015, the effective tax rate was 26.2% and 23.1%, respectively. The decrease in effective tax rate was due to the significant increase in non-taxable income in the first half of 2015 as compared to the same period in 2014.

Segment Results of Operations

The Group report 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 fund) and the consulting and financial advisory services by the Company, Cinda Investment and Cinda Hong Kong; and (3) financial services business such as securities and futures, trusts, financial leasing, fund management and insurance, which were conducted mainly through its subsidiaries.

Management Discussion and Analysis

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

	For the six months ended June 30,									
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	Distressed asset management		Financial investment and asset management		Financial services		Elimination		Consolidation	
	(in millions of RMB)									
Total income	15,711.0	14,284.6	7,897.2	4,824.3	14,774.9	7,237.8	(526.7)	(572.7)	37,856.4	25,773.9
Percentage of total (%)	41.5	55.4	20.9	18.7	39.0	28.1				
Total costs and expenses	(9,604.7)	(9,023.0)	(4,410.0)	(2,674.8)	(12,103.8)	(6,565.1)	193.6	291.2	(25,924.8)	(17,971.7)
Profit before tax	6,145.4	5,295.2	2,541.7	1,580.2	2,385.6	671.9	(333.1)	(281.5)	10,739.6	7,265.8
Percentage of total tax (%)	57.2	72.9	23.7	21.7	22.2	9.2				
Profit margin (%)	39.1	37.1	32.2	32.8	16.1	9.3			28.4	28.2
Return on net assets before tax ⁽¹⁾ (%)	24.9	25.7	13.4	10.4	19.8	8.3			20.2	16.7

	As at		As at		As at		As at		As at	
	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014	June 30, 2015	December 31, 2014
	Distressed asset management		Financial investment and asset management		Financial services		Elimination		Consolidation	
	(in millions of RMB)									
Total assets	339,425.3	320,973.5	165,322.1	110,860.2	168,755.1	123,560.4	(15,545.1)	(10,966.7)	657,957.4	544,427.4
Percentage of total (%)	51.6	59.0	25.1	20.4	25.6	22.7				
Net assets	46,986.7	51,619.7	44,401.1	31,312.0	26,141.7	22,084.6	(6,973.7)	(3,153.0)	110,555.8	101,863.3
Percentage of total (%)	42.5	50.7	40.2	30.7	23.6	21.7				

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 the Group's core business and one of its principal income contributors. In the first half of 2014 and 2015 the income generated from distressed asset management accounted for 55.4% and 41.5% of its total income, respectively, and the profit before tax generated from distressed asset management accounted for 72.9% and 57.2% of its profit before tax, respectively. As at December 31, 2014 and June 30, 2015, the total assets of its distressed asset management accounted for 59.0% and 51.6% of its total assets and the net assets of its distressed asset management accounted for 50.7% and 42.5% of its net assets, respectively.

The profit contribution from the financial investment and asset management services remained stable in the first half of 2014 and 2015, accounting for 21.7% and 23.7% of the profit before tax of the Group, respectively. In the first half of 2014 and 2015, the profit margin of this segment were 32.8% and 32.2%, respectively, and the average annualized return on net asset before tax were 10.4% and 13.4%, 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 operation and management strategies. Both total income and profit before tax of the financial services segment in the first half of 2015 increased significantly by 104.1% and 255.1% as compared to the first half of 2014, respectively, primarily due to the sound performance of the capital markets, support of "the ten favorable government policies" on the insurance industry (國十條) and the improved performance of our financial subsidiaries.

Summary of Financial Position of the Group

As at December 31, 2014 and June 30, 2015, the total assets of the Group amounted to RMB544,427.4 million and RMB657,957.4 million respectively, representing an increase of 20.9%; total liabilities of the Group amounted to RMB442,564.1 million and RMB547,401.7 million, respectively, representing an increase of 23.7%; total equity amounted to RMB101,863.3 million and RMB110,555.8 million, respectively, representing an increase of 8.5%.

Management Discussion and Analysis

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

	As at June 30, 2015		As at December 31, 2014	
	Amount	Percentage	Amount	Percentage
		(%)		(%)
	(in millions of RMB)			
Assets				
Cash and bank balances	76,969.0	11.7	43,891.2	8.1
Financial assets at fair value through profit or loss	82,832.9	12.6	57,220.5	10.5
Available-for-sale financial assets	101,162.6	15.4	85,794.6	15.8
Financial assets classified as receivables	172,209.7	26.2	180,913.1	33.2
Loans and advances to customers	108,537.2	16.5	80,224.7	14.7
Other assets	116,246.0	17.7	96,383.3	17.7
Total assets	657,957.4	100.0	544,427.4	100.0
Liabilities				
Borrowings from Central Bank	986.1	0.2	986.1	0.2
Accounts payable to brokerage clients	29,400.8	5.4	11,663.3	2.6
Borrowings	272,505.2	49.8	263,452.4	59.5
Accounts payable	11,068.0	2.0	13,891.2	3.1
Bonds issued	92,128.8	16.8	43,694.9	9.9
Other liabilities	141,312.8	25.8	108,876.3	24.6
Total liabilities	547,401.7	100.0	442,564.1	100.0
Equity				
Equity attributable to equity holders of the Company	100,533.6	90.9	93,368.9	91.7
Non-controlling interests	10,022.2	9.1	8,494.4	8.3
Total equity	110,555.8	100.0	101,863.3	100.0
Total equity and liabilities	657,957.4		544,427.4	

Assets

Cash and Bank Balances

Cash and bank balances primarily consist of cash, the Group's bank deposits and deposits with banks and other financial institutions that Cinda Securities holds on behalf of its customers in securities brokerage business. As at December 31, 2014 and June 30, 2015, cash and bank balances amounted to RMB43,891.2 million and RMB76,969.0 million, respectively, representing an increase of 75.4%. The increase was primarily due to the issue of financial bonds of RMB20.0 billion by the Company in May 2015, the issue of Guaranteed Senior Notes of USD3.0 billion by Cinda Hong Kong in April 2015 and the significant increase in deposits of customers of Cinda Securities resulting from sound performance of domestic stock markets.

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

	As at June 30, 2015	As at December 31, 2014	Change	Change in Percentage (%)
(in millions of RMB)				
Held-for-trading financial assets				
Debt securities	11,001.7	7,064.7	3,937.0	55.7
Equity instruments listed or traded on exchanges	4,863.0	2,409.9	2,453.1	101.8
Mutual funds	3,632.2	1,505.1	2,127.1	141.3
Derivatives	23.6	17.4	6.2	35.8
Subtotal	19,520.5	10,997.1	8,523.4	77.5
Financial assets designated as at fair value through profit or loss				
Distressed debt assets	60,116.8	42,302.0	17,814.7	42.1
Financial institution convertible bonds	—	698.3	(698.3)	(100.0)
Corporate convertible bonds	45.3	46.3	(1.0)	(2.1)
Wealth management products	2,567.7	2,521.6	46.1	1.8
Unlisted equity instruments	582.7	655.2	(72.6)	(11.1)
Subtotal	63,312.5	46,223.4	17,089.0	37.0
Total	82,832.9	57,220.5	25,612.4	44.8

Management Discussion and Analysis

As at December 31, 2014 and June 30, 2015, held-for-trading financial assets amounted to RMB10,997.1 million and RMB19,520.5 million, respectively, representing an increase of 77.5%. The sharp increase was mainly due to the sound performance of domestic stock and bond markets, support of the ten favorable government policies on the insurance industry (國十條), resulting in the increase in funds, bonds and equity instruments held by Cinda Securities, Happy Life and Cinda Hong Kong.

As at December 31, 2014 and June 30, 2015, financial assets designated as at fair value through profit or loss amounted to RMB46,223.4 million and RMB63,312.5 million, respectively, representing an increase of 37.0%, mainly due 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 42.1% from RMB42,302.0 million as at December 31, 2014 to RMB60,116.8 million as at June 30, 2015, mainly due to the acquisition of a large amount of such assets by the Company in the first half of 2015.

Available-for-sale Financial Assets

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

	As at June 30, 2015	As at December 31, 2014	Change	Change in Percentage
(in millions of RMB)				
Change in Percentage (%)				
Debt securities	10,982.0	10,785.2	196.8	1.8
Equity instruments	53,707.2	45,492.0	8,215.2	18.1
Debt instruments issued by financial institutions and asset management plans	2,449.6	15,611.0	(13,161.4)	(84.3)
Funds	27,289.3	8,646.3	18,643.0	215.6
Trust products and right to trust assets	3,262.4	2,870.7	391.7	13.6
Wealth management products	2,327.8	1,238.1	1,089.6	88.0
Assets backed securities	595.2	605.2	(10.0)	(1.7)
Others	549.2	546.0	3.1	0.6
Total	101,162.6	85,794.6	15,368.0	17.9

As at December 31, 2014 and June 30, 2015, available-for-sale financial assets amounted to RMB85,794.6 million and RMB101,162.6 million respectively, representing an increase of 17.9%.

Equity instruments are the largest component of available-for-sale financial assets of the Group. As at December 31, 2014 and June 30, 2015, equity instruments amounted to RMB45,492.0 million and RMB53,707.2 million, accounting for 53.0% and 53.1% of total available-for-sale financial assets, respectively.

Equity instruments in available-for-sale financial assets increased by RMB8,215.2 million and funds increased by RMB18,643.0 million in the first half of 2015, primarily due to the increase of those assets held by the Company, Cinda Hong Kong, Happy Life and Cinda Investment.

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

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

	As at and for the six months ended June 30, (in millions of RMB)
As at December 31, 2013	(7,377.7)
Provisions for impairment losses	(626.6)
Disposal	1,327.6
As at June 30, 2014	(6,676.7)
As at December 31, 2014	(3,310.6)
Provisions for impairment losses	(144.4)
Disposal	737.6
As at June 30, 2015	(2,717.4)

In the first half of 2014 and 2015, provisions for impairment losses of available-for-sale financial assets amounted to RMB626.6 million and RMB144.4 million, respectively, which mainly reflected the market price changes of certain listed companies' equity interests held by the Group.

Management Discussion and Analysis

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, 2015	As at December 31, 2014	Change	Change in Percentage (%)
(in millions of RMB)				
Distressed debt assets				
Loans acquired from financial institutions	37,277.3	43,586.5	(6,309.2)	(14.5)
Accounts receivable acquired from non-financial institutions	119,695.9	123,877.8	(4,181.9)	(3.4)
Subtotal	156,973.2	167,464.3	(10,491.1)	(6.3)
Allowance for impairment losses	(5,717.9)	(5,355.4)	(362.5)	6.8
Other debt investments				
Trust products	4,896.6	3,687.9	1,208.6	32.8
Certificate treasury bonds	117.7	117.7	—	—
Debt investment plans	2,539.5	1,806.0	733.5	40.6
Subtotal	7,553.8	5,611.6	1,942.2	34.6
Allowance for impairment losses	(127.7)	(66.0)	(61.7)	93.4
Structured debt arrangements	13,528.4	13,258.6	269.9	2.0
Total	172,209.7	180,913.1	(8,703.4)	(4.8)

As at December 31, 2014 and June 30, 2015, the total distressed debt assets classified as receivables amounted to RMB167,464.3 million and RMB156,973.2 million respectively, representing a decrease of 6.3%. The decrease was mainly due to the active adjustment of the business structure of the Company.

As at December 31, 2014 and June 30, 2015, the impaired distressed debt assets classified as receivables were RMB2,037.1 million and RMB2,416.3 million, accounting for 1.2% and 1.52% of the total distressed debt assets classified as receivables, respectively. As at December 31, 2014 and June 30, 2015, the allowance for impairment losses on distressed debt assets classified as receivables was RMB5,432.0 million and RMB5,802.8 million, the coverage of distressed debt assets classified as receivables was 266.7% and 240.2%, and the coverage ratio of allowance to total distressed debt assets classified as receivables was 3.19% and 3.65%, respectively.

As at December 31, 2014 and June 30, 2015, the balance of structured debt arrangements amounted to RMB13,258.6 million and RMB13,528.4 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 quotes. 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, 2015	As at December 31, 2014	Change	Change in Percentage (%)
(in millions of RMB)				
Unsecured loans	1,912.7	2,790.4	(877.7)	(31.5)
Loans secured by properties	6,469.7	7,394.5	(924.8)	(12.5)
Other secured loans	4,782.0	1,192.5	3,589.5	301.0
Loans to margin clients	17,103.6	6,939.7	10,163.8	146.5
Finance lease receivables	40,553.3	37,020.4	3,532.9	9.5
Entrusted loans	40,343.9	26,677.4	13,666.5	51.2
Subtotal	111,165.1	82,014.9	29,150.2	35.5
Allowance for impairment losses	(2,627.9)	(1,790.2)	(837.7)	46.8
Total	108,537.2	80,224.7	28,312.4	35.3

As at December 31, 2014 and June 30, 2015, loans and advances to customers amounted to RMB80,224.7 million and RMB108,537.2 million, respectively, representing an increase of 35.3%.

Entrusted loans increased by 51.2% from RMB26,677.4 million as at December 31, 2014 to RMB40,343.9 million as at June 30, 2015, 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 decreased by 12.5% from RMB7,394.5 million as at December 31, 2014 to RMB6,469.7 million as at June 30, 2015, mainly attributable to the decrease in loans secured by properties of Cinda Hong Kong.

Management Discussion and Analysis

Loans to margin clients increased by 146.5% from RMB6,939.7 million as at December 31, 2014 to RMB17,103.6 million as at June 30, 2015, mainly attributable to the significant growth in loans to margin clients of Cinda Securities.

Finance lease receivables (before allowance for impairment losses) increased by 9.5% from RMB37,020.4 million as at December 31, 2014 to RMB40,553.3 million as at June 30, 2015, mainly attributable to the business growth of Cinda Leasing. As at December 31, 2014 and June 30, 2015, finance lease receivables accounted for 45.1% and 36.5% of total loans and advances to customers, respectively. The decrease in percentages was mainly attributable to the rapid growth of entrusted loans and loans to margin clients.

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

	As at June 30, 2015	As at December 31, 2014	Change	Change in Percentage (%)
(in millions of RMB)				
Gross investment in finance leases	45,159.0	42,361.4	2,797.6	6.6
Less: Unearned finance income	4,605.8	5,341.0	(735.3)	(13.8)
Net finance lease receivables	40,553.3	37,020.4	3,532.9	9.5
Within 1 year (inclusive)	14,218.9	11,432.2	2,786.7	24.4
1 year to 5 years (inclusive)	25,667.4	24,163.9	1,503.5	6.2
Over 5 years	666.9	1,424.3	(757.3)	(53.2)
Allowance for impairment losses	(855.7)	(752.1)	(103.6)	13.8
Net carrying value	39,697.5	36,268.3	3,429.2	9.5

Liabilities

Liabilities of the Group mainly consist of borrowings, accounts payable and bonds issued, accounting for 49.8%, 2.0% and 16.8% of the total liabilities of the Group as at June 30, 2015, respectively.

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

	As at June 30, 2015		As at December 31, 2014	
	Amount	Percentage (%)	Amount	Percentage (%)
(in millions of RMB)				
Borrowings from Central Bank	986.1	0.2	986.1	0.3
Accounts payable to brokerage clients	29,400.8	7.0	11,663.3	3.3
Financial assets sold under repurchase agreements	14,667.6	3.5	9,939.6	2.8
Borrowings	272,505.2	64.5	263,452.4	75.0
Accounts payable	9,791.2	2.3	9,710.7	2.8
Placements from banks and a financial institution	3,335.9	0.8	11,827.0	3.4
Bonds issued	92,128.8	21.9	43,694.9	12.4
Total	422,815.4	100.0	351,274.0	100.0

Borrowings

As at December 31, 2014 and June 30, 2015, the balance of borrowings of the Group amounted to RMB263,452.4 million and RMB272,505.2 million, respectively. The increase in borrowings was primarily due to (1) the increase in borrowings of the Company from banks and financial institutions in order to support its acquisition of distressed debt assets; (2) the increase in borrowings of Cinda Leasing to support the growth of its finance leasing business, and (3) the increase in borrowings of Cinda Investment to support the growth of its business.

Management Discussion and Analysis

Bonds Issued

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

	As at June 30, 2015	As at December 31, 2014
(in millions of RMB)		
10-year 7.2% fixed rate subordinated bonds	522.0	504.2
3-year 4.35% fixed rate financial bonds	5,138.9	5,030.7
5-year 4.65% fixed rate financial bonds	5,141.5	5,027.0
3-year 5.2% fixed rate financial bonds	10,015.5	10,268.4
5-year 5.35% fixed rate financial bonds	10,009.9	10,273.7
3-year 4% fixed rate financial bonds	2,004.0	1,996.9
5-year 4% fixed rate USD Guaranteed Senior Notes	6,082.4	6,079.0
10-year 5.625% fixed rate USD Guaranteed Senior Notes	3,047.8	3,051.2
15-year 5.2% fixed rate USD Guaranteed Senior Notes	1,396.7	1,403.0
5-year 4% fixed rate HKD bonds	69.1	60.6
3-year 5.9% fixed rate subordinated bonds	3,066.9	—
3-year 6% fixed rate subordinated bonds	3,033.5	—
3-year 4.1% fixed rate financial bonds	10,004.1	—
5-year 4.3% fixed rate financial bonds	10,005.5	—
5-year 5.8% fixed rate financial bonds	1,503.6	—
Half year 6% fixed rate financial bonds	10.3	—
2-year 6.5% fixed rate financial bonds	1,001.1	—
15-year 5.2% fixed rate USD Guaranteed Senior Notes	1,164.4	—
15-year 4.45% fixed rate USD Guaranteed Senior Notes	494.9	—
5-year 3.13% fixed rate USD Guaranteed Senior Notes	7,969.4	—
10-year 4.25% fixed rate USD Guaranteed Senior Notes	10,447.3	—
Total	92,128.8	43,694.9

Bonds issued mainly consist of (1) financial bonds issued by the Company in October, 2012, May, 2014 and May, 2015; (2) bonds issued by Cinda Hong Kong in September, October and December, 2013 and July, September and October, 2014; (3) subordinated bonds issued by Happy Life in September, 2011; (4) fixed rate subordinated bonds issued by Cinda Securities in February and April, 2015 and fixed rate financial bonds issued by Cinda Securities in May and June, 2015; (5) a 5-year and a 10-year fixed, rate Guaranteed Senior Notes issued by a wholly-owned subsidiary of Cinda Hong Kong, in May, 2014; (6) a 3-year and a 10-year fixed Guaranteed Senior Notes notes issued by a wholly-owned subsidiary of Cinda Hong Kong, in February and April, 2015, respectively.

Borrowings from Central Bank

The Company had borrowings from the People's Bank of China 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. The principles of the borrowings have been repaid in full as at December 31, 2014 and June 30, 2015, except some of the interests.

Contingent Liabilities

Due to the nature of our business, our Company and its subsidiaries are involved in certain legal proceedings in the ordinary course of business, including litigation and arbitration. The Company makes provisions, as appropriate, for the probable losses with respect to those claims when its management can reasonably estimate the outcome of the proceedings based on the advice of legal counsel. The Company does not make provisions for pending litigation when the outcome of the litigation cannot be reasonably estimated or when its management believes that the probability of loss is remote or that any resulting liabilities will not have a material adverse effect on the financial condition or business operations of the Company.

As at December 31, 2014 and June 30, 2015, the claims of pending litigations of which the Group was defendant were RMB1,528 million and RMB2,808 million, and provision of RMB122 million and RMB105 million were made for the periods ended on the dates based on court judgments or the advice of legal counsel, respectively. The 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 Consolidated 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.

Management Discussion and Analysis

Business Overview

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

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

	For the six months ended June 30,			
	2015		2014	
	Total income	% of total	Total income	% of total
	(in millions of RMB)			
Distressed Asset Management	15,711.0	41.5	14,284.6	55.4
Financial Investment and Asset Management	7,897.2	20.9	4,824.3	18.7
Financial Services	14,774.9	39.0	7,237.8	28.1
Elimination	(526.7)	(1.4)	(572.7)	(2.2)
Total	37,856.4	100.0	25,773.9	100.0

	For the six months ended June 30,			
	2015		2014	
	Profit before tax	% of total	Profit before tax	% of total
	(in millions of RMB)			
Distressed Asset Management	6,145.4	57.2	5,295.2	72.9
Financial Investment and Asset Management	2,541.7	23.7	1,580.2	21.7
Financial Services	2,385.6	22.2	671.9	9.2
Elimination	(333.1)	(3.1)	(281.5)	(3.9)
Total	10,739.6	100.0	7,265.8	100.0

For the six months ended June 30, 2015, the Group's income from business segments of distressed asset management, financial investment and asset management and financial services represented 41.5%, 20.9% and 39.0% of the total income of the Group, respectively, and these segments' profit before tax represented 57.2%, 23.7% and 22.2% of the profit before tax of the Group, 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, 2014 and 2015, income from the distressed asset management business accounted for 55.4% and 41.5% of the total income of the Group, respectively, and profit before tax from the distressed asset management business accounted for 72.9% and 57.2% of the profit before tax of the Group, 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, 2015	As at December 31, 2014
(in millions of RMB)		
Net balance of distressed debt assets ⁽¹⁾	213,038.8	206,803.9
Balance of entrusted distressed assets	41,792.3	35,192.5
Book value of DES Assets	40,768.1	41,563.9

Management Discussion and Analysis

	For the six months ended	
	June 30,	
	2015	2014
	(in millions of RMB)	
Acquisition and disposal of distressed debt assets		
Acquisition cost of distressed debt assets	57,738.8	85,378.1
Income from distressed debt assets ⁽²⁾	10,991.8	9,887.3
Management and disposal of DES Assets		
Dividend income from DES Assets	270.1	79.0
Acquisition cost of DES Assets disposed (net of allowance for impairment, if any)	1,258.3	1,257.6
Net gain from the disposal of DES Assets	2,525.6	2,065.9

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 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 consolidated financial statements.

Acquisition of Distressed Debt Assets — by source¹

The Company classifies the distressed debt assets into two main categories depending on the source of acquisition of the distressed assets: (1) non-performing loans (“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”).

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

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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, 2015		As at December 31, 2014	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Net balance of distressed debt assets⁽¹⁾				
FI Distressed Assets	94,754.5	44.5	83,708.3	40.5
NFE Distressed Assets	118,284.3	55.5	123,095.6	59.5
Total	213,038.8	100.0	206,803.9	100.0

	For the six months ended June 30,			
	2015		2014	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Acquisition cost of distressed debt assets				
FI Distressed Assets	32,443.4	56.2	25,337.9	29.7
NFE Distressed Assets	25,295.4	43.8	60,040.2	70.3
Total	57,738.8	100.0	85,378.1	100.0
Income from distressed debt assets⁽²⁾				
FI Distressed Assets	3,708.4	33.7	4,969.5	50.3
NFE Distressed Assets	7,283.4	66.3	4,917.8	49.7
Total	10,991.8	100.0	9,887.3	100.0

Notes:

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

Management Discussion and Analysis

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. The Company 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 for the periods indicated.

	For the six months ended June 30,			
	2015		2014	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Large commercial banks	11,581.9	35.7	8,050.6	31.8
Joint-stock commercial banks	9,964.5	30.7	6,037.6	23.8
City and rural commercial banks	3,560.0	11.0	1,332.6	5.3
Other non-bank financial institutions	7,218.8	22.2	8,952.9	35.3
Other banks (including policy banks, the PSBC and foreign banks)	118.2	0.4	964.2	3.8
Total	32,443.4	100.0	25,337.9	100.0

NFE Distressed Assets

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

Business Models for Distressed Debt Asset Management

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

Management Discussion and Analysis

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, 2015		As at December 31, 2014	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Net balance of distressed debt assets				
Traditional Distressed Assets ⁽¹⁾	59,922.0	28.1	42,169.4	20.4
Restructured Distressed Assets ⁽²⁾	153,116.8	71.9	164,634.5	79.6
Total	213,038.8	100.0	206,803.9	100.0

	For the six months ended June 30,			
	2015		2014	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Acquisition cost of distressed debt assets⁽³⁾				
Traditional Distressed Assets	26,203.8	45.4	7,185.5	8.4
Restructured Distressed Assets	31,535.0	54.6	78,192.6	91.6
Total	57,738.8	100.0	85,378.1	100.0
Income from distressed debt assets				
Traditional Distressed Assets ⁽⁴⁾	1,500.9	13.7	2,310.6	23.4
Restructured Distressed Assets ⁽⁵⁾	9,490.9	86.3	7,576.7	76.6
Total	10,991.8	100.0	9,887.3	100.0

Notes:

- (1) Equivalent to the Company's "distressed debt assets designated as at fair value through profit or loss" as appeared in the consolidated financial statements.
- (2) Equivalent to the Company's "distressed debt assets classified as receivables" net of any identified impairment losses as appeared in the 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 consolidated financial statements.
- (5) Equivalent to the Company's "income from distressed debt assets classified as receivables" as appeared in the consolidated financial statements.

Management Discussion and Analysis

Traditional Distressed Assets

The primary source of Company's Traditional Distressed Assets is banks. Upon completion of debt acquisition, The Company assumes the pre-existing rights and obligations between banks and debtors. The Company realizes and enhances the value of assets primarily through approaches such as 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, 2015	As at December 31, 2014
(in millions of RMB)		
Net balance of Traditional Distressed Assets	59,922.0	42,169.4

	For the six months ended June 30,	
	2015	2014
(in millions of RMB)		
Acquisition cost of Traditional Distressed Assets	26,203.8	7,185.5
Carrying amount of Traditional Distressed Assets disposed ⁽¹⁾	8,531.0	1,831.5
Unrealized fair value changes	79.8	717.3
Net income from Traditional Distressed Assets	1,500.9	2,310.6
Internal rate of return ⁽²⁾ (%)	19.2	18.3

Notes:

- (1) This represents the amounts of Traditional Distressed Assets disposed in a given period.
- (2) It is the return that equates the present value of all capital invested in the Traditional Distressed Assets to the present value of all returns of capital, the discount rate that will provide a net present value of all cash flows equal to zero.

Restructured Distressed Assets

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

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.

	As at June 30, 2015	As at December 31, 2014
(in millions of RMB)		
Net balance of Restructured Distressed Assets	153,116.8	164,634.5
Balance of impaired Restructured Distressed Assets	2,416.3	2,037.1
Impaired Restructured Distressed Assets ratio ⁽¹⁾ (%)	1.52	1.2
Allowance for impairment losses	5,802.8	5,432.0
Impaired Restructured Distressed Assets coverage ratio ⁽²⁾ (%)	240.2	266.7

	For the six months ended June 30,	
	2015	2014
(in millions of RMB)		
Acquisition cost of Restructured Distressed Assets	31,535.0	78,192.6
Income from Restructured Distressed Assets	9,490.9	7,576.7
Annualized return on monthly average balance ⁽³⁾ (%)	11.2	12.2

Notes:

- (1) Impaired Restructured Distressed Assets divided by gross balance of Restructured Distressed Assets.
- (2) Balance of allowance for impairment losses divided by balance of Impaired Restructured Distressed Assets.
- (3) Income from Restructured Distressed Assets divided by monthly average balance of Restructured Distressed Assets.

Management Discussion and Analysis

Entrusted Distressed Asset Management

In addition to aforementioned acquiring and disposing of distressed assets, the Company also manages and disposes of distressed assets entrusted by financial institutions, non-financial enterprises and local government authorities, and its income is primarily derived from commissions based on the cash recovery. As at December 31, 2014 and June 30, 2015, the balance of the entrusted distressed assets was RMB35.19 billion and RMB41.79 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, on the basis of their nature, as unlisted shares of DES Companies (“Unlisted DES Assets”) and listed shares of DES Companies (“Listed DES Assets”). As at December 31, 2014 and June 30, 2015, we held Unlisted DES Assets in 196 and 188 DES Companies with total book value of RMB32,651.9 million and RMB32,463.5 million, respectively, and Listed DES Assets in 17 and 18 DES Companies with total book value of RMB8,912.0 million and RMB8,304.6 million, respectively.

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

	As at June 30, 2015	As at December 31, 2014
(in millions of RMB, except number of DES Companies)		
Number of DES Companies	206	213
Unlisted	188	196
Listed	18	17
Total book value	40,768.1	41,563.9
Unlisted	32,463.5	32,651.9
Listed	8,304.6	8,912.0

Management Discussion and Analysis

DES Assets Disposal Gain

For the six months ended June 30, 2014 and 2015, the Company disposed of the investments in 20 and 15 DES Companies, respectively, with total acquisition cost (net of provisions for impairment, if any) of RMB1,257.6 million and RMB1,258.3 million, respectively, realizing net gain of RMB2,065.9 million and RMB2,525.6 million, respectively. The dividend income amounted to RMB79.0 million and RMB270.1 million, respectively. For the six months ended June 30, 2015, the exit multiple of the DES Assets disposed of the Company¹ was 3.0, and 3.7 for the unlisted ones.

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

	For the six months ended June 30,	
	2015	2014
	(in millions of RMB, except number of DES Companies)	
Number of DES Companies disposed	15	20
Acquisition cost of DES Assets disposed (net of allowance for impairment, if any)	1,258.3	1,257.6
Net gain on disposal of DES Assets	2,525.6	2,065.9
Dividend income	270.1	79.0

Note:

Net gain on DES Assets disposed and the exit multiple do not include the interest income of RMB131.7 million from DES receivables.

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

Management Discussion and Analysis

Financial Investment and Asset Management

The financial investment and asset management business is conducted together by the Company, Cinda Investment, Cinda Hong Kong, Zhongrun Development and Cinda Capital and their subsidiaries, which primarily includes principal investment, asset management (including private equity fund) and other businesses. For the six months ended June 30, 2014 and 2015, the income from financial investment and asset management business accounted for 18.7% and 20.9% of the total income, respectively, and the profit before tax accounted for 21.7% and 23.7% of the profit before tax of the Group, respectively.

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

	For the six months ended June 30,							
	2015		2014		As at June 30, 2015		As at December 31, 2014	
	Income	Profit before tax	Income	Profit before tax	Total assets	Net assets	Total assets	Net assets
	(in millions of RMB)							
Cinda Investment	5,025.9	1,889.4	3,314.6	1,031.8	71,145.0	23,868.2	58,859.4	15,296.7
Cinda Hong Kong	1,037.3	396.1	245.0	69.3	45,152.5	4,961.5	20,881.9	4,221.6
Zhongrun Development	191.8	93.7	99.9	73.6	4,284.5	1,495.8	2,540.8	1,024.3

Principal Investment

Our principal investment business primarily includes (1) equity investments related to our distressed asset management business; (2) real estate investment and development related to our distressed asset management business; and (3) other investments, including investments in fund products, debt securities, trust products and wealth management products. As at December 31, 2014 and June 30, 2015, balance of the principal investment totalled RMB31.92 billion and RMB60.35 billion, respectively. For the six months ended June 30, 2014 and 2015, income from the principal investment, primarily including investment income, net income from investment properties and hotel operation revenue under the financial investment and asset management business segment, totalled RMB850 million and RMB4.11 billion, respectively. As at June 30, 2015, the equity investments, real estate investments, fund investment and other investments represented 36.2%, 2.7%, 40.9% and 20.2%, respectively of the total principal investments.

Management Discussion and Analysis

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

	As at June 30, 2015		As at December 31, 2014	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Balance of principal investments				
— by investment type				
Equity investments ⁽¹⁾	21,841.2	36.2	15,537.9	48.7
Real estate investments ⁽²⁾	1,603.3	2.7	1,583.3	5.0
Fund investments	24,697.4	40.9	5,280.1	16.5
Other investments ⁽³⁾	12,207.9	20.2	9,514.7	29.8
Total	60,349.8	100.0	31,916.0	100.0
Balance of principal investments				
— by investment entities				
The Company	24,657.9	40.9	14,608.1	45.8
Cinda Investment	18,352.1	30.4	11,576.5	36.3
Cinda Hong Kong	18,368.1	30.4	6,640.5	20.8
Zhongrun Development	1,894.2	3.1	1,360.0	4.3
(Elimination)	(2,922.5)	(4.8)	(2,269.2)	(7.2)
Total	60,349.8	100.0	31,916.0	100.0

Notes:

- (1) Equivalent to equity instruments classified under “Financial assets at fair value through profit or loss”, “Available-for-sale financial assets” and “Interests in associates” as appeared in the consolidated financial statements attributable to financial investment and asset management segment.
- (2) Equivalent to “Investment properties” as appeared in the consolidated financial statements.
- (3) Other investments primarily include investments in debt securities, trust products and wealth management products.

Management Discussion and Analysis

Equity Investment

The Company, Cinda Investment, Cinda Hong Kong and Zhongrun Development are all engaged in equity investments related to distressed assets, although with different focuses. The Company primarily focuses on minority financial investments, 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. Cinda Hong Kong mainly handles equity investments outside of the PRC in relation to the Company's distressed asset management business. Zhongrun Development's equity investments are closely related to its custody, liquidation and restructuring business.

Equity Investments by the Company

The Company is engaged in financial investments and it receives dividend income and investment income from the disposal of its equity holdings. As at December 31, 2014 and June 30, 2015, the balance of the Company's direct equity investments classified under financial assets at fair value through profit or loss, available-for-sale financial assets and interests in associates in the consolidated financial statements, was RMB2.55 billion and RMB4.09 billion, respectively.

Equity Investments by Cinda Investment

Cinda Investment serves as the Group's professional investment platform. As at December 31, 2014 and June 30, 2015, the balance of Cinda Investment's equity investments classified under financial assets at fair value through profit or loss, available-for-sale financial assets and interests in associates in the consolidated financial statements was RMB5.83 billion and RMB5.61 billion, respectively.

Equity Investments by Cinda Hong Kong

Cinda Hong Kong and its relevant subsidiaries serve as our overseas business platform. As at December 31, 2014 and June 30, 2015, the balance of Cinda Hong Kong's equity investments classified under financial assets at fair value through profit or loss, available-for-sale financial assets and interests in associates in the consolidated financial statements was RMB5.55 billion and RMB10.20 billion, respectively.

Equity Investments by Zhongrun Development

Zhongrun Development's investment business is primarily expanded through the Company's distressed asset management operations and the custody and liquidation of Distressed Entities business. As at December 31, 2014 and June 30, 2015, the balance of Zhongrun Development's equity investments classified under available-for-sale financial assets and interests in associates in the consolidated financial statements was RMB550 million and RMB960 million, respectively.

Real Estate Investment and Development

Cinda Investment, together with its certain subsidiaries, serves as the Group's primary platform for real estate investment and development. Cinda Real Estate, one of the subsidiaries of Cinda Investment which is principally engaged in property development, is the operation platform for property development business of the Company. As at December 31, 2014 and June 30, 2015, the balance of investment properties of the Group amounted to RMB1.61 billion and RMB1.60 billion, respectively. For the six months ended June 30, 2014 and 2015, the real estate development business generated real estate sales revenue of RMB1.69 billion and RMB1.99 billion, respectively.

Other Investments

Other principal investments we conduct include investments in fund products, debt securities, trust products and wealth management products through the Company, Cinda Investment, Cinda Hong Kong and Zhongrun Development. As at December 31, 2014 and June 30, 2015, the balance of the investments in all types of funds was RMB5.28 billion and RMB24.70 billion, respectively. The Group invests in debt securities directly or through investment funds. As at December 31, 2014 and June 30, 2015, the balance of the debt securities investments was RMB790 million and RMB3.58 billion, respectively. We also invest in wealth management products from banks and securities companies, as well as trust products. As at December 31, 2014 and June 30, 2015, the balance of the investments in wealth management and trust products totaled RMB4.16 billion and RMB5.81 billion, respectively.

Asset Management Business (Private Fund)

The asset management business consists of (1) the private fund business included in financial investment and the asset management segment and (2) the securities investment management, trust and mutual fund businesses included in the financial services segment.

As at June 30, 2015, the Group has established 57 private funds that raised third-party capital and for which its subsidiaries act as a general partner (or manager).

Management Discussion and Analysis

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

	As at June 30, 2015	As at December 31, 2014
Number of funds ⁽¹⁾	57	42
Total committed capital (AUM) (in billions of RMB)	132.88	111.66
Accumulated total paid-in capital (in billions of RMB)	74.85	42.44
Accumulated paid-in capital from third parties (in billions of RMB) ⁽²⁾	58.71	36.90
Accumulated number of projects invested	142	115

	For the six months ended June 30,	
	2015	2014
Fund management income for the year (In millions of RMB)	245.2	141.7

Notes:

- (1) Including funds that raised third-party capital and in which our subsidiaries act as a general partner (or manager).
 (2) Paid-in capital contributed by investors not affiliated with Group.

Other Businesses

For the six months ended June 30, 2014 and 2015, the aggregate fees and commission income from consulting and advisory services by the Company, Cinda Investment and Cinda Hong Kong totaled RMB72 million and RMB89 million, respectively.

Financial Services

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

For the six months ended June 30, 2014 and 2015, income from financial services represented 28.1% and 39.0%, respectively, of the total income of the Group. Profit before tax accounted for 9.2% and 22.2%, respectively, of the profit before tax of the Group.

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

	For the six months ended June 30,							
	2015		2014		As at June 30, 2015		As at December 31, 2014	
	Income	Profit before tax	Income	Profit before tax	Total assets	Net assets	Total assets	Net assets
	(in millions of RMB)							
Securities and Futures ⁽¹⁾	4,034.7	1,327.9	1,298.6	324.2	69,289.1	8,904.2	35,032.0	7,686.3
Jingu Trust	234.5	73.0	398.8	162.5	3,584.0	3,335.1	3,616.0	3,302.6
Cinda Leasing	1,346.7	439.6	1,253.1	357.2	42,090.4	5,708.0	40,212.9	5,445.9
Cinda P&C	2,072.2	99.2	1,644.5	1.1	6,794.1	2,963.7	6,997.5	2,864.0
Happy Life	7,086.9	445.9	2,608.9	(150.3)	46,997.5	5,230.7	38,397.5	3,763.1

Note:

- (1) Including Cinda Securities, First State Cinda Fund, Cinda Futures and Cinda International. On May 22, 2015, the controlling shareholder of First State Cinda Fund has changed from the Company to Cinda Securities, a subsidiary of the Company.

Securities, Futures and Fund Management

The Group conducts securities and futures businesses in Mainland China through Cinda Securities and Cinda Futures, a wholly-owned subsidiary of Cinda Securities, and in Hong Kong through Cinda International. The Group also conducts public fund management business and other asset management business in Mainland China through First State Cinda Fund, a subsidiary of Cinda Securities. For the six months ended June 30, 2014 and 2015, the revenue of Cinda Securities (including Cinda Futures) amounted to RMB976.9 million and RMB2,647.1 million; the revenue of Cinda International amounted to RMB48.3 million and RMB88.3 million; and the management fee income of First State Cinda Fund amounted to RMB35.5 million and RMB44.3 million, respectively.

Management Discussion and Analysis

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,			
	2015		2014	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Securities brokerage	1,513.1	57.2	337.2	34.5
Futures	94.9	3.6	64.6	6.6
Others ⁽¹⁾	1,039.1	39.2	575.1	58.9
Total	2,647.1	100.0	976.9	100.0

Note:

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

Securities brokerage: As at December 31, 2014 and June 30, 2015, the number of clients of Cinda Securities' securities brokerage business amounted to 1,159,000 and 1,321,000, respectively, the total value of its AUM amounted to RMB131.7 billion and 249.5 billion, respectively. For the six months ended June 30, 2014 and 2015, the total transaction volume of Cinda Securities' securities brokerage business amounted to RMB573.6 billion and 2,482.3 billion, respectively.

Investment banking: For the six months ended June 30, 2014 and 2015, Cinda Securities' underwriting fee and commission income amounted to RMB225.7 million and RMB153.0 million, respectively.

Asset management: As at December 31, 2014 and June 30, 2015, the AUM balance of Cinda Securities amounted to RMB36.6 billion and RMB50.2 billion, respectively. For the six months ended June 30, 2014 and 2015, fee and commission income from Cinda Securities' asset management business amounted to RMB67.7 million and RMB102.8 million, respectively.

Innovative businesses and other businesses: As at December 31, 2014 and June 30, 2015, the turnover of margin financing and securities lending business of the Cinda Securities amounted to RMB6.87 billion and RMB17.14 billion, respectively.

Cinda Futures

For the six months ended June 30, 2014 and 2015, income from the futures business of Cinda Futures amounted to RMB64.6 million and RMB94.9 million, respectively, and the revenue of Cinda Futures amounted to RMB12.6 million and RMB35.3 million, respectively.

Cinda International

As at June 30, 2015, the Group held 63% of the equity interest in Cinda International through Cinda Hong Kong. For the six months ended June 30, 2014 and 2015, Cinda International generated revenue of RMB48.3 million and RMB88.3 million, respectively.

First State Cinda Fund

As at June 30, 2015, the Group managed 11 public securities investment funds with total AUM of RMB5.42 billion. For the six months ended June 30, 2015, management fee income from such funds amounted to RMB44.3 million. Those public funds are classified into equity funds, bond funds and hybrid funds, and are primarily invested in equity assets and fixed income assets.

Trusts

We conduct trust business through Jingu Trust. As at December 31, 2014 and June 30, 2015, the outstanding trust AUM totalled RMB88.5 billion and RMB98.4 billion, respectively, and we managed 185 and 173 existing trust projects, respectively. For the six months ended June 30, 2014 and 2015, the fees and commission incomes generated from trust business were RMB339 million and RMB150 million, respectively, accounting for 85.2% and 62.6% 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 individual and collective trust assets as at the dates indicated.

	As at June 30, 2015		As at December 31, 2014	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Individual trust schemes	74,691.0	75.9	75,107.0	84.8
Collective trust schemes	23,708.0	24.1	13,416.0	15.2
Total	98,399.0	100.0	88,523.0	100.0

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

Management Discussion and Analysis

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

	As at June 30, 2015		As at December 31, 2014	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Financing	32,399.0	32.9	39,652.0	44.8
Investment	21,018.0	21.4	20,995.0	23.7
Non-discretionary	44,982.0	45.7	27,876.0	31.5
Total	98,399.0	100.0	88,523.0	100.0

The Group primarily engages 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, 2015		As at December 31, 2014	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Infrastructure	11,668.0	11.9	20,001.0	22.6
Real estate	18,553.0	18.9	16,538.0	18.7
Industry and commerce	18,218.0	18.5	13,486.0	15.2
Financial institutions	2,913.0	3.0	2,131.0	2.4
Others	47,047.0	47.7	36,367.0	41.1
Total	98,399.0	100.0	88,523.0	100.0

Clients

As at June 30, 2015, the trust business had a total of 11,309 clients, including 10,658 individual customers and 651 institutional clients.

Financial Leasing

We conduct the financial leasing business through Cinda Leasing. As at December 31, 2014 and June 30, 2015, the net finance lease receivables of the Group was RMB36.27 billion and RMB39.70 billion, respectively. For the six months ended June 30, 2014 and 2015, the net revenue generated from the financial leasing business of the Group was RMB586.0 million and RMB607.8 million, respectively, and the net profit of the Group was RMB322.0 million and RMB328.3 million, respectively.

Products

For the six months ended June 30, 2015, the total income from specialized products and non-specialized products was RMB91.1 million and RMB1,255.5 million, respectively, representing 6.8% and 93.2%, 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 the outstanding finance lease receivables of the Group by industry as at the dates indicated.

	As at June 30, 2015		As at December 31, 2014	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Manufacturing	18,318.6	45.2	14,457.6	39.1
Mining	6,271.5	15.5	6,768.5	18.3
Water conservancy, environment and public utilities management	8,202.3	20.2	8,546.2	23.1
Construction	1,265.2	3.1	1,469.7	4.0
Transportation, logistics and postal services	2,993.3	7.4	2,768.3	7.5
Others	3,502.4	8.6	3,010.1	8.0
Total	40,553.3	100.0	37,020.4	100.0

Management Discussion and Analysis

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,			
	2015		2014	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Cinda P&C	1,635.1	25.3	1,716.2	33.0
Happy Life	4,819.8	74.7	3,482.1	67.0
Total	6,454.9	100.0	5,198.3	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 reinsurance.

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,			
	2015		2014	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Motor vehicle insurance	1,383.7	84.6	1,394.3	81.2
Compulsory motor vehicle				
liability insurance	598.2	36.6	556.0	32.4
Commercial automobile insurance	785.5	48.0	838.3	48.8
Non-motor vehicle insurance	251.4	15.4	321.9	18.8
Total	1,635.1	100.0	1,716.2	100.0

Happy Life

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

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,			
	2015		2014	
	Amount	% of total	Amount	% of total
(in millions of RMB)				
Life insurance	4,580.4	95.0	3,270.3	93.9
Participating life insurance	1,015.9	21.1	1,769.1	50.8
Others	3,564.4	74.0	1,501.2	43.1
Health insurance	116.5	2.4	94.6	2.7
Accident insurance	122.9	2.6	117.3	3.4
Total	4,819.8	100.0	3,482.1	100.0

Business Synergy

In the first half of 2015, the Group continued to promote the development of investment and asset management business related to our core business of distressed asset management, and provided domestic and overseas clients with a wide range of services including financial leasing, insurance, asset management, financial and financing advisory services through its diversified business platform. As at June 30, 2015, the Group established 60 funds and asset management projects through various platforms including Cinda Securities, First State Cinda Fund and Cinda Capital; the total assets under management (total paid-in capital) in aggregate amounted to RMB49.34 billion; the investment channel of Happy Life and Cinda P&C was expanded by taking advantage of the professional competitive edges of branches and subsidiaries in the field of asset management, and the insurance funds used amounted to RMB6.65 billion in aggregate. Customers of branches were offered comprehensive financial services with the advantageous platforms of financial subsidiaries. In the first half of 2015, revenue from cross-selling among subsidiaries amounted to RMB1.25 billion, representing an increase of 36.2% as compared to the same period last year.

Financial leasing: As at June 30, 2015, the Group had 153 financial leasing projects from cross-selling, representing an increase of 12.5% as compared to the same period last year; the financial leasing business volume from cross-selling was RMB36.87 billion, representing an increase of 24.5% as compared to the same period last year. In the first half of 2015, the total income from these projects amounted to RMB1.09 billion, representing an increase of 35.2% as compared to the same period last year.

Management Discussion and Analysis

P&C insurance: For the six months ended June 30, 2015, the Group provided products and services to customers recommended by the branches of the Company through the P&C insurance business platform, recording total income of RMB32 million from the P&C insurance business, representing an increase of 60% as compared to the same period of last year.

Human Resource Management

During the reporting period, the Company further strengthened its management philosophy which places talents at its focus for the growth of the Company. Through intensified trainings and introduction of high-end professionals, the Company improved the core competitiveness of its human resource. The Company enhanced the efficiency and effectiveness of human resources management through reasonable and effective allocation of its human resources and strived to realize “the best possible use of talents with proper people-post matching”. We improved the mechanism of management dispatching and staff rotation and facilitated a normalized and systematic talent exchange within the Group and increased staff rotation among different departments so as to improve the comprehensive quality of its staff.

Employees

As at June 30, 2015, the Group had 18,988 employees (excluding employees through labour dispatch agents), of which 18,811 were in Mainland China and 177 were in Hong Kong and Macau. Within the Company and its tier-one subsidiaries (headquarter), employees with postgraduate degrees or above, and with undergraduate degree accounted for 43% and 47% of the total employees, respectively, and employees aged 45 or below accounted for 74% of the total employees.

Remuneration Policy

The remuneration management of the Company focused on market-oriented incentive and restraint mechanism and fully leveraged on the incentives and restraints in the allocation of remuneration. The Company strengthened the linkage between performance-based remuneration and operating results and put more performance-based resources into employees on the frontline of business and with outstanding contributions. Through expanding the floating ranges of performance-based remuneration, the incentives in the allocation of performance-based remuneration has been enhanced. In addition to focusing on incentives, the Company has continuously implemented effective restraints. In 2015, based on its business development needs and remuneration management requirements, the Company formulated an implementation plan in respect of deferred payment of performance-based bonuses and gradually refined the performance management mechanism.

No Material Changes

Saved as disclosed in this interim report, there are no material changes affecting the Company’s performance that are required to be disclosed under Appendix 16 of the Listing Rules since the publication of the previous annual report.

Risk Management

In the first half of 2015, the Company adhered strictly to its risk management concept of “protecting the bottom-line by managing risks proactively”. Through establishment of comprehensive risk management system and refinement of risk management of the Group, the Company was able to enhance the effectiveness and responsiveness of risk prevention and solution. During the reporting period, all businesses were under stable operations. The Company was able to overcome the challenges from adverse changes in macro-economy, and its overall business risks were managed within an acceptable level. As such, a solid foundation was laid for the realization of the Company’s strategic targets.

In the first half of 2015, the Company further refined the risk management system by revising the Administrative Measures on Internal Rating Management (《內部評級管理辦法》) to further regulate the customer credit rating management and customer risk limit management. In accordance with the relevant requirements of the Administrative Measures on Regulating Financial Asset Management Companies (《金融資產管理公司監管辦法》) promulgated by the CBRC and other regulatory authorities, the Company revised the Administrative Measures on Intra-Group Transaction Management (《集團內部交易管理辦法》). The Company also reinforced the control of risk management procedures of all business lines.

The Company continued to strengthen the monitoring and management of credit risk, market risk, operational risk, concentration risk and other major risks. The Company formulated new risk monitoring appraisal plan and risk assessment standard to strengthen the risk control requirement on its branches and subsidiaries, and conducted thorough risk detection to enhance its operational risk management. Meanwhile, the responsiveness and initiative of risk reporting were further improved by strengthening the daily monitoring of risk.

Furthermore, the Company further enhanced the information system of risk management through the development and upgrading of information management systems, including internal rating system, connected transaction management system and credit reference system.

Management of Credit Risk

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

The Company strictly complies with the regulatory requirements of the CBRC including relevant management guidelines on credit risks. Under the guidance and propulsion of the Risk Management Committee of the Board and the senior management, the Company has optimized the policies and system of credit risk management and focused on the risk control of major areas to facilitate fulfilment of the overall operation targets and business strategies of the Company in order to control and eliminate credit risks.

Management Discussion and Analysis

In the first half of 2015, the Company actively refined its relevant management measures of credit risk in response to the changes in the macro-economic environment and financial regulatory requirements. The customer credit rating management was strengthened and the entry standards of customers were specified to prevent credit risk. In addition, the Company continuously improved its internal rating system based on the need of risk management to evaluate the customer credit rating, customer risk limit and business rating, and adopted new credit risk management and control tools. The Company also implemented stress tests of credit risk on the real estate industry and strengthened the concentration management and debt asset portfolio management. Moreover, the follow-up asset management was strengthened and precautionary measures were taken to cope with risks, so as to optimize the overall business structure, enhance the project management and control and improve the credit risk management.

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

Management of Market Risk

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

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

The Company manages interest rate risk mainly by increasing the proportion of floating-rate loans, flexibly adjusting the maturity and frequency of financing and strengthening the matching of assets and liabilities of different maturities.

The Company is of the view that its foreign exchange risk is immaterial. The Company operates mainly in the PRC and its transactions are denominated in RMB. Balance of assets denominated in foreign currency of the Company is minimal. As to USD Guaranteed Senior Notes issued by its overseas subsidiaries, since investment assets are mainly denominated in USD or HKD which is pegged to the exchange rate of USD, thereby currencies for assets and liabilities are basically the same, the foreign exchange risk is immaterial.

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

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

Management of Liquidity Risk

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

In accordance with the requirements of regulatory authorities, the Company has strengthened management of liquidity risk by enhancing the professional analysis on external environment, appropriately formulating and adjusting position management strategy, financing management strategy as well as capital operation strategy, and raising the accuracy and responsiveness of its plans according to its actual needs. The Company also refined the internal funding interest rate system and strengthened liquidity stress tests in order to prevent liquidity risks.

With the close cooperation among different departments, the Company adopts liquidity management throughout the whole business process, so that the fund management department can promptly detect any liquidity gap. In order to ensure sufficient liquidity, the Company estimates its liquidity gap based on different time intervals and dimensions, conducts liquidity stress tests for different exposure scenarios, and determines financing plans, approaches and channels in advance. Moreover, the Company has further reinforced the management and monitoring of liabilities and liquidity of its subsidiaries in order to ensure smooth and efficient financing channels. The Company closely monitors the collection of non-performing loans and oversees the exposure of assets and liabilities with different maturities in order to maintain dynamic supervision and control over the risks relating to the mismatch between maturities.

Management Discussion and Analysis

The Company has consolidated the foundation of liability management and financing management by increasing credit facilities from banks. While controlling costs, the Company has cooperated with more banks and adjusted the loan mix from banks. The Company has also increased the financing as planned from non-banking financial institutions according to its liquidity needs, in order to establish a more stable and diversified financing system.

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 2015, the Company actively strengthened its control over operational risk and promoted the establishment of internal control system with an aim to enhance its operational risk management.

In accordance with the Administrative Measures on Operational Risk (《操作風險管理辦法》), the Company continues to refine the systems of all business lines and optimize the business procedures. At the beginning of 2015, the Company conducted risk detection to analyse and rectify the identified risks and potential risks in order to timely mitigate certain operational risks, which enabled the Company to further enhance its risk management consciousness and risk identification ability at all levels, streamline the business management procedures, strengthen the implementation of risk management and consolidate the effectiveness and efficiency of operational risk management. In addition, the Company strengthened its risk inspection according to relevant risk inspection policy in order to supervise and urge the risk management of branches and subsidiaries for improvement.

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

Aiming to raise the information technology management standard, the Company has established an information technology management committee, pushed forward the establishment of information system with improved information security, and enhanced the prevention and control of information technology risk. In addition, the Company further develops its risk management information system. By continuous refining internal rating system, connected transaction management system and credit reference system, the informationization of risk management has been enhanced.

Management of Reputation Risk

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

Anti-money Laundering

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

Internal Audit

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

In the first half of 2015, the Company carried out internal audit and supervision activities in respect of key business and key stages in accordance with the annual internal audit plan, including audit for acquisition and management of commercialised assets, management of physical assets and equity interests, accounting and financial management of certain branches, audit and research for the acquisition of traditional distressed assets, acquisition of restructured distressed assets and intra-group transactions, conclusion for evaluation on internal control in 2014 and implementation of relevant rectification measures, as well as audit for the economic responsibility of the mid-level and senior management of the Group during their term of offices in line with management deployment. In addition, the Company further improved the sustainable development of its internal audit by strengthening training of auditors and improving their audit skills and efficiency.

Management Discussion and Analysis

Capital Management

In strict compliance with relevant capital regulations, the Company has strengthened capital constraint and capital return management to support the business growth and implementation of strategic planning. The Company has increased internal capital reserve, managed the scale and speed of business development at a reasonable level and reduced capital consumption by strengthening risk mitigation and other measures. Capital allocation has been improved by further optimising the on- and off-balance sheet asset structure in order to upgrade capital management level and ensure sound and sustainable business development of the Company while fulfilling the regulatory requirements.

As at December 31, 2014 and June 30, 2015, the capital adequacy ratio was 18.08% and 17.04% respectively, which were higher than the standard set by the regulatory authorities. As at December 31, 2014 and June 30, 2015, the leverage ratio¹ was 3.4:1 and 3.8:1 respectively.

Prospects

China's economy is still in the face of large downward pressure in the second half of 2015 with the lingering effects caused by the superimposition of three stages of economic cycle. It is expected that the size of non-performing assets of commercial banks will continue to increase, the demand for economic structural adjustment and industrial restructuring and upgrading will be urgent, the market-oriented reforms will accelerate, and the implementation of innovation-driven development strategy will be facilitated. By adhering to the "new normal" policy targets of stable growth, structural adjustment and lower financing cost, the Company will further consolidate its market leading position by capitalizing on its advantages in distressed assets management. It will develop integrated and differentiated business by expanding the business coverage and diversifying product and service offerings. The Company will also promote business synergy, optimise capital allocation, improve quality, enhance efficiency and strictly control risks to boost the transformation and upgrade of business and further increase its core competitiveness.

Firstly, the Company will maintain its leading advantages in distressed assets market and enhance the value of distressed assets through better asset classification. In addition, the Company will improve synergic cooperation among the headquarters, branches and subsidiaries, pay close attention to business opportunities arising from risk exposure of defected trusts, wealth management products and distressed small and medium financial institutions and increase mezzanine instruments appropriately to control risks and increase revenue.

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

Secondly, the Company will expand the business of special situation investment and accelerate the development of alternative asset management business. By learning from the successful experience and sound practice of leading institutions in PRC and overseas, the Company will focus on entities with development potential or internal value but face temporary financial difficulties, and grasp special situation investment opportunities from business cooperation through diversified financial service platforms and provide innovative products and services for the real economy. Meanwhile, the Company will make full use of its experience and ability in distressed assets and equity investment management to boost the alternative asset management business, so as to obtain more long-term capital and optimise the asset scale and product portfolio of the Group.

Thirdly, the Company will continue to make improvement in business synergy and increase profit contribution of subsidiaries at a faster pace. The Company will expand business cooperation within the Group and consolidate strategic cooperation with local governments and financial institutions to explore and retain quality customers and enhance the market competitiveness of all business platform. Furthermore, the Company will capture opportunities from government policies such as financial innovation and the reform of mixed ownership and optimise capital allocation so as to improve the operation results of key subsidiaries and achieve growth in assets, business revenue and operating profits of subsidiaries.

Changes in Share Capital and Information of Substantial Shareholders

Changes in Share Capital

The share capital of the Company as at June 30, 2015 was as follows:

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

Substantial Shareholders and De Facto Controller

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

The Company had 1,935 registered Shareholders as at June 30, 2015. 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 Shares	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%
The National Council for Social Security Fund of the PRC	Beneficial owner	2,914,843,174	H Shares	Long position	8.04%	25.00%
UBS AG	Beneficial owner	336,120,468	H Shares	Long position	0.93%	2.88%
	Beneficial owner	323,955,697	H Shares	Short position	0.89%	2.78%
	Person holding a security interest in Shares	78,304,311	H Shares	Long position	0.22%	0.67%
	Interest of controlled corporation	437,942,726	H Shares	Long position	1.21%	3.76%

Changes in Share Capital and Information of Substantial Shareholders

Name of substantial Shareholders	Capacity	Number of Shares held directly and indirectly	Class of Shares	Nature of interest	Approximate percentage to the total issued Share capital	Approximate percentage to the relevant class of Shares
UBS Group AG ⁽¹⁾	Person holding a security interest in Shares	78,304,311	H Shares	Long position	0.22%	0.67%
	Interest of controlled corporation	774,063,194	H Shares	Long position	2.14%	6.64%
	Interest of controlled corporation	323,955,697	H Shares	Short position	0.89%	2.78%
BlackRock, Inc.	Interest of controlled corporation	688,525,423	H Shares	Long position	1.90%	5.91%
	Interest of controlled corporation	3,584,000	H Shares	Short position	0.01%	0.03%
JPMorgan Chase & Co.	Beneficial owner	225,148,732	H Shares	Long position	0.62%	1.93%
	Beneficial owner	53,050,932	H Shares	Short position	0.15%	0.45%
	Investment manager	147,140,000	H Shares	Long position	0.41%	1.26%
	Custodian-corporation/ approved lending agent	288,201,933	H Shares	Long position/ lending pool	0.79%	2.47%

Note:

- (1) UBS Group AG holds 98.02% equity interest in UBS AG and is deemed to be interested in 852,367,505 H Shares (long position) and 323,955,697 H Shares (short position).

Substantial Shareholders

During the Reporting Period, the Substantial Shareholder and de facto controller of the Company remained unchanged. Details of the Substantial 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

Directors

As at June 30, 2015, the Board of the Company consisted of Mr. Hou Jianhang and Mr. Zang Jingfan as executive Directors, Mr. Li Honghui, Mr. Song Lizhong, 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, 2015, the Board of Supervisors of the Company consisted of Mr. Gong Jiande as Shareholder representative Supervisor, Ms. Liu Yanfen and Mr. Li Chun as external Supervisors, Mr. Wei Jianhui and Ms. Gong Hongbing as employee representative Supervisors.

Senior Management

As at June 30, 2015, the senior management of the Company consisted of Mr. Zang Jingfan, Mr. Chen Xiaozhou, Mr. Yang Junhua, Mr. Zhuang Enyue, Mr. Li Yuejin, Mr. Wu Songyun, Mr. Gu Jianguo, Mr. Liu Ligeng, Mr. Du Cunshun, Mr. Zhang Weidong and Mr. Luo Zhenhong.

Information of Changes

Directors

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

Supervisors

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

Due to age reason, Mr. Chen Weizhong ceased to be the Shareholder representative Supervisor and due to other work arrangement, Ms. Dong Juan ceased to be the external Supervisor, both with effect from February 10, 2015.

Senior Management

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

On June 18, 2015, Mr. Liu Ligeng was appointed as vice president of the Company at the third meeting of the Board for 2015. His qualification as vice president of the Company was approved by the CBRC on July 30, 2015.

On July 3, 2015, Mr. Du Cunshun was appointed as a member of the senior management of the Company while Mr. Xiao Lin ceased to be a member of the senior management of the Company due to age reason.

Significant Events

Corporate Governance

The Company has strictly complied with the requirements of the Company Law of the People's Republic of China, the Listing Rules, other laws and regulations, regulatory documents and the Articles. The Company has also refined its corporate governance structure and continuously enhanced its corporate governance based on its operation conditions. By enhancing its risk management and internal control, the Company has maintained stable operation and protected the legitimate rights and interests of domestic and overseas investors.

During the Reporting Period, the Company continued to strive for comprehensive protection for the rights of Shareholders by focusing on information disclosure and investor relationship management. The Company strictly observed the rules and regulations of the places where its Shares were listed with full disclosure of information related to Shareholders' interests through regular reports, websites of the Company and the Hong Kong Stock Exchange to ensure fairness between domestic and overseas investors and protection of the interests of all Shareholders.

Shareholders' General Meetings

The first extraordinary general meeting of the Company in 2015 was held in Beijing on February 10, 2015, during which five resolutions were considered and approved, including the remuneration settlement scheme for Directors for 2013, the remuneration settlement scheme for Supervisors for 2013, the appointment of accounting firm for 2015, the election of Mr. Gong Jiande, Ms. Liu Yanfen and Mr. Li Chun as Supervisors of the Company, and the issuance plan of financial bonds for 2015 and relevant authorization (by way of a special resolution).

The annual general meeting for 2014 was held in Beijing on June 29, 2015, at which seven resolutions were considered and approved, including the work report of the Board for 2014, the work report of the Board of Supervisors for 2014, the final financial account plan for 2014, the profit distribution plan for 2014, the fixed assets investment budget for 2015, the appointment of accounting firm for 2015, the granting of general mandate to issue additional H Shares to the Board (by way of a special resolution). The work report of the independent non-executive Directors for 2014 was also reviewed at the annual general meeting.

The convening and holding of the Shareholders' general meetings were in strict compliance with applicable laws and regulations and the Listing Rules. The Directors, Supervisors and senior management of the Company attended the relevant meetings and the Company issued announcements regarding the resolutions of the Shareholders' general meetings according to the regulatory requirements in a timely manner.

Board

As at June 30, 2015, the Board of the Company comprised 11 members, including two executive Directors, five non-executive Directors and four independent non-executive Directors. The independent non-executive Directors accounted for more than one-third of the Board members.

With effect from June 10, 2015, Mr. Qiu Dong, the independent non-executive Director of the Company, ceased to act as the independent non-executive director of Agricultural Bank of China Limited (a company listed on Hong Kong Stock Exchange (stock code: 01288) and Shanghai Stock Exchange (stock code: 601288)). Saved as disclosed above, the information regarding the offices of Directors is consistent with the information disclosed in the annual report for 2014 and there is no change on the information which shall be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

During the Reporting Period, the Board held three meetings, at which 14 resolutions were passed, including, among others, the operation plan for 2015, the fixed assets investment budget for 2015, the annual report for 2014, the internal audit work plan for 2015 and the internal control evaluation report for 2014.

Board of Supervisors

As at June 30, 2015, the Board of Supervisors of the Company comprised five members, including one Shareholder representative Supervisor (the chairman of the Board of Supervisors), two external Supervisors and two employee representative Supervisors.

Since February 26, 2015, Mr. Li Chun, the external Supervisor of the Company, has acted as independent non-executive director of Long Ji Tai He Holding Limited (a company listed on Hong Kong Stock Exchange (stock code: 01281)). Saved as disclosed above, the information regarding the offices of Supervisors is consistent with the information disclosed in the annual report for 2014 and there is no change on the information which shall be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

The Board of Supervisors of the Company duly performed its duty to consider and review proposals. During the Reporting Period, the supervisory committee under the Board of Supervisors convened two meetings and reviewed the relevant proposals for the consideration and approval of the Board of Supervisors. The Board of Supervisors held three meetings and considered and approved 10 resolutions, including, among others, the work report of the Board of Supervisors for 2014, the appraisal report on the performance of the Directors and senior management for 2014, the final financial account plan for 2014, the internal control evaluation report for 2014 and the major tasks of the Board of Supervisors in 2015.

Significant Events

Senior Management

During the Reporting Period, the senior management of the Company carefully studied the development strategy of the Company in response to the new normal of economic development and implemented the annual operation plan of the Company in accordance with the Articles and within the authorized scope of the Board. We further consolidated our strengths in non-performing assets, proactively expanded our asset management business and improved the cooperation efficiency within our Group. We also refined our risk management system and enhanced compliance and internal control. Our businesses developed smoothly with satisfactory results in operating indicators.

Code of Corporate Governance

During the Reporting Period, 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 2015, the Company implemented the Basic Internal Control Norms for Enterprises (《企業內部控制基本規範》) and its matching guidelines jointly promulgated by the MOF and four other ministries, the Measures on the Internal Control of Financial Asset Management Companies (《金融資產管理公司內部控制辦法》) and other regulatory requirements in respect of internal control as stipulated by relevant regulatory authorities and 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. It constantly kept track of the external laws and regulations in its implementation of regulatory requirements. It continued to improve the system management mechanism, with emphasis placed on the supplementation of guidelines regarding business line operation, solution planning and due diligence. Efforts were also made to standardize business operations according to the trend of business development. In addition, internal control and compliance culture were further promoted to raise the awareness on such issues.

During the Reporting Period, the Company carried out special inspection on the compliance and internal control of some branches in order to strengthen their compliance with relevant management requirements.

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 and is 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 2014 held on June 29, 2015, the Company has, on August 19, 2015, distributed cash dividends of RMB0.985 per 10 Shares (tax inclusive) to all Shareholders whose names appear on the register of members on July 9, 2015, representing total cash dividends of approximately RMB3,571 million. No interim dividends will be declared for 2015 and no capital 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, save as the litigation initiated by Junefield Real Estate (please refer to the announcement of the Company dated January 27, 2015 for details), the Company was not involved in any litigation and arbitration which was material to our 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.

After the Reporting Period, the Group has participated in the bidding process in relation to the acquisition of Nanyang Commercial Bank, Limited from Bank of China (Hong Kong) Limited (the "Possible Acquisition"). As at the date of this announcement, the Possible Acquisition remains subject to conditions precedent. Accordingly, there is no certainty that the Possible Acquisition will ultimately be consummated. Please refer to the clarification announcement of the Company dated August 27, 2015 for the details.

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 was required to be disclosed or approved by independent Shareholders in accordance with Chapter 14A of the Listing Rules during the Reporting Period.

Significant Events

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.

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

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

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, Supervisors and Senior Management

The Company has formulated the code of conduct which is no less exacting terms 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 regulating the securities transactions by Directors, Supervisors and senior management. After making enquiries to all Directors and Supervisors, the Company is satisfied all Directors and Supervisors have complied with the code and the requirements set out therein during the Reporting Period.

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

As at June 30, 2015, none of the Directors, Supervisors and chief executive officers 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 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 2015 prepared by the Company according to IFRS have been reviewed by Ernst & Young in accordance with International Standards on Review Engagements.

This interim report has been reviewed and approved by the Board and the Audit Committee of the Board.

Statement for Changes of Auditors in the Past Three Years

In accordance with relevant requirement under the Administrative Measures of the Tendering Procedures for the Appointment of Accounting Firms by Financial Enterprises (Provisional) (Cai Jin [2010] No.169) (《金融企業選聘會計師事務所招標管理辦法(試行)》(財金[2010]169號)) issued by the MOF, the term of appointment of an accounting firm by a financial enterprise shall not exceed five years in principle. Since the terms of service of Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu, the former domestic and international auditors of the Company, respectively, have reached the maximum term stipulated in the above-mentioned regulation, the first extraordinary general meeting in 2015 held on February 10, 2015 and the annual general meeting for 2014 held on June 29, 2015 have approved the appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the domestic and international auditors for 2015, respectively, responsible for the audit of financial statements, review of the interim financial statements, audit of internal control and other professional services for the Company for 2015.

Review Report and Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

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Report on Review of Condensed Consolidated Financial Statements

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 78 to 164, which comprise the condensed consolidated statement of financial position as of June 30, 2015 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.

Ernst & Young

Certified Public Accountants

Hong Kong
August 27, 2015

Condensed Consolidated Income Statement

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		2015 Unaudited	2014 Unaudited
Income from distressed debt assets			
classified as receivables	1	9,498,357	7,576,705
Fair value changes on distressed debt assets	2	1,467,510	2,302,328
Fair value changes on other financial assets		1,990,526	376,253
Investment income	3	8,281,078	3,974,764
Net insurance premiums earned	4	6,397,870	3,269,175
Interest income	5	5,205,164	3,806,838
Revenue from sales of inventories	6	2,039,436	1,798,568
Commission and fee income	7	2,349,648	1,297,626
Net gains on disposal of subsidiaries and associates		150,591	238,195
Other income and other net gains or losses	8	476,231	1,133,406
Total		37,856,411	25,773,858
Interest expense	9	(9,806,182)	(6,816,867)
Insurance costs	10	(6,618,442)	(2,938,974)
Employee benefits		(2,722,998)	(1,885,290)
Purchases and changes in inventories	6	(1,388,332)	(1,122,173)
Commission and fee expense		(744,196)	(457,859)
Business tax and surcharges		(1,269,514)	(764,681)
Depreciation and amortization expenses		(218,909)	(211,281)
Other expenses		(1,575,705)	(1,088,636)
Impairment losses on assets	11	(1,580,487)	(2,685,963)
Total		(25,924,765)	(17,971,724)
Change in net assets attributable to other holders of consolidated structured entities	25	(1,247,186)	(713,240)
Profit before share of results of associates and tax		10,684,460	7,088,894
Share of results of associates		55,187	176,874
Profit before tax		10,739,647	7,265,768
Income tax expense	12	(2,483,985)	(1,905,865)
Profit for the period		8,255,662	5,359,903

Condensed Consolidated Income Statement

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		2015 Unaudited	2014 Unaudited
Profit attributable to:			
Equity holders of the Company		7,823,803	5,295,973
Non-controlling interests		431,859	63,930
		8,255,662	5,359,903
Earnings per share attributable to equity holders			
of the Company (<i>Expressed in RMB Yuan per share</i>)	13		
— Basic		0.22	0.15
— Diluted		0.22	0.15

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended	
	June 30,	
	2015	2014
	Unaudited	Unaudited
Profit for the period	8,255,662	5,359,903
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	6,132,168	(40,854)
– amounts reclassified to profit or loss upon disposal	(2,067,008)	14,470
– amounts reclassified to profit or loss upon impairment	–	622,238
Income tax effect	(780,107)	(6,903)
	3,285,053	588,951
Share of other comprehensive income of associates	22,021	122
Exchange differences arising on translation of foreign operations	32,590	10,911
Other comprehensive income for the period, net of income tax	3,339,664	599,984
Total comprehensive income for the period	11,595,326	5,959,887
Total comprehensive income attributable to:		
Equity holders of the Company	10,633,931	5,625,377
Non-controlling interests	961,395	334,510
	11,595,326	5,959,887

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Financial Position

As at June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	As at June 30, 2015 Unaudited	As at December 31, 2014 Audited
Assets			
Cash and bank balances	15	76,968,967	43,891,249
Clearing settlement funds		5,143,645	5,145,163
Deposits with exchanges and financial institutions		1,574,458	918,240
Placements with banks and financial institutions		1,500,000	3,000,000
Financial assets at fair value through profit or loss	16	82,832,935	57,220,521
Financial assets held under resale agreements	17	31,646,602	11,454,214
Available-for-sale financial assets	18	101,162,586	85,794,554
Financial assets classified as receivables	19	172,209,731	180,913,089
Loans and advances to customers	20	108,537,160	80,224,726
Accounts receivable	21	5,957,197	7,022,083
Held-to-maturity investments	22	6,574,812	7,042,523
Properties held for sale	23	31,134,283	29,932,835
Investment properties	24	1,603,331	1,606,297
Interests in associates		8,690,999	10,079,555
Property and equipment	27	3,630,067	3,687,619
Goodwill		324,109	324,109
Other intangible assets		211,871	183,978
Deferred tax assets	28	3,650,640	3,442,600
Other assets	29	14,604,040	12,544,062
Total assets		657,957,433	544,427,417
Liabilities			
Borrowings from the central bank	30	986,058	986,058
Accounts payable to brokerage clients		29,400,829	11,663,334
Financial liabilities at fair value through profit or loss		35,321	37,005
Financial assets sold under repurchase agreements	31	14,667,555	9,939,649
Placements from banks and financial institutions	32	3,335,861	11,827,000
Borrowings	33	272,505,183	263,452,411
Accounts payable	34	11,068,001	13,891,177
Investment contract liabilities for policyholders	35	12,663,510	6,251,226
Tax payable		957,760	1,742,755
Insurance contract liabilities	36	26,689,614	25,219,005
Bonds issued	37	92,128,758	43,694,852
Deferred tax liabilities	28	1,213,140	664,465
Other liabilities	38	81,750,078	53,195,218
Total liabilities		547,401,668	442,564,155

Condensed Consolidated Statement of Financial Position

As at June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

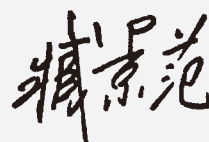
	Notes IV	As at June 30, 2015 Unaudited	As at December 31, 2014 Audited
Equity			
Share capital	39	36,256,690	36,256,690
Capital reserve	40	17,430,608	17,328,518
Investment revaluation reserve	41	6,748,441	3,970,903
Surplus reserve		3,394,304	3,394,304
General reserve	42	6,296,717	4,461,263
Retained earnings		30,783,375	28,366,310
Foreign currency translation reserve		(376,540)	(409,130)
Equity attributable to equity holders of the Company		100,533,595	93,368,858
Non-controlling interests		10,022,170	8,494,404
Total equity		110,555,765	101,863,262
Total equity and liabilities		657,957,433	544,427,417

The accompanying notes form an integral part of this interim financial information.

The condensed consolidated financial statements on pages 78 to 164 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, 2015

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		2015 Unaudited	2014 Unaudited
OPERATING ACTIVITIES			
Profit before tax		10,739,647	7,265,768
Adjustments for:			
Impairment losses on assets	11	1,580,487	2,685,963
Depreciation of property and equipment, and investment properties		159,922	163,466
Amortization of intangible assets and other long-term assets		58,987	47,815
Share of results of associates		(55,187)	(176,874)
Net gains on disposal of property and equipment, and investment properties		(28,568)	(64,555)
Net gains on disposal of subsidiaries and associates		(30,861)	(238,195)
Fair value changes on financial assets		(48,059)	(906,616)
Investment income		(7,363,110)	(3,974,764)
Borrowing costs		3,179,184	1,068,021
Change in reserves for insurance contracts		1,470,609	842,219
Operating cash flows before movements in working capital		9,663,051	6,712,248
Increase in bank balances		(16,899,628)	(324,264)
Increase in financial assets at fair value through profit or loss ("FVTPL")		(25,686,357)	(4,661,822)
Decrease/(Increase) in financial assets held under resale agreements		3,348,029	(409,374)
Decrease/(Increase) in financial assets classified as receivables		7,678,835	(69,033,188)
Increase in loans and advances to customers		(29,147,280)	(14,263,236)
Decrease/(Increase) in accounts receivable		1,250,432	(598,743)
Increase in properties held for sale		(1,201,447)	(3,319,843)
Decrease in borrowings from the central bank		—	(2,039,718)
Increase in accounts payable to brokerage clients		17,737,495	404,281
Increase/(Decrease) in financial assets sold under repurchase agreements		6,528,700	(1,016,740)
Increase in borrowings		4,636,676	53,603,390
(Decrease)/Increase in accounts payable		(2,823,176)	1,399,435
Decrease in other operating assets		7,477,217	6,492,130
Decrease in other operating liabilities		(108,636)	(2,527,495)
Cash generated from operations		(17,546,089)	(29,582,939)
Income taxes paid		(3,499,014)	(3,193,181)
NET CASH USED IN OPERATING ACTIVITIES		(21,045,103)	(32,776,120)

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		2015 Unaudited	2014 Unaudited
INVESTING ACTIVITIES			
Cash receipts from disposals and recovery of investment securities		40,089,029	9,890,202
Dividends received from investment securities		1,401,383	185,675
Dividends received from associates		—	94,172
Interest received from investment securities		763,885	1,570,780
Cash receipts from disposals of property and equipment, investment properties and other intangible assets		169,189	123,965
Cash receipts from disposals of subsidiaries	50	30,861	317,228
Cash receipts from disposals of associates		—	50,849
Cash payments to acquire investment securities		(62,943,144)	(10,984,702)
Cash payments for purchase of property and equipment, investment properties and other assets		(203,004)	(82,209)
Cash payments for establishment and acquisition of interests in associates		—	(61,000)
Net cash flows from consolidated structured entities		35,604,821	4,984,148
Other investing cash flows		—	—
NET CASH FROM INVESTING ACTIVITIES		14,913,020	6,089,108
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		212,804	—
Cash payments for capital injection into subsidiaries		—	—
Cash receipts from borrowings raised		25,491,085	8,049,319
Cash receipts from bonds issued		48,509,744	29,228,327
Cash payments for transaction cost of bonds issued		(132,839)	(186,141)
Cash repayments for bonds issued		(9,409)	(700,000)
Cash receipts from financial assets sold under repurchase agreements		2,196,935	6,684,654
Cash repayments on borrowings under repurchase agreements		(3,997,729)	(5,816,656)
Cash repayments on borrowings		(21,074,991)	(2,014,758)
Interest expenses on borrowings paid		(3,179,184)	(612,170)
Dividends paid to non-controlling interests of subsidiaries		(86,534)	(126,170)
NET CASH FROM FINANCING ACTIVITIES		47,929,882	36,690,145

Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30,	
		2015 Unaudited	2014 Unaudited
NET INCREASE IN CASH AND CASH EQUIVALENTS		41,797,799	10,003,133
CASH AND CASH EQUIVALENTS AT BEGINNING			
OF THE PERIOD		34,476,920	48,192,046
Effect of foreign exchange changes		35,758	(1,106)
CASH AND CASH EQUIVALENTS AT END			
OF THE PERIOD	43	76,310,477	58,194,073
Net cash flows from operating activities include:			
Interest received		4,923,059	3,522,913
Interest paid		9,370,516	5,463,694

The accompanying notes form an integral part of this interim financial information.

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	Unaudited										
		Equity attributable to equity holders of the Company									Non-controlling interests	Total
		Share Capital	Capital Reserve	Investment revaluation reserve	Surplus reserve	General reserve	Retained earnings	Foreign currency translation reserve	Subtotal			
(Note IV.39)	(Note IV.40)	(Note IV.41)		(Note IV.42)								
As at January 1, 2015		36,256,690	17,328,518	3,970,903	3,394,304	4,461,263	28,366,310	(409,130)	93,368,858	8,494,404	101,863,262	
Profit for the period		-	-	-	-	-	7,823,803	-	7,823,803	431,859	8,255,662	
Other comprehensive income for the period		-	-	2,777,538	-	-	-	32,590	2,810,128	529,536	3,339,664	
Total comprehensive income for the period		-	-	2,777,538	-	-	7,823,803	32,590	10,633,931	961,395	11,595,326	
Shares issued	39, 40	-	-	-	-	-	-	-	-	-	-	
Deemed acquisition of an additional interest in a subsidiary		-	-	-	-	-	-	-	-	212,804	212,804	
Disposal of interests in subsidiaries		-	102,090	-	-	-	-	-	102,090	440,101	542,191	
Appropriation to general reserve	42	-	-	-	-	1,835,454	(1,835,454)	-	-	-	-	
Dividends recognized as distribution		-	-	-	-	-	(3,571,284)	-	(3,571,284)	-	(3,571,284)	
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	(86,534)	(86,534)	
As at June 30, 2015		36,256,690	17,430,608	6,748,441	3,394,304	6,296,717	30,783,375	(376,540)	100,533,595	10,022,170	110,555,765	

Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

	Unaudited										
	Equity attributable to equity holders of the Company										
	Notes IV	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	Non- controlling interests	Total
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 an additional interest in a 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

The accompanying notes form an integral part of this interim financial information.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

I. GENERAL INFORMATION

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

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

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 operate both financial and non-financial institution distressed assets; manage, invest and dispose of distressed assets; debt-for-equity swap; manage, invest and dispose of equity assets; receivership; foreign investment; securities trading; financial bond issuance; inter-bank borrowing and lending; commercial financing for other financial institutions; approved asset securitization business; financial institutions custody; closing and liquidation of businesses; consulting and advisory business on finance, investment, legal and risk management; asset and project evaluation and other businesses approved by the CBRC.

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(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.

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, 2014.

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, 2015 are the same as those followed in the preparation of the Group’s consolidated financial statements for the year ended December 31, 2014.

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, 2015.

Amendments to IAS 19	Defined Benefit Plans: Employee Contributions
Annual Improvements to IFRSs 2010–2012 cycle	
Annual Improvements to IFRSs 2011–2013 cycle	

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

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

II. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES (continued)

3. Application of new or revised International Financial Reporting Standards (“IFRSs”) (continued)

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

(1) Effective for annual periods beginning on or after 1 January 2018

(2) Effective for annual periods beginning on or after 1 January 2016

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, 2014.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES

1. Income from distressed assets classified as receivables

The amounts represent interest income arising from distressed debt assets classified as receivables, which include loans acquired from financial institutions and accounts receivable acquired from non-financial institutions (see note 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.

3. Investment income

	For the six months ended	
	June 30,	
	2015	2014
Net realized gain from disposal of		
— available-for-sale financial assets	5,197,842	2,055,211
Interest income from investment securities		
— available-for-sale financial assets	608,852	477,529
— debt instruments classified as receivables	917,968	1,010,131
— held-to-maturity financial assets	155,033	180,038
Dividend income from		
— available-for-sale financial assets	1,401,383	251,855
Total	8,281,078	3,974,764

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

4. Net insurance premiums earned

	For the six months ended June 30,	
	2015	2014
Gross written premiums	6,455,291	5,195,365
Less: Premiums ceded to reinsurers	74,293	1,785,385
Change of unearned premium reserves	(16,872)	140,832
Total	6,397,870	3,269,175

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

	For the six months ended June 30,	
	2015	2014
Life insurance	4,817,363	3,482,141
Property and casualty insurance	1,637,928	1,713,224
Total	6,455,291	5,195,365

5. Interest income

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

	For the six months ended June 30,	
	2015	2014
Loans and advances to customers	3,914,449	2,719,026
Bank balances	831,684	759,935
Financial assets held under resale agreements	240,723	39,621
Accounts receivable	126,213	200,756
Placements with banks and financial institutions	18,633	22,077
Others	73,462	65,423
Total	5,205,164	3,806,838

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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

	For the six months ended June 30,	
	2015	2014
Revenue from sales of inventories	2,039,436	1,798,568
Purchases and changes in inventories	(1,388,332)	(1,122,173)
Including:		
Revenue from sales of properties held for sales	1,994,317	1,694,423
Purchases and changes in properties held for sales	(1,352,979)	(1,057,868)
Gross profit from sales of properties	641,338	636,555
Revenue from other trading operations	45,119	104,145
Purchases and changes in inventories	(35,353)	(64,305)
Gross profit from other trading operations	9,766	39,840

7. Commission and fee income

	For the six months ended June 30,	
	2015	2014
Securities and futures brokerage	1,715,954	376,736
Securities underwriting	169,749	207,212
Fund and asset management business	159,675	103,608
Trustee services	151,590	316,651
Consultancy and financial advisory	93,296	223,592
Agency business	18,110	22,599
Others	41,274	47,228
Total	2,349,648	1,297,626

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

8. Other income and other net gains or losses

	For the six months ended	
	June 30,	
	2015	2014
Revenue from hotel operation	258,248	249,324
Rental income	176,237	152,910
Revenue from property management business	90,635	73,851
Net gains on disposal of investment properties	75,412	65,151
Net gains on disposal of other assets	21,626	184,198
Net gains on exchange differences	3,166	246,224
Government grant and compensation	1,903	5,903
Others	(150,996)	155,845
Total	476,231	1,133,406

9. Interest expense

	For the six months ended	
	June 30,	
	2015	2014
Borrowings	(7,891,568)	(5,959,132)
Bonds issued	(1,505,431)	(440,659)
Financial assets sold under repurchase agreements	(277,349)	(147,151)
Amount due to the MOF	(80,494)	(188,799)
Accounts payable to brokerage clients	(34,017)	(10,469)
Borrowings from the central bank	—	(26,783)
Others	(17,323)	(43,874)
Total	(9,806,182)	(6,816,867)

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

10. Insurance costs

	For the six months ended June 30,	
	2015	2014
Reserves for insurance contracts	(1,601,300)	(701,387)
Policyholder dividends	(621,570)	(328,674)
Refund of reinsurance premiums	550	750,490
Other insurance expenses	(4,396,122)	(2,659,403)
Total	(6,618,442)	(2,938,974)

11. Impairment losses on assets

	For the six months ended June 30,	
	2015	2014
Allowances of impairment losses on assets		
— Distressed debt assets classified as receivables	(666,958)	(1,808,826)
— Available-for-sale financial assets	(144,499)	(626,643)
— Loans and advances to customers	(885,236)	(244,455)
— Accounts receivable	118,723	(686)
— Other assets	(2,517)	(5,353)
Total	(1,580,487)	(2,685,963)

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

12. Income tax expense

	For the six months ended June 30,	
	2015	2014
Current income tax:		
– PRC Enterprise Income Tax	(2,794,048)	(1,902,257)
– PRC Land Appreciation Tax	(71,928)	(51,883)
– Hong Kong Profits Tax	(44,042)	(7,378)
Adjustments in respect of current income tax of prior years:		
– PRC Enterprise Income Tax	(13,439)	2,501
Subtotal	(2,923,457)	(1,959,017)
Deferred income tax (Note IV.28)	439,472	53,152
Total	(2,483,985)	(1,905,865)

The statutory income tax rate applicable to PRC enterprise was 25% for the period (for the six months ended June 30, 2014: 25%).

Hong Kong Profits Tax was calculated at 16.5% (for the six months ended June 30, 2014: 16.5%) of the estimated assessable profit for the period.

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

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

	For the six months ended June 30,	
	2015	2014
Earnings:		
Profit attributable to equity holders of the Company	7,823,803	5,295,973
Number of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	36,256,690	36,230,243
Basic earnings per share (RMB Yuan)	0.22	0.15
Diluted earnings per share (RMB Yuan)	0.22	0.15

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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

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 RMB0.22 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, 2015.

14. Dividends

	For the six months ended June 30,	
	2015	2014
Final dividend for 2014 ⁽¹⁾	3,571,284	—
Dividends recognized as distribution during the period	3,571,284	—

(1) Distribution of final dividend for 2014

A cash dividend of approximately RMB3,571 million in total for the year of 2014 was approved, after the required appropriations for the general reserve on the net profit of the Company for the year of 2014 as determined under the China Accounting Standards, at the annual general meeting for 2014 held on June 29, 2015.

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.

15. Cash and bank balances

	As at June 30, 2015	As at December 31, 2014
Cash	3,553	3,319
Bank balances		
— House accounts	52,057,877	37,482,898
— Cash held on behalf of clients	24,907,537	6,405,032
Total	76,968,967	43,891,249
Including:		
Restricted bank balances	27,018,837	12,497,491
— including pledged bank deposits	300,000	2,157,830

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

16. Financial assets at fair value through profit or loss

	As at June 30, 2015	As at December 31, 2014
Held-for-trading financial assets		
Debt securities		
— Government bonds	205,883	38,691
— Public sector and quasi-government bonds	2,423,108	932,062
— Corporate bonds	8,372,738	6,093,985
	11,001,729	7,064,738
Equity instruments	4,862,971	2,409,893
Mutual funds	3,632,210	1,505,083
Derivatives	23,567	17,355
Subtotal	19,520,477	10,997,069
Financial assets designated as at fair value through profit or loss		
Distressed debt assets ⁽¹⁾	60,116,767	42,302,037
Financial institution convertible bonds	—	698,301
Corporate convertible bonds	45,346	46,322
Wealth management products	2,567,682	2,521,569
Unlisted equity instruments	582,663	655,223
Subtotal	63,312,458	46,223,452
Total	82,832,935	57,220,521

(1) Distressed debt assets designated as at fair value through profit or loss of the Company account for the majority portion of the Group balances as at June 30, 2015 and December 31, 2014, respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

17. Financial assets held under resale agreements

	As at June 30, 2015	As at December 31, 2014
By collateral type		
Bonds	24,179,327	10,587,290
Equity instruments	7,469,525	868,869
Funds	—	1,260
Subtotal	31,648,852	11,457,419
Less: Allowance for impairment loss	2,250	3,205
Total	31,646,602	11,454,214

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, 2015, the Group had received securities with a fair value of approximately RMB42,908 million (December 31, 2014: RMB13,044 million) that the Group can resell or repledge. The Group did not repledge or resell any of such securities as at June 30, 2015 and December 31, 2014. The Group has an obligation to return the securities to its counterparties on the maturity dates of the resale agreements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

18. Available-for-sale financial assets

	As at June 30, 2015	As at December 31, 2014
Debt securities		
— Government bonds	78,684	76,889
— Public sector and quasi-government bonds	3,424,164	3,956,771
— Financial institution bonds	3,654,557	1,639,576
— Corporate bonds	3,824,602	5,111,992
Subtotal	10,982,007	10,785,228
Equity instruments ⁽¹⁾	53,707,188	45,492,029
Debt instruments issued by financial institutions ⁽²⁾	594,393	13,002,708
Funds ⁽¹⁾	27,289,263	8,646,276
Trust products and rights to trust assets	3,262,449	2,870,706
Asset management plans	1,855,168	2,608,289
Wealth management products	2,327,758	1,238,116
Assets backed securities	595,165	605,156
Others	549,195	546,046
Total	101,162,586	85,794,554
Including:		
Debt securities pledged for borrowings	1,019,645	480,232

(1) Included in the balances are amounts of equity instruments and funds totaling RMB51,501 million as at June 30, 2015 (December 31, 2014: RMB40,208 million) that were measured at cost because their fair values cannot be reliably measured.

(2) Debt instruments issued by financial institutions mainly include asset portfolios with inter-bank assets such as underlying assets, and large interbank deposits.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

19. Financial assets classified as receivables

	As at June 30, 2015	As at December 31, 2014
Distressed debt assets ⁽¹⁾		
– Loans acquired from financial institutions	37,277,326	43,586,501
– Accounts receivable acquired from non-financial institutions	119,695,882	123,877,825
	156,973,208	167,464,326
Less: Allowance for impairment losses		
– Individually assessed	1,097,285	506,533
– Collectively assessed	4,620,662	4,848,865
	5,717,947	5,355,398
Subtotal	151,255,261	162,108,928
Debt instruments		
– Trust products	4,896,552	3,687,934
– Certificate treasury bonds	117,700	117,700
– Debt investment plans	2,539,532	1,806,000
	7,553,784	5,611,634
Less: Allowance for impairment losses		
– Individually assessed	127,719	66,024
Subtotal	7,426,065	5,545,610
Structured debt arrangements ⁽²⁾	13,528,405	13,258,551
Total	172,209,731	180,913,089

(1) Distressed debt assets balances of the Group as at June 30, 2015 and December 31, 2014 solely arised 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(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:

	For the six months ended June 30, 2015		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	572,557	4,848,865	5,421,422
Net impairment losses recognized/(reversed)	702,526	(228,203)	474,323
Unwinding of discount on allowance	(50,079)	—	(50,079)
As at June 30	1,225,004	4,620,662	5,845,666

	For the year ended December 31, 2014		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	199,899	2,748,380	2,948,279
Net impairment losses recognized	434,745	2,100,485	2,535,230
Unwinding of discount on allowance	(62,087)	—	(62,087)
As at December 31	572,557	4,848,865	5,421,422

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

20. Loans and advances to customers

	As at June 30, 2015	As at December 31, 2014
Loans to customers		
– Unsecured loans	1,912,701	2,790,381
– Loans secured by properties	6,469,733	7,394,493
– Other secured loans	4,781,970	1,192,495
Loans to margin clients	17,103,550	6,939,752
Finance lease receivables	40,553,263	37,020,389
Entrusted loans	40,343,867	26,677,414
Subtotal	111,165,084	82,014,924
Less: Allowance for impairment losses		
– Individually assessed	542,427	370,761
– Collectively assessed	2,085,497	1,419,437
Subtotal	2,627,924	1,790,198
Total	108,537,160	80,224,726

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(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, 2015	As at December 31, 2014
Minimum finance lease receivables:		
Within 1 year (inclusive)	16,231,720	13,612,806
1 year to 5 years (inclusive)	28,127,556	27,147,131
Over 5 years	799,743	1,601,500
Gross investment in finance leases	45,159,019	42,361,437
Less: Unearned finance income	4,605,756	5,341,048
Net investment in finance leases	40,553,263	37,020,389
Present value of minimum lease receivables:		
Within 1 year (inclusive)	14,218,944	11,432,236
1 year to 5 years (inclusive)	25,667,395	24,163,884
Over 5 years	666,924	1,424,269
Total	40,553,263	37,020,389
Including:		
Finance lease receivables pledged for borrowings	3,735,000	3,802,861

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(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:

	For the six months ended June 30, 2015		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	370,761	1,419,437	1,790,198
Net impairment losses recognized	178,869	666,060	844,929
Impairment losses written off	(7,203)	—	(7,203)
As at June 30	542,427	2,085,497	2,627,924

	For the year ended December 31, 2014		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	172,402	769,354	941,756
Net impairment losses recognized	206,386	650,083	856,469
Impairment losses written off	(8,027)	—	(8,027)
As at December 31	370,761	1,419,437	1,790,198

The Company had no loans and advances to customers as at June 30, 2015 and December 31, 2014.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Accounts receivable

	As at June 30, 2015	As at December 31, 2014
Accounts receivable relating to distressed assets ⁽¹⁾	4,431,226	5,960,966
Accounts receivable from sales of properties	501,211	403,672
Insurance premium and reinsurance refund receivables	445,638	203,296
Due from brokerage clients and securities companies	267,337	195,279
Commission and fee receivable	33,422	25,658
Others	413,034	362,979
Subtotal	6,091,868	7,151,850
Less: Allowance for impairment loss	134,671	129,767
Total	5,957,197	7,022,083

(1) As at June 30, 2015, the major component comprise outstanding amount of RMB3,974 million (December 31, 2014: RMB5,484 million) mainly arising from disposals of several debt-to-equity assets. These receivables bear interest from nil to 5.25% per annum. (December 31, 2014: Nil to 6.15%) The outstanding balances are repayable no later than November 20, 2017 (December 31, 2014: no later than November 20, 2017).

Aging analysis of:

Accounts receivable relating to distressed assets

	As at June 30, 2015				As at December 31, 2014			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	1,686,069	38	-	1,686,069	2,603,983	44	-	2,603,983
1 year to 2 years (inclusive)	1,105,999	25	-	1,105,999	1,576,784	26	-	1,576,784
2 years to 3 years (inclusive)	1,255,708	28	-	1,255,708	1,402,371	24	-	1,402,371
Over 3 years	383,450	9	(80,111)	303,339	377,828	6	(80,111)	297,717
Total	4,431,226	100	(80,111)	4,351,115	5,960,966	100	(80,111)	5,880,855

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

21. Accounts receivable (continued)

No aging analysis is disclosed on items such as accounts receivable from sales of properties, insurance premium and reinsurance refund receivables, and amounts due from brokerage clients and securities companies as they are mostly current and due within one year. Other items are considered insignificant. In the opinion of the directors of the Company, aging analysis on these items does not give additional value to the readers of this report in view of the nature of these items.

Movements of allowance for impairment loss for the six months ended June 30, 2015 and for the year ended December 31, 2014 are as follows:

	For the six months ended June 30, 2015	For the year ended December 31, 2014
At beginning of the period/year	129,767	125,655
Net impairment losses recognized	5,553	5,744
Amounts written off as uncollectible	(649)	(1,632)
At end of the period/year	134,671	129,767

22. Held-to-maturity investments

	As at June 30, 2015	As at December 31, 2014
Debt securities		
– Public sector and quasi-government bonds	4,207,873	4,244,173
– Financial institution bonds	1,064,033	2,011,790
– Corporate bonds	1,302,906	786,560
Total	6,574,812	7,042,523

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

23. Properties held for sale

	As at June 30, 2015	As at December 31, 2014
Completed properties	2,899,670	3,091,000
Properties under development	28,209,067	26,811,481
Others	25,546	30,354
Total	31,134,283	29,932,835
Including:		
Pledged for borrowings	14,556,549	10,394,131

24. Investment properties

During the current interim period, the Group acquired and disposed of certain investment properties with aggregate amounts of RMB92 million at cost and RMB85 million at net book value, respectively (for the six months ended June 30, 2014: RMB4 million at cost and RMB45 million at net book value, respectively).

As at June 30, 2015, the net book value of investment properties pledged for borrowings amounted to RMB61 million (December 31, 2014: RMB446 million).

As at June 30, 2015, the value of investment properties which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB37 million (December 31, 2014: RMB31 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, 2014.

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, 2015 and December 31, 2014, and results and cash flows for the six months ended June 30, 2015 and the year ended December 31, 2014, though consolidated, are not significant and therefore not disclosed separately.

IV. EXPLANATORY NOTES (continued)

25. Interests in consolidated structured entities (continued)

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 over which the Group had control by virtue of the Group serving as general partner, manager or trustee during the period include private equity funds, trusts, asset management plans, wealth management products and mutual funds. Except for the structured entities the Group which have 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 control over these entities. The Group therefore did not consolidate these structured entities.

27. Property and equipment

For the six months ended June 30, 2015, the Group acquired and disposed of property and equipment with aggregate amounts of RMB0.34 million at cost and RMB0.72 million at net book value, respectively (for the six months ended June 30, 2014: RMB60 million at cost and RMB14 million at net book value, respectively).

As at June 30, 2015, the Group's construction in progress amounted to RMB608 million (December 31, 2014: RMB556 million).

As at June 30, 2015, the Group's property which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB2.13 million (December 31, 2014: RMB677 million).

As at June 30, 2015, the net book value of property and equipment pledged for borrowings amounted to RMB124 million (December 31, 2014: RMB145 million).

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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 following is the analysis of the deferred tax balances:

	As at June 30, 2015	As at December 31, 2014
Deferred tax assets	3,650,640	3,442,600
Deferred tax liabilities	(1,213,140)	(664,465)
	2,437,500	2,778,135

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	Accrued but Asset revaluation	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
As at January 1, 2015	2,681,329	39,315	14,335	93,341	(175,260)	581,578	283,588	88,373	63,341	(62,685)	(835,885)	6,765	2,778,135
Credit/(charge) to profit or loss	(73,644)	(13,541)	3,299	41,029	–	112,188	110,301	15,689	(3,843)	195,847	–	52,147	439,472
Charge to other comprehensive income	–	–	–	–	–	–	–	–	–	–	(780,107)	–	(780,107)
Others	–	–	–	–	–	–	–	–	–	–	–	–	–
As at June 30, 2015	2,607,685	25,774	17,634	134,370	(175,260)	693,766	393,889	104,062	59,498	133,162	(1,615,992)	58,912	2,437,500
As at January 1, 2014	2,900,175	86,274	19,460	67,465	(175,260)	379,639	170,642	41,892	68,379	248,331	(291,054)	(29,394)	3,486,549
Credit/(charge) to profit or loss	246,685	(46,959)	(5,125)	25,876	–	201,939	112,946	46,481	(5,038)	(311,016)	–	38,666	304,455
Charge to other comprehensive income	(465,531)	–	–	–	–	–	–	–	–	–	(544,831)	–	(1,010,362)
Others	–	–	–	–	–	–	–	–	–	–	–	(2,507)	(2,507)
As at December 31, 2014	2,681,329	39,315	14,335	93,341	(175,260)	581,578	283,588	88,373	63,341	(62,685)	(835,885)	6,765	2,778,135

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

29. Other assets

	As at June 30, 2015	As at December 31, 2014
Other receivables	3,770,166	3,021,707
Asset classified as held for sale	2,245,582	2,245,582
Interest receivable	2,211,174	1,929,069
Statutory deposits	1,726,075	1,379,409
Assets in satisfaction of debts	1,425,383	1,255,882
Dividend receivable	1,096,660	835,946
Prepaid taxes	464,532	299,924
Prepayments and guarantee deposits	414,650	426,890
Land use rights	80,778	127,975
Others	1,169,040	1,021,678
Total	14,604,040	12,544,062

30. Borrowings from the central bank

	As at June 30, 2015	As at December 31, 2014
Borrowings from the central bank	986,058	986,058

The borrowings from the People's Bank of China are used to finance the purchase of distressed assets from commercial banks and bear interest rate at 2.25% per annum. As at June 30, 2015, the loan principals have been repaid in full, and the outstanding balance amounting to RMB986 million represents interest payable to the central bank.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

31. Financial assets sold under repurchase agreements

	As at June 30, 2015	As at December 31, 2014
By collateral type:		
Debt securities	7,136,795	4,467,849
Finance lease receivables	70,500	599,500
Loans to margin clients	7,460,260	4,872,300
Total	14,667,555	9,939,649

32. Placements from banks and financial institutions

	As at June 30, 2015	As at December 31, 2014
Placements from banks	430,000	10,000,000
Placements from financial institutions	2,905,861	1,827,000
Total	3,335,861	11,827,000

33. Borrowings

	As at June 30, 2015	As at December 31, 2014
Banks and other financial institutions borrowings		
Unsecured loans	244,289,051	248,021,408
Loans secured by properties	8,912,055	5,878,575
Other secured loans	19,264,077	9,289,328
Other borrowings		
Unsecured loans	—	263,100
Loans secured by properties	—	—
Other secured loans	40,000	—
Total	272,505,183	263,452,411

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

33. Borrowings (continued)

Loans secured by properties were collateralized by property and equipment, investment properties, properties held for sale at an aggregate carrying amount of RMB14,742 million as at June 30, 2015 (December 31, 2014: RMB11,904 million). Other secured loans were collateralized by bank balances, available-for-sale financial assets, and finance lease receivables at an aggregate carrying amount of RMB7,701 million as at June 30, 2015 (December 31, 2014: RMB6,245 million). The variable rates of borrowings used by the Group float based on the benchmark interest rates of deposits or loans published by PBOC, SHIBOR, HIBOR, LIBOR or prime interest rates.

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, 2015	As at December 31, 2014
Fixed-rate borrowings	3.4%–11.8%	4.38%–11.8%
Variable-rate borrowings	2.36%–8%	2.36%–7.2%

The ranges of effective interest rates per annum on the Company's fixed-rate borrowings and variable-rate borrowings were from 4.95% to 7.3% and from 4.5% to 5.81% as at June 30, 2015 (December 31, 2014: 4.95% to 7.3% and 4.98% to 6%), respectively.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

34. Accounts payable

	As at June 30, 2015	As at December 31, 2014
Amount due to the MOF ⁽¹⁾	9,791,176	9,710,682
Accounts payable associated with real estate business ⁽²⁾	1,158,991	3,483,473
Reinsurance premium payable	96,304	101,803
Others	21,530	595,219
Total	11,068,001	13,891,177

(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 total RMB9.71 billion over the following five years representing an effective annual interest rate of 1.69%, which will expire on December 31, 2015.

(2) Accounts payable associated with real estate business mainly comprised construction cost payable to contractors.

No aging analysis is disclosed as in the opinion of the directors of the Company, the aging 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

	For the six months ended June 30, 2015	For the year ended December 31, 2014
At beginning of the period/year	6,251,226	3,244,367
Deposits received	10,077,376	4,631,374
Deposits withdrawn	(3,837,512)	(1,557,431)
Fees deducted	(28,060)	(54,208)
Interest credited	199,964	201,560
Others	516	(214,436)
At end of the period/year	12,663,510	6,251,226

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

36. Insurance contract liabilities

	As at January 1, 2015	Increase	Decrease	As at June 30, 2015
Short-term life and property insurance contracts				
– Unearned premium reserves	1,401,919	3,455,685	(3,482,268)	1,375,336
– Outstanding claim reserves	1,284,530	1,712,238	(1,756,775)	1,239,993
Long-term life insurance contracts	22,532,556	4,198,379	(2,656,650)	24,074,285
Total	25,219,005	9,366,302	(7,895,693)	26,689,614

	As at January 1, 2014	Increase	Decrease	As at December 31, 2014
Short-term life and property insurance contracts				
– Unearned premium reserves	1,234,341	3,578,562	(3,410,984)	1,401,919
– Outstanding claim reserves	1,050,086	2,026,914	(1,792,470)	1,284,530
Long-term life insurance contracts	18,438,025	7,939,965	(3,845,434)	22,532,556
Total	20,722,452	13,545,441	(9,048,888)	25,219,005

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(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, 2015			As at December 31, 2014		
	Within 1 year	Over 1 year	Total	Within 1 year	Over 1 year	Total
Short-term life and property insurance contracts						
– Unearned premium reserves	1,271,143	104,193	1,375,336	1,242,446	159,473	1,401,919
– Outstanding claim reserves	644,630	595,363	1,239,993	766,991	517,539	1,284,530
Long-term life insurance contracts	7,278	24,067,007	24,074,285	5,568	22,526,988	22,532,556
Total	1,923,051	24,766,563	26,689,614	2,015,005	23,204,000	25,219,005

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

37. Bonds issued

	Notes	As at June 30, 2015	As at December 31, 2014
10-year 7.2% fixed rate subordinated bonds	(1)	522,027	504,207
3-year 5.9% fixed rate subordinated bonds	(2)	3,066,921	—
3-year 6% fixed rate subordinated bonds	(3)	3,033,534	—
3-year 4.35% fixed rate financial bonds	(4)	5,138,856	5,030,718
5-year 4.65% fixed rate financial bonds	(5)	5,141,504	5,027,024
3-year 5.2% fixed rate financial bonds	(6)	10,015,457	10,268,403
5-year 5.35% fixed rate financial bonds	(7)	10,009,878	10,273,732
3-year 4.1% fixed rate financial bonds	(8)	10,004,074	—
5-year 4.3% fixed rate financial bonds	(9)	10,005,489	—
5-year 5.8% fixed rate financial bonds	(10)	1,503,574	—
Half-year 6% fixed rate financial bonds	(11)	10,337	—
2-year 6.5% fixed rate financial bonds	(12)	1,001,083	—
3-year 4% fixed rate financial bonds	(13)	2,004,030	1,996,936
5-year 4% fixed rate USD Guarantee Senior Notes	(14)	6,082,387	6,079,033
10-year 5.625% fixed rate USD Guarantee Senior Notes	(14)	3,047,752	3,051,216
15-year 5.2% fixed rate USD Guarantee Senior Notes	(15)	1,396,743	1,402,934
15-year 5.2% fixed rate USD Guarantee Senior Notes	(15)	546,639	—
15-year 5.2% fixed rate USD Guarantee Senior Notes	(16)	617,783	—
15-year 4.45% fixed rate USD Guarantee Senior Notes	(16)	494,878	—
5-year 3.13% fixed rate USD Guarantee Senior Notes	(17)	7,969,421	—
10-year 4.25% fixed rate USD Guarantee Senior Notes	(17)	10,447,314	—
5-year 4% fixed rate HKD bonds	(18)	8,905	7,991
5-year 4% fixed rate HKD bonds	(19)	8,924	7,972
5-year 4% fixed rate HKD bonds	(20)	3,577	3,181
5-year 4% fixed rate HKD bonds	(21)	8,983	7,914
5-year 4% fixed rate HKD bonds	(22)	9,172	8,043
5-year 4% fixed rate HKD bonds	(23)	9,192	8,023
5-year 4% fixed rate HKD bonds	(24)	9,230	7,907
5-year 4% fixed rate HKD bonds	(25)	1,847	1,675
5-year 4% fixed rate HKD bonds	(26)	9,247	7,943
Total		92,128,758	43,694,852

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

37. Bonds issued (continued)

- (1) The fixed rate subordinated bonds with a principal of RMB495 million issued in September 2011 by a subsidiary of the Company have tenure of 10 years and a fixed coupon rate of 7.2% per annum, payable annually. The subsidiary has an option to redeem all of the bonds at face value in September 2016. If the subsidiary does not exercise this option, the coupon rate of the bonds will be increased to 9.2% per annum from September 2016 onwards.
- (2) The fixed rate subordinated bonds with a principal of RMB3,000 million issued in February 2015 by a subsidiary of the Company have tenure of 3 years and a fixed coupon rate of 5.9% per annum, payable annually.
- (3) The fixed rate subordinated bonds with a principal of RMB3,000 million issued in April 2015 by a subsidiary of the Company have tenure of 3 years and a fixed coupon rate of 6% per annum, payable annually.
- (4) The fixed rate financial bonds with a principal of RMB5,000 million issued in October 2012 by the Company have tenure of 3 years, with a fixed coupon rate of 4.35%, payable annually.
- (5) The fixed rate financial bonds with a principal of RMB5,000 million issued in October 2012 by the Company have tenure of 5 years, with a fixed coupon rate of 4.65%, payable annually.
- (6) The fixed rate financial bonds with a principal of RMB10,000 million issued in May 2014 by the Company have tenure of 3 years, with a fixed coupon rate of 5.2% per annum, payable annually.
- (7) The fixed rate financial bonds with a principal of RMB10,000 million issued in May 2014 by the Company have tenure of 5 years, with a fixed coupon rate of 5.35% per annum, payable annually.
- (8) The fixed rate financial bonds with a principal of RMB10,000 million issued in May 2015 by the Company have tenure of 3 years, with a fixed coupon rate of 4.1% per annum, payable annually.
- (9) The fixed rate financial bonds with a principal of RMB10,000 million issued in May 2015 by the Company have tenure of 5 years, with a fixed coupon rate of 4.3% per annum, payable annually.
- (10) The fixed rate financial bonds with a principal of RMB1,500 million issued in June 2015 by a subsidiary of the Company have a tenure of 5 years and a fixed coupon rate of 5.8% per annum, payable annually.
- (11) The fixed rate financial bonds with a principal of RMB10.28 million issued in May 2015 by a subsidiary of the Company have tenure of half an year and a fixed coupon rate of 6% per annum, payable semi-annually.
- (12) The fixed rate financial bonds with a principal of RMB1,000 million issued in June 2015 by a subsidiary of the Company have tenure of 2 years and a fixed coupon rate of 6.5% per annum, payable annually.
- (13) The fixed rate financial bonds in Hong Kong with a principal of RMB2,000 million issued in December 2012 by a subsidiary of the Company have tenure of 3 years, with a fixed coupon rate of 4%, payable semi-annually.
- (14) The 5-year and 10-year fixed rate USD Guarantee Senior Notes with principals of USD1,000 million and USD500 million issued in May 2014 by China Cinda Finance (2014) Limited in Hong Kong, a wholly owned subsidiary of the Company's subsidiary — China Cinda (HK) Holdings Company Limited ("Cinda Hong Kong"), have tenure of 5 years and 10 years and with fixed coupon rates 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 Cinda Hong Kong 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 half-year 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

37. Bonds issued (continued)

- (15) The fixed rate USD Guarantee Senior Notes with principal of USD230 million and USD90 million issued in December 2014 by China Cinda Finance (2014) Limited have tenure of 15 years and with a fixed coupon rate of 5.2% per annum, without any option to redeem, payable semi-annually.
- (16) The fixed rate USD Guarantee Senior Notes with principal of USD100 million and USD80 million issued in February 2015 by China Cinda Finance (2014) Limited have tenure of 15 years and with fixed coupon rates of 5.2% per annum and 4.45% per annum, without any option to redeem, payable semi-annually.
- (17) The fixed rate USD Guarantee Senior Notes with principals of USD1,300 million and USD1,700 million issued in April 2015 by China Cinda Finance (2014) Limited have tenure of 5 years and 10 years with a fixed coupon rate of 3.13% per annum and 4.25% per annum, without any option to redeem, payable semi-annually.
- (18) The fixed rate HKD bonds with a principal of HKD10 million issued in September 2013 by a subsidiary of the Company have tenure of 5 years, with a fixed coupon rate of 4%, payable semi-annually.
- (19) The fixed rate HKD bonds with a principal of HKD10 million issued in September 2013 by a subsidiary of the Company have tenure of 5 years, with a fixed coupon rate of 4%, payable semi-annually.
- (20) The fixed rate HKD bonds with a principal of HKD4 million issued in October 2013 by a subsidiary of the Company have tenure of 5 years, with a fixed coupon rate of 4%, payable semi-annually.
- (21) The fixed rate HKD bonds with a principal of HKD10 million issued in December 2013 by a subsidiary of the Company have tenure of 5 years, with a fixed coupon rate of 4%, payable semi-annually.
- (22) The fixed rate HKD bonds with a principal of HKD10 million issued in July 2014 by a subsidiary of the Company have tenure of 5 years, with a fixed coupon rate of 4%, payable semi-annually.
- (23) The fixed rate HKD bonds with a principal of HKD10 million issued in July 2014 by a subsidiary of the Company have tenure of 5 years, with a fixed coupon rate of 4%, payable semi-annually.
- (24) The fixed rate HKD bonds with a principal of HKD10 million issued in September 2014 by a subsidiary of the Company have tenure of 5 years, with a fixed coupon rate of 4%, payable semi-annually.
- (25) The fixed rate HKD bonds with a principal of HKD2 million issued in September 2014 by a subsidiary of the Company have a tenure of 5 years, with a fixed coupon rate of 4%, payable semi-annually.
- (26) The fixed rate HKD bonds with a principal of HKD10 million issued in October 2014 by a subsidiary of the Company have a tenure of 5 years, with a fixed coupon rate of 4%, payable semi-annually.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

38. Other liabilities

	As at June 30, 2015	As at December 31, 2014
Payables to interest holders of consolidated structured entities (Note IV.25)	47,619,114	30,875,902
Other payables	8,766,504	4,627,307
Receipts in advance from property sales	6,563,125	4,295,466
Guarantee deposits received on leasing business	5,675,965	5,270,981
Dividends payable	3,616,725	60,445
Staff costs payable	3,220,504	2,792,271
Liabilities related to insurance business	1,604,341	1,296,150
Interest payable	1,548,720	1,113,054
Deferred income related to leasing business	1,032,895	946,469
Sundry taxes payable	542,517	590,952
Long-term payable	525,552	11,739
Provisions	268,874	284,987
Receipts in advance associated with disposal of distressed assets	242,952	356,727
Others	522,290	672,768
Total	81,750,078	53,195,218

39. Share capital

	For the six months ended June 30, 2015	For the year ended December 31, 2014
Authorized, issued and fully paid, at par value of RMB1 each:		
At beginning of the period/year	36,256,690	35,458,864
Issue of shares ⁽¹⁾	—	797,826
At end of the period/year	36,256,690	36,256,690

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

39. Share capital (continued)

- (1) In December 2013, the Company issued 5,318,840,000 H shares with par value of RMB1 each at offer price of HKD3.58 per share for a total consideration of RMB14,625 million (net of issuance expense) including a share premium of RMB9,306 million. On January 7, 2014, the over-allotment option was exercised and an additional 797,826,000 H shares with par value of RMB1 each were issued for a total consideration of RMB2,184 million (net of issuance expense) including a share premium of RMB1,386 million. The capital contribution was verified by Deloitte Touche Tohmatsu Certified Public Accountants LLP with verification report Deshibao (Yan) Zi No.0041 issued on February 18, 2014.

A summary of the movements of the Company's issued shares (in thousands of shares) during the six months ended June 30, 2015 and the year ended December 31, 2014 is as follows:

	2015			As at June 30 (a)
	As at January 1	Issuance	Transfer	
Domestic shares				
— MOF	24,596,932	—	—	24,596,932
H shares	11,659,758	—	—	11,659,758
Total	36,256,690	—	—	36,256,690

	2014			As at December 31 (a)
	As at January 1	Issuance	Transfer	
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

- (a) As at June 30, 2015, there was no share subject to lock-up restriction (December 31, 2014: 4,931,425,119 H shares were subject to lock-up restriction).

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

40. Capital reserve

The balance of capital reserve mainly represents share premium arising from the Company's initial public offering of H shares in 2013 and other previous share issuances in prior years.

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, 2015 and the year ended December 31, 2014 is set out below:

	For the six months ended June 30, 2015	For the year ended December 31, 2014
At beginning of the period/year	3,970,903	730,574
Fair value changes on available-for-sale financial assets		
— fair value changes arising during the period/year	5,583,341	4,622,971
— amounts reclassified to profit or loss upon disposal	(2,067,155)	(956,734)
— amounts reclassified to profit or loss upon impairment	—	554,379
Income tax effect	(760,669)	(980,785)
Share of other comprehensive income of associates	22,021	498
Subtotal	2,777,538	3,240,329
At end of the period/year	6,748,441	3,970,903

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 requirement can be achieved over a period of no more than five years, starting from July 1, 2012.

For the six months ended June 30, 2015 and 2014, as approved in the general meetings, the Company transferred RMB1,835 million and RMB381 million to the general reserve pursuant to the regulatory requirements in the PRC.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(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, 2015	As at December 31, 2014
Cash on hand	3,553	3,319
Unrestricted balances with original maturity of less than 3 months		
Bank balances	49,946,577	31,611,885
Clearing settlement funds	893,189	312,049
Placements with banks and financial institutions	1,500,000	2,000,000
Financial assets held under resale agreements	23,967,158	426,741
Financial assets at fair value through profit or loss	—	6,900
Available-for-sale financial assets	—	116,026
Cash and cash equivalents	76,310,477	34,476,920

44. Major non-cash transaction

For the six months ended June 30, 2015 and 2014, the Group did not have any major non-cash transaction.

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, 2015, total claim amount of pending litigations for the Group was RMB2,808 million (December 31, 2014: RMB1,528 million), and provisions of RMB105 million (December 31, 2014: RMB122 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

45. Contingent liabilities and commitments (continued)

(2) 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, 2015	As at December 31, 2014
Within 1 year	368,252	289,317
1 to 2 years	185,702	182,971
2 to 3 years	89,838	83,302
Over 3 years	127,798	99,691
Total	771,590	655,281

(3) Commitments other than operating lease commitments

	As at June 30, 2015	As at December 31, 2014
Contracted but not provided for		
— commitments for the acquisition of property and equipment	20,352	18,195
— commitments for the establishment of an investment equity	520,474	1,200,000
— loan commitments	—	—
Total	540,826	1,218,195

(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, 2015, the exposure to the credit enhancements amounted to RMB1,600 million for the Group (December 31, 2014: RMB1,500 million), plus any shortfall from the guaranteed returns ranging from 5.2% to 20% that might arise.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

45. Contingent liabilities and commitments (continued)

- (4) Other guarantees provided by the Group (continued)
- (ii) The Group provided credit enhancements for the asset management plans issued by Cinda Securities Co., Ltd. (“Cinda Securities”), a subsidiary of the Company. As at June 30, 2015, the exposure to the credit enhancements amounted to RMB127 million for the Group.
 - (iii) 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, 2015, the capital subscribed and paid in by Kunlun Trust amounted to RMB15,490 million and RMB7,175 million (December 31, 2014: RMB15,490 million and RMB7,039 million), respectively.
 - (iv) 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 RMB33 million as at June 30, 2015 (December 31, 2014: RMB456 million).
 - (v) 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 provides 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 arise, if the annualized return falls below 8.2%. The amount of the Plan is RMB4,500 million. As at June 30, 2015, the outstanding amount of the Plan was RMB4,027 million (December 31, 2014: RMB4,027 million).
 - (vi) Shanghai Dongsheng Investment Management Partnership (Limited Partnership) (“Dongsheng”) was set up by the Company together with the Trust Plan which was set up by Shanghai International Trust Co., Ltd in 2013 (the “Plan”). The Group provides unconditional purchase commitments to the unit holders of the Plan at an aggregate amount of its investment plus any shortfall from the guaranteed returns that might arise, if the annualized return falls below this range. The amount of the Plan is RMB9,500 million (December 31, 2014: RMB9,500 million). As at June 30, 2015, the outstanding amount of the Plan was RMB8,002 million (December 31, 2014: RMB1,900 million), which included contribution amount from Happy Life Insurance Co., Ltd (“Happy Life”) of RMB1,850 million.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

45. Contingent liabilities and commitments (continued)

- (4) Other guarantees provided by the Group (continued)
- (vii) 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 provides an 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. amounted to RMB12,000 million. As at June 30, 2015, Taikang Asset Management Co., Ltd. has made contribution of RMB11,206 million (December 31, 2014: RMB10,362 million).
 - (viii) During 2014, Ningbo Juxin Tongda Investment Management Partnership (Limited Partnership) was set up by a consolidated trust fund plan by the Company together with Jingu Trust, a subsidiary of the Company. The Company provides unconditional purchase commitment to the unit holders of the Plan at an aggregate amount of its investment plus any shortfall from the guaranteed returns that might arise, if the annualized return falls below this range. The size of the Plan is RMB12,000 million (December 31, 2014: RMB12,000 million). As at June 30, 2015, the outstanding amount of the Plan was RMB4,463 million.
 - (ix) During the first half year of 2015, Ningbo Guoshou Cinda Investment Partnership (Limited Partnership) was set up by the Company and China Life Insurance Co., Ltd. ("China Life"). The Group provided unconditional purchase commitments to China Life and Happy Life at an aggregate amount of its investment plus any shortfall from the guaranteed returns that might arise, if the annualized return falls below this range. The capital subscribed by China Life and Happy Life amounted to RMB2,000 million and RMB1,200 million respectively. As at June 30, 2015, China Life and Happy Life have made contributions of RMB749 million and RMB1,075 million respectively.
 - (x) During the first half year of 2015, Ningbo Shoutai Hongli Investment Partnership (Limited Partnership) ("Ningbo Shoutai Hongli") was set up by Shenzhen Jianxin Investment Development Co., Ltd. ("Shenzhen Jianxin") and Hainan Jianxin which brought in bank priority funds through the business channel of Caitong Fund, in order to set up Caitong Fund No. 195 Asset Management Plan and Caitong Fund No. 196 Asset Management Plan ("Asset Management Plan"). The actual investors (B shares of the Asset Management Plan) of Shoutai Hongli, Shenzhen JianXin and Hainan JianXin provided shortfall coverage and return guarantee commitments with respect to the bank priority funds (A shares of the Asset Management Plan) which ensure that when the net amount of each share is less than or equal to RMB0.85, the B shares must to add enough funds within 3 trading days so that the net amount rises to more than RMB0.85 and ensures the A shares enjoy 7% base yield.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

46. Segment information

Information relating to business lines is 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 excluding 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.

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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

46. Segment information (continued)

For six months ended June 30, 2015	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Income from distressed debt assets classified as receivables	9,498,357	—	—	—	9,498,357
Fair value changes on distressed debt assets	1,492,864	—	—	(25,354)	1,467,510
Fair value changes on other financial assets	(192,681)	749,872	1,433,335	—	1,990,526
Investment income	3,780,524	2,284,540	2,327,613	(111,599)	8,281,078
Net insurance premiums earned	—	—	6,398,501	(631)	6,397,870
Interest income	902,667	1,946,124	2,551,313	(194,940)	5,205,164
Revenue from sales of inventories	—	2,039,436	—	—	2,039,436
Commission and fee income	112,237	121,840	2,246,273	(130,702)	2,349,648
Net gains/(losses) on disposal of subsidiaries and associates	54,943	95,648	—	—	150,591
Other income and other net gains or losses	62,114	659,737	(182,122)	(63,498)	476,231
Total	15,711,025	7,897,197	14,774,913	(526,724)	37,856,411
Interest expense	(7,502,323)	(1,126,321)	(1,301,560)	124,022	(9,806,182)
Insurance costs	—	—	(6,618,442)	—	(6,618,442)
Employee benefits	(624,533)	(290,055)	(1,808,410)	—	(2,722,998)
Purchases and changes in inventories	—	(1,388,332)	—	—	(1,388,332)
Commission and fee expense	(520)	(12,828)	(730,848)	—	(744,196)
Business tax and surcharges	(480,594)	(362,429)	(426,491)	—	(1,269,514)
Depreciation and amortization expenses	(32,882)	(110,545)	(75,482)	—	(218,909)
Other expenses	(338,961)	(403,266)	(903,085)	69,607	(1,575,705)
Impairment losses on assets	(624,842)	(716,177)	(239,468)	—	(1,580,487)
Total	(9,604,655)	(4,409,953)	(12,103,786)	193,629	(25,924,765)
Change in net assets attributable to other holders of consolidated structured entities	—	(946,236)	(300,950)	—	(1,247,186)
Profit before share of results of associates and tax	6,106,370	2,541,008	2,370,177	(333,095)	10,684,460
Share of results of associates	39,017	733	15,437	—	55,187
Profit before tax	6,145,387	2,541,741	2,385,614	(333,095)	10,739,647
Income tax expense	—	—	—	—	(2,483,985)
Profit for the period	—	—	—	—	8,255,662
Capital expenditure	59,589	89,202	78,540	—	227,331
As at June 30, 2015					
Segment assets	339,425,335	165,322,068	168,755,102	(15,545,072)	657,957,433
Including: Interests in associates	1,334,365	6,469,877	886,757	—	8,690,999
Total assets	339,425,335	165,322,068	168,755,102	(15,545,072)	657,957,433
Segment liabilities	292,438,641	120,920,996	142,613,375	(8,571,344)	547,401,668
Total liabilities	292,438,641	120,920,996	142,613,375	(8,571,344)	547,401,668

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

46. Segment information (continued)

For six months ended June 30, 2014	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
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 December 31, 2014					
Segment assets	320,973,463	110,860,241	123,560,441	(10,966,728)	544,427,417
Including: Interests in associates	3,181,993	6,617,764	279,798	—	10,079,555
Total assets	320,973,463	110,860,241	123,560,441	(10,966,728)	544,427,417
Segment liabilities	269,353,729	79,548,210	101,475,839	(7,813,623)	442,564,155
Total liabilities	269,353,729	79,548,210	101,475,839	(7,813,623)	442,564,155

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

47. Related party transactions

(1) The MOF

As at June 30, 2015, the MOF directly owned 67.84% (December 31, 2014: 67.84%) of the share capital of the Company.

The MOF is one of the ministries under the State Council, primarily responsible for state fiscal revenue and expenditures, and taxation policies. The entities controlled or regulated by the MOF are mainly financial institutions.

The Group 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, 2015	As at December 31, 2014
Accounts receivable	164,769	164,769
Financial assets at fair value through profit or loss	191,683	38,691
Available-for-sale financial assets	78,684	76,889
Financial assets classified as receivables	117,700	117,700
Interest receivable	29,423	26,436
Accounts payable	9,791,176	9,710,682
Interest payable	—	—

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

	For the six months ended June 30, 2015	2014
Interest income	9,321	5,855
Interest expense	80,494	188,799

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(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, 2015	As at December 31, 2014
Loans and advances to customers	2,086,383	368,329
Available-for-sale financial assets	9,851	23,131
Other assets	26,956	384,131
Bonds issued	150,000	—
Other liabilities	8,100	4,908

	For the six months ended June 30,	
	2015	2014
Interest income	130,845	13,163
Commission and fee income	—	593
Investment income	37,028	70,560
Net insurance premiums earned	18,403	731
Insurance cost	—	2
Interest expense	5,400	10,807

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(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 had the following transactions with the Annuity Scheme set up by the Company:

	For the six months ended June 30,	
	2015	2014
Contribution to Annuity Scheme	12,545	9,800

(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:

	For the six months ended June 30,	
	2015	2014
Emoluments of key management personnel	5,769	8,280

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(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, 2014.

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, 2015	As at December 31, 2014
Bank balances	76,965,414	43,887,930
Clearing settlement funds	5,143,645	5,145,163
Deposits with exchanges and financial institutions	1,574,458	918,240
Placements with banks and financial institutions	1,500,000	3,000,000
Financial assets at fair value through profit or loss	13,638,324	10,348,285
Financial assets held under resale agreements	31,646,602	11,454,214
Available-for-sale financial assets	20,157,708	31,647,432
Financial assets classified as receivables	172,209,731	180,913,089
Loans and advance to customers	108,537,160	80,224,726
Accounts receivable	5,957,197	7,022,083
Held-to-maturity investments	6,574,812	7,042,523
Other assets	3,996,088	3,359,288
Total	447,901,139	384,962,973

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(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 contains 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, 2015 amounted to RMB60,117 million (December 31, 2014: RMB42,302 million).

The major credit risk to which the Group is exposed 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 a level that is similar to that which existed as at December 31, 2014.

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

	As at June 30, 2015	As at December 31, 2014
Distressed debt assets classified as receivables	156,973,208	167,464,326
Loans and advances to customers	111,165,084	82,014,924
Subtotal	268,138,292	249,479,250
Allowance for impairment losses		
Distressed debt assets classified as receivables	(5,717,947)	(5,355,398)
Loans and advances to customers	(2,627,924)	(1,790,198)
Subtotal	(8,345,871)	(7,145,596)
Net carrying amounts		
Distressed debt assets classified as receivables	151,255,261	162,108,928
Loans and advances to customers	108,537,160	80,224,726
Total	259,792,421	242,333,654

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(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, 2015		As at December 31, 2014	
	Gross amount	%	Gross amount	%
Bohai Rim	64,032,325	23.9	60,154,329	24.1
Western Region	56,192,662	21.0	56,130,984	22.5
Pearl River Delta	54,277,735	20.2	43,559,069	17.5
Central Region	49,321,836	18.4	44,517,209	17.8
Yangtze River Delta	22,815,096	8.5	24,454,015	9.8
Northeastern Region	16,340,612	6.1	17,928,307	7.2
Overseas	5,158,026	1.9	2,735,337	1.1
Total	268,138,292	100.0	249,479,250	100.0

Bohai Rim: Including Beijing, Tianjin, Hebei, Shandong.

Western Region: Including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Guangxi, Gansu, Qinghai, Xinjiang, Ningxia, Inner Mongolia.

Pearl River Delta: Including Guangdong, Shenzhen, Fujian.

Central Region: Including Shanxi, Henan, Hunan, Hubei, Anhui, Jiangxi, Hainan.

Yangtze River Delta: Including Shanghai, Jiangsu, Zhejiang.

Northeastern Region: Including Liaoning, Jilin, Heilongjiang.

Overseas: Including Hong Kong and other overseas regions.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(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, 2015		As at December 31, 2014	
	Gross amount	%	Gross amount	%
Real estate	130,554,189	48.7	127,229,829	51.0
Manufacturing	38,796,229	14.5	31,041,663	12.4
Water, environment and public utilities management	13,323,969	5.0	12,835,564	5.1
Mining	10,352,806	3.9	9,972,818	4.0
Leasing and commercial services	10,234,456	3.8	10,921,858	4.4
Transportation, logistics and postal services	10,191,593	3.8	10,128,874	4.1
Construction	8,151,408	3.0	10,226,657	4.1
Others	46,533,642	17.3	37,121,987	14.9
Total	268,138,292	100.0	249,479,250	100.0

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(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

	As at June 30, 2015 (Gross amount)				As at December 31, 2014 (Gross amount)			
	Less than		Over		Less than		Over	
	1 year	1 to 5 years	5 years	Total	1 year	1 to 5 years	5 years	Total
	(inclusive)	(inclusive)	(inclusive)		(inclusive)	(inclusive)	(inclusive)	
Unsecured	4,726,302	5,945,173	26,687	10,698,162	1,856,760	3,229,247	—	5,086,007
Guaranteed	8,934,095	65,380,522	323,283	74,637,900	3,322,465	65,492,431	2,011,276	70,826,172
Mortgaged	13,920,872	110,001,945	2,637,191	126,560,008	14,252,678	106,919,306	2,958,551	124,130,535
Pledged	21,755,662	32,459,262	2,027,298	56,242,222	10,765,650	36,172,203	2,498,683	49,436,536
Total	49,336,931	213,786,902	5,014,459	268,138,292	30,197,553	211,813,187	7,468,510	249,479,250

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

	As at June 30, 2015					As at December 31, 2014				
	Up to	91 to	361 days	Over	Total	Up to	91 to	361 days	Over	Total
	90 days	360 days	to 3 years	3 years		90 days	360 days	to 3 years	3 years	
	(inclusive)	(inclusive)	(inclusive)		(inclusive)	(inclusive)	(inclusive)			
Distressed debt assets classified as receivables	5,327,817	2,084,433	1,095,694	268,100	8,776,044	1,356,213	2,107,743	910,500	—	4,374,456
Loans and advances to customers	1,393,992	1,169,877	744,109	47,555	3,355,533	235,224	1,677,266	322,174	—	2,234,664
Total	6,721,809	3,254,310	1,839,803	315,655	12,131,577	1,591,437	3,785,009	1,232,674	—	6,609,120

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(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

	As at June 30, 2015	As at December 31, 2014
Neither past due nor impaired	256,006,715	242,870,130
Past due but not impaired ⁽¹⁾	8,321,045	2,841,659
Impaired ⁽²⁾	3,810,532	3,767,461
Subtotal	268,138,292	249,479,250
Allowance for impairment loss	(8,345,871)	(7,145,596)
Net carrying amount	259,792,421	242,333,654

(1) Past due but not impaired distressed debt assets classified as receivables and loans and advances to customers

	As at June 30, 2015 (Gross amount)					As at December 31, 2014 (Gross amount)				
	Up to 90 days (inclusive)	91 to 360 days (inclusive)	361 days to 3 years (inclusive)	Over 3 years	Total	Up to 90 days (inclusive)	91 to 360 days (inclusive)	361 days to 3 years (inclusive)	Over 3 years	Total
	Distressed debt assets classified as receivable	5,196,404	1,422,192	—	—	6,618,596	1,263,415	768,940	304,992	—
Loans and advances to customers	1,300,540	251,411	150,498	—	1,702,449	234,721	119,895	149,696	—	504,312
Total	6,496,944	1,673,603	150,498	—	8,321,045	1,498,136	888,835	454,688	—	2,841,659

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For the six months ended June 30, 2015

(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

	As at June 30, 2015			As at December 31, 2014		
	Gross amount	Impairment loss	Carrying amount	Gross amount	Impairment loss	Carrying amount
Distressed debt assets classified as receivables						
– Individually assessed	2,157,448	(1,097,285)	1,060,163	2,037,109	(506,533)	1,530,576
Loans and advances to customers						
– Individually assessed	1,653,084	(542,427)	1,110,657	1,730,352	(370,761)	1,359,591
Total	3,810,532	(1,639,712)	2,170,820	3,767,461	(877,294)	2,890,167

	As at June 30, 2015	As at December 31, 2014
Distressed debt assets classified as receivables		
Individually assessed and impaired	2,157,448	2,037,109
Individually assessed and impaired as a % of total distressed debt assets classified as receivables	1.4	1.2
Fair value of collateral	10,324,321	1,949,716
Loans and advances to customers		
Individually assessed and impaired	1,653,084	1,730,352
Individually assessed and impaired as a % of total loans and advances to customers (%)	1.5	2.1
Fair value of collateral	1,035,174	1,131,788

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For the six months ended June 30, 2015

(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 are analyzed by geographical area as follows:

	As at June 30, 2015		As at December 31, 2014	
	Gross amount	%	Gross amount	%
Distressed debt assets classified as receivables				
Western Region	717,732	33.2	1,147,818	56.3
Yangtze River Delta	405,185	18.8	126,711	6.2
Pearl River Delta	282,754	13.1	—	—
Bohai Rim	278,812	12.9	393,980	19.3
Central Region	260,154	12.1	222,877	11.0
Northeastern Region	212,811	9.9	145,723	7.2
Total	2,157,448	100.0	2,037,109	100.0
Loans and advances to customers				
Yangtze River Delta	650,991	39.4	239,311	13.8
Central Region	344,175	20.8	1,100,200	63.6
Western Region	320,935	19.4	246,533	14.2
Pearl River Delta	193,342	11.7	494	—
Bohai Rim	143,641	8.7	143,641	8.4
Northeastern Region	—	—	173	—
Total	1,653,084	100.0	1,730,352	100.0

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(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 and maturity dates, are as follows:

	As at June 30, 2015						Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	
Cash and bank balances	62,738,460	10,352,877	842,891	2,797,500	—	237,239	76,968,967
Clearing settlement funds	5,143,645	—	—	—	—	—	5,143,645
Placements with banks and financial institutions	1,500,000	—	—	—	—	—	1,500,000
Deposits with exchanges and financial institutions	639,114	—	—	—	—	935,344	1,574,458
Financial assets at fair value through profit or loss	109,041	1,544,069	2,384,707	2,858,797	5,827,126	70,109,195	82,832,935
Financial assets held under resale agreements	30,852,620	329,824	358,861	105,297	—	—	31,646,602
Available-for-sale financial assets	1,303,654	812,316	662,600	13,916,090	6,049,297	78,418,629	101,162,586
Financial assets classified as receivables	12,759,143	14,456,850	82,610,168	61,573,570	810,000	—	172,209,731
Loans and advances to customers	44,026,617	2,059,341	18,261,507	44,189,695	—	—	108,537,160
Accounts receivable	—	—	1,815,963	1,437,285	—	2,703,949	5,957,197
Held-to-maturity investments	110,007	125,239	229,657	2,255,949	3,853,960	—	6,574,812
Other financial assets	—	311,454	372,475	1,353,600	—	2,366,375	4,403,904
Total financial assets	159,182,301	29,991,970	107,538,829	130,487,783	16,540,383	154,770,731	598,511,997
Borrowings from the central bank	—	—	—	—	—	(986,058)	(986,058)
Accounts payable to brokerage clients	(27,014,308)	—	—	—	—	(2,386,521)	(29,400,829)
Financial liabilities at fair value through profit or loss	—	—	—	—	—	(35,321)	(35,321)
Financial assets sold under repurchase agreements	(7,351,555)	(1,306,000)	(3,300,000)	(2,710,000)	—	—	(14,667,555)
Placements from banks and financial institutions	(430,000)	(1,577,000)	(1,328,861)	—	—	—	(3,335,861)
Borrowings	(11,795,736)	(35,260,115)	(127,820,017)	(94,056,775)	(3,572,540)	—	(272,505,183)
Accounts payable	—	—	(9,791,176)	—	—	(1,276,825)	(11,068,001)
Investment contract liabilities for policyholders	(12,663,510)	—	—	—	—	—	(12,663,510)
Bonds issued	—	—	(12,482,295)	(54,470,150)	(24,339,848)	(836,465)	(92,128,758)
Other financial liabilities	—	(80,000)	—	—	—	(50,984,113)	(51,064,113)
Total financial liabilities	(59,255,109)	(38,223,115)	(154,722,349)	(151,236,925)	(27,912,388)	(56,505,303)	(487,855,189)
Interest rate gap	99,927,192	(8,231,145)	(47,183,520)	(20,749,142)	(11,372,005)	98,265,428	110,656,808

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(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, 2014						Total
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest bearing	
Cash and bank balances	37,379,119	1,331,663	2,395,148	2,782,000	—	3,319	43,891,249
Clearing settlement funds	5,145,163	—	—	—	—	—	5,145,163
Placements with banks and financial institutions	3,000,000	—	—	—	—	—	3,000,000
Deposits with exchanges and financial institutions	337,263	—	—	—	—	580,977	918,240
Financial assets at fair value through profit or loss	994,002	437,868	1,108,713	2,378,467	4,814,142	47,487,329	57,220,521
Financial assets held under resale agreements	10,590,587	284,260	422,404	156,963	—	—	11,454,214
Available-for-sale financial assets	229,150	13,703,581	2,052,248	9,886,770	4,713,178	55,209,627	85,794,554
Financial assets classified as receivables	10,450,487	11,972,651	65,349,832	92,390,119	750,000	—	180,913,089
Loans and advances to customers	37,218,381	1,496,755	12,613,827	28,895,763	—	—	80,224,726
Accounts receivable	1,024,892	—	2,543,133	1,407,443	—	2,046,615	7,022,083
Held-to-maturity investments	30,001	—	236,371	1,790,671	4,985,480	—	7,042,523
Other financial assets	269,467	33,139	56,904	1,279,409	—	1,979,879	3,618,798
Total financial assets	106,668,512	29,259,917	86,778,580	140,967,605	15,262,800	107,307,746	486,245,160
Borrowings from the central bank	—	—	—	—	—	(986,058)	(986,058)
Accounts payable to brokerage clients	(10,075,472)	—	—	—	—	(1,587,862)	(11,663,334)
Financial liabilities at fair value through profit or loss	—	—	—	—	—	(37,005)	(37,005)
Financial assets sold under repurchase agreements	(4,252,349)	(965,000)	(3,012,300)	(1,710,000)	—	—	(9,939,649)
Placements from banks and financial institutions	—	(11,077,000)	(750,000)	—	—	—	(11,827,000)
Borrowings	(2,537,447)	(44,703,468)	(130,839,804)	(85,001,542)	(370,150)	—	(263,452,411)
Accounts payable	—	—	(9,710,682)	—	—	(4,180,495)	(13,891,177)
Investment contract liabilities for policyholders	(6,251,226)	—	—	—	—	—	(6,251,226)
Bonds issued	—	—	(11,967,394)	(26,530,678)	(4,426,724)	(770,056)	(43,694,852)
Other financial liabilities	—	—	—	—	—	(33,346,340)	(33,346,340)
Total financial liabilities	(23,116,494)	(56,745,468)	(156,280,180)	(113,242,220)	(4,796,874)	(40,907,816)	(395,089,052)
Interest rate gap	83,552,018	(27,485,551)	(69,501,600)	27,725,385	10,465,926	66,399,930	91,156,108

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, 2014.

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, 2014.

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(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 maturity at the end of each reporting period.

	As at June 30, 2015							
	Past due/ Undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and bank balances	–	54,316,574	9,484,170	9,528,144	920,651	2,719,428	–	76,968,967
Clearing settlement funds	–	5,143,645	–	–	–	–	–	5,143,645
Placements with banks and financial institutions	–	–	1,500,000	–	–	–	–	1,500,000
Deposits with exchanges and financial institutions	1,574,458	–	–	–	–	–	–	1,574,458
Financial assets at fair value through profit or loss	68,760,721	1,372,041	85,474	1,544,069	2,384,707	2,858,797	5,827,126	82,832,935
Financial assets held under resale agreements	–	–	30,851,128	329,824	360,353	105,297	–	31,646,602
Available-for-sale financial assets	83,862,772	936,991	–	1,309,999	1,330,746	10,099,533	3,622,545	101,162,586
Financial assets classified as receivables	8,039,560	–	4,719,583	14,456,850	82,610,168	61,573,570	810,000	172,209,731
Loans and advances to customers	1,770,779	836,978	4,413,525	4,195,223	30,145,933	59,851,903	7,322,819	108,537,160
Accounts receivable	1,054,155	344,213	912,892	281,487	1,926,747	1,437,703	–	5,957,197
Held-to-maturity investments	–	–	110,007	125,239	229,657	2,255,949	3,853,960	6,574,812
Other financial assets	68,107	264,090	314,075	975,588	1,232,070	1,549,974	–	4,403,904
Total financial assets	165,130,552	63,214,532	52,390,854	32,746,423	121,141,032	142,452,154	21,436,450	598,511,997
Borrowings from the central bank	(986,058)	–	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(29,400,829)	–	–	–	–	–	(29,400,829)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(35,321)	–	(35,321)
Financial assets sold under repurchase agreements	–	–	(7,152,555)	(1,449,000)	(3,343,500)	(2,722,500)	–	(14,667,555)
Placements from banks and financial institutions	–	–	(430,000)	(1,577,000)	(1,328,861)	–	–	(3,335,861)
Borrowings	–	–	(11,978,433)	(37,726,842)	(130,142,481)	(92,267,887)	(389,540)	(272,505,183)
Accounts payable	(128,734)	(194,833)	–	(953,258)	(9,791,176)	–	–	(11,068,001)
Investment contract liabilities for policyholders	(12,663,510)	–	–	–	–	–	–	(12,663,510)
Bonds issued	–	–	–	–	(7,674,254)	(60,027,768)	(24,426,736)	(92,128,758)
Other financial liabilities	(1,814,602)	(142,125)	(4,674)	(148,633)	(1,107,137)	(346,868)	(47,500,074)	(51,064,113)
Total financial liabilities	(15,592,904)	(29,737,787)	(19,565,662)	(41,854,733)	(153,387,409)	(155,400,344)	(72,316,350)	(487,855,189)
Net position	149,537,648	33,476,745	32,825,192	(9,108,310)	(32,246,377)	(12,948,190)	(50,879,900)	110,656,808

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

48. Financial risk management (continued)

48.3 Liquidity risk (continued)

	Past due/ Undated	On demand	Less than 1 month	As at December 31, 2014				Total
				1-3 months	3-12 months	1-5 years	Over 5 years	
Cash and bank balances	—	28,216,737	9,174,802	1,322,562	2,395,148	2,782,000	—	43,891,249
Clearing settlement funds	—	5,145,163	—	—	—	—	—	5,145,163
Placements with banks and financial institutions	—	—	3,000,000	—	—	—	—	3,000,000
Deposits with exchanges and financial institutions	918,240	—	—	—	—	—	—	918,240
Financial assets at fair value through profit or loss	47,577,654	900,000	883,478	—	209,349	2,440,162	5,209,878	57,220,521
Financial assets held under resale agreements	—	—	10,590,587	284,260	422,404	156,963	—	11,454,214
Available-for-sale financial assets	51,275,828	2,740,103	87,996	13,816,022	534,082	11,827,581	5,512,942	85,794,554
Financial assets classified as receivables	4,002,341	—	6,448,146	11,852,651	65,349,832	92,510,119	750,000	180,913,089
Loans and advances to customers	1,292,527	160,172	1,091,013	3,425,405	20,845,373	52,007,932	1,402,304	80,224,726
Accounts receivable	1,202,160	1,618,283	250,852	—	2,543,345	1,407,443	—	7,022,083
Held-to-maturity investments	—	—	30,001	—	236,371	1,790,671	4,985,480	7,042,523
Other financial assets	68,190	344,066	556,345	520,573	672,476	1,457,148	—	3,618,798
Total financial assets	106,336,940	39,124,524	32,113,220	31,221,473	93,208,380	166,380,019	17,860,604	486,245,160
Borrowings from the central bank	(986,058)	—	—	—	—	—	—	(986,058)
Accounts payable to brokerage clients	—	(11,663,334)	—	—	—	—	—	(11,663,334)
Financial liabilities at fair value through profit or loss	—	—	(271)	—	(33,123)	(3,611)	—	(37,005)
Financial assets sold under repurchase agreements	—	—	(4,252,349)	(880,000)	(3,055,800)	(1,751,500)	—	(9,939,649)
Placements from banks and financial institutions	—	—	—	(10,000,000)	(1,827,000)	—	—	(11,827,000)
Borrowings	—	—	(2,546,096)	(14,727,594)	(136,577,684)	(109,230,887)	(370,150)	(263,452,411)
Accounts payable	(461,629)	(3,407,070)	(310,570)	—	(159,066)	(9,552,842)	—	(13,891,177)
Investment contract liabilities for policyholders	(372)	(118,950)	—	—	—	—	(6,131,904)	(6,251,226)
Bonds issued	—	—	—	(588)	(7,757,580)	(31,509,961)	(4,426,723)	(43,694,852)
Other financial liabilities	(243,773)	(1,287,511)	(9,575)	(518,576)	(181,237)	(229,767)	(30,875,901)	(33,346,340)
Total financial liabilities	(1,691,832)	(16,476,865)	(7,118,861)	(26,126,758)	(149,591,490)	(152,278,568)	(41,804,678)	(395,089,052)
Net position	104,645,108	22,647,659	24,994,359	5,094,715	(56,383,110)	14,101,451	(23,944,074)	91,156,108

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

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, 2014.

48.5 Insurance risk

Insurance risk refers to the uncertainty of claim amounts and timing arising from the unpredictable occurrence of the insured events. The major insurance risk to which the Group exposes 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, 2014.

Notes to the Condensed Consolidated Financial Statements

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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 type of insurance contracts:

	For the six months ended June 30,			
	2015		2014	
	Amount	%	Amount	%
Life insurance	4,817,363	74.6	3,482,141	67.1
Property insurance				
Motor vehicle insurance contracts	1,383,733	21.5	1,394,286	26.8
General property insurance	107,480	1.7	121,278	2.3
Others	146,715	2.2	197,660	3.8
Total	6,455,291	100.0	5,195,365	100.0

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

	As at June 30, 2015		As at December 31, 2014	
	Amount	%	Amount	%
Life insurance	24,050,709	83.8	22,511,568	83.5
Property insurance				
Motor vehicle insurance contracts	4,313,790	15.0	4,146,820	15.4
General property insurance	350,369	1.2	316,186	1.1
Total	28,714,868	100.0	26,974,574	100.0

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

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, 2015 and December 31, 2014, the Company complied with the regulatory requirements on the minimum CAR.

IV. EXPLANATORY NOTES (continued)

49. Fair values of financial instruments

The fair values of financial assets and financial liabilities are determined as follows:

- the fair values of financial assets and financial liabilities with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market bid prices and ask prices respectively;
- the fair values of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models or discounted cash flow analysis using prices from observable current market transactions for similar instruments. 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 values of derivative instruments are calculated using quoted prices. Where such prices are not available, discounted cash flow analysis using the applicable yield curve for the duration of the instruments is used for non-option type of derivatives, and option pricing model is used for option type of derivatives.

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).

Notes to the Condensed Consolidated Financial Statements

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IV. EXPLANATORY NOTES (continued)

49. Fair values of financial instruments (continued)

49.1 Fair values 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 in the condensed consolidated financial statements approximate their fair values.

	As at June 30, 2015		As at December 31, 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Financial assets classified as receivables	172,209,731	176,009,808	180,913,089	181,654,374
Loans and advances to customers	108,537,160	108,673,001	80,224,726	80,322,027
Accounts receivable	5,957,197	5,970,929	7,022,083	7,038,675
Held-to-maturity investments	6,574,812	6,624,466	7,042,523	7,054,912
Total	293,278,900	297,278,204	275,202,421	276,069,988
Financial liabilities				
Borrowings	(272,505,183)	(272,717,618)	(263,452,411)	(264,220,147)
Bonds issued	(92,128,758)	(92,139,324)	(43,694,852)	(43,337,333)
Total	(364,633,941)	(364,856,942)	(307,147,263)	(307,557,480)

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For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Fair values of financial instruments (continued)

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

	As at June 30, 2015			Total
	Level 1	Level 2	Level 3	
Financial assets classified as receivables	—	7,742,927	168,266,881	176,009,808
Loans and advances to customers	—	—	108,673,001	108,673,001
Accounts receivable	—	—	5,970,929	5,970,929
Held-to-maturity investments	—	6,624,466	—	6,624,466
Total	—	14,367,393	282,910,811	297,278,204
Borrowings	—	—	(272,717,618)	(272,717,618)
Bonds issued	—	(91,584,370)	(554,954)	(92,139,324)
Total	—	(91,584,370)	(273,272,572)	(364,856,942)

	As at December 31, 2014			Total
	Level 1	Level 2	Level 3	
Financial assets classified as receivables	—	4,390,632	177,263,742	181,654,374
Loans and advances to customers	—	—	80,322,027	80,322,027
Accounts receivable	—	—	7,038,675	7,038,675
Held-to-maturity investments	—	7,054,912	—	7,054,912
Total	—	11,445,544	264,624,444	276,069,988
Borrowings	—	(2,000,000)	(262,220,147)	(264,220,147)
Bonds issued	—	(42,782,379)	(554,954)	(43,337,333)
Total	—	(44,782,379)	(262,775,101)	(307,557,480)

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 input being the discount rate that reflects the credit risk of counterparties.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Fair values of financial instruments (continued)

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined including their fair value hierarchy, valuation technique(s) and key 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, 2015	As at December 31, 2014				
1) Held-for-trading financial assets	19,520,477	10,997,069				
Debt securities	11,001,729	7,064,738				
– Government bonds traded in stock market	191,683	7,249	Level 1	– Quoted bid prices in an active market	N/A	N/A
– Government bonds traded in inter-bank market	14,200	31,442	Level 2	– Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty	N/A	N/A
– Public sector and quasi-government bonds traded in inter-bank market	2,423,108	932,062	Level 2	– Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty	N/A	N/A
– Corporate bonds traded in stock exchange	3,993,759	4,428,408	Level 1	– Quoted bid prices in an active market	N/A	N/A
– Corporate bonds traded in inter-bank market	4,378,979	1,665,577	Level 2	– Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty	N/A	N/A

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IV. EXPLANATORY NOTES (continued)

49. Fair values of financial instruments (continued)

49.2 Fair values 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, 2015	As at December 31, 2014				
Equity instruments listed or traded on exchanges	4,862,971	2,409,893	Level 1	— Quoted bid prices in an active market	N/A	N/A
— Manufacturing	1,985,236	861,282				
— Finance	785,272	349,965				
— Mining	87,597	21,769				
— Production and supply of power, heat, gas and water	1,175,634	382,722				
— Real estate	444,679	432,863				
— Information transmission, software and information technology services	37,696	175,113				
— others	346,857	186,179				
Mutual funds	3,632,210	1,505,083	Level 1	— Quoted bid prices in an active market	N/A	N/A
— Listed	861,406	739,556				
— Unlisted	2,770,804	765,527				
Derivatives	23,567	17,355	Level 3	— Note (1)	Note (1)	Note (1)

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IV. EXPLANATORY NOTES (continued)

49. Fair values of financial instruments (continued)

49.2 Fair values 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, 2015	As at December 31, 2014				
2) Financial assets designated as at fair value through profit or loss	63,312,458	46,223,452				
Distressed debt assets	60,116,767	42,302,037	Level 3	– Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	– Expected recoverable amounts – Expected recovery date – Discount rates that correspond to the expected risk level	– The higher the recoverable amounts, the higher the fair values – The earlier the recovery date, the higher the fair values – The lower the discount rate, the higher the fair values
Debt securities	45,346	744,623				
– Financial institution convertible bonds traded in stock exchange	–	698,301	Level 1	– Quoted bid prices in an active market	N/A	N/A
– Corporate convertible bonds traded in stock exchange	1,696	2,934	Level 1	– Quoted bid prices in an active market	N/A	N/A
– Corporate convertible bonds not traded in active market	43,650	43,388	Level 3	– Discounted cash flows for the debt component and binomial option pricing model for the option component – Future cash flows are estimated based on contractual amounts 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 rate, the higher the fair value – The lower the risk- free rate, the higher the fair value – The higher the volatility rate, the higher the fair value

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Fair values of financial instruments (continued)

49.2 Fair values 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, 2015	As at December 31, 2014				
Wealth management products issued by banks or other financial institutions	2,567,682	2,521,569	Level 2	— Calculated based on the quoted prices of bonds, equity instruments in which the wealth management products invested	N/A	N/A
Equity instruments	582,663	655,223				
— Equity investments in unlisted companies	582,663	655,223	Level 3	— Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	— Expected future cash flow — 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
3) Available-for-sale financial assets	49,661,696	45,586,589				
Debt securities	10,982,007	10,785,228				
— Government bonds traded in stock exchange	78,684	76,889	Level 1	— Quoted bid prices in an active market	N/A	N/A
— Public sector and quasi-government bonds traded in inter-bank market	3,424,164	3,956,771	Level 2	— Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty	N/A	N/A
— Financial institution bonds traded in inter-bank market	3,654,557	1,639,576	Level 2	— Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty	N/A	N/A

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Fair values of financial instruments (continued)

49.2 Fair values 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, 2015	As at December 31, 2014				
— Corporate bonds traded in stock exchange	2,754,171	2,926,490	Level 1	— Quoted bid prices in an active market	N/A	N/A
— Corporate bonds traded in inter-bank market	1,070,431	2,185,502	Level 2	— Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty	N/A	N/A
Listed equity instruments	11,824,166	8,583,295	Level 1	— Quoted bid prices in an active market	N/A	N/A
— Mining	3,552,405	4,307,748				
— Manufacturing	4,501,723	2,339,704				
— Other industries	3,770,038	1,935,843				
Preferred Stock	400,000	700,000				
— Other industries	400,000	700,000	Level 2	— Discounted cash flow with future cash flows that are estimated based on contractual amounts and coupon rates, discounted at a rate that reflects the credit risk of counterparty	N/A	N/A
Funds	17,305,979	5,587,784				
— Listed outside Hong Kong	1,428,218	1,909,919	Level 1	— Quoted bid prices in an active market	N/A	N/A
— Quoted outside Hong Kong	7,063,582	645,677	Level 1	— Quoted bid prices in an active market	N/A	N/A
— Investing in listed securities	3,442,074	104,098	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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Fair values of financial instruments (continued)

49.2 Fair values 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, 2015	As at December 31, 2014				
– Investing in entrusted loans	5,372,105	2,928,090	Level 3	– Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management’s best estimation of the expected risk level	– Expected future cash flow – Expected recovery date – Discount rates that correspond to the expected risk level	– The higher the future cash flow, the higher the fair value – The earlier the recovery date, the higher the fair value – The lower the discount rate, the higher the fair value
Trust products and rights to trust assets	3,262,449	2,870,706				
– Trust products investing in listed shares and rights to trust assets	220,610	218,830	Level 2	– Calculated based on the quoted prices of equity instruments in which the trust products invested	N/A	N/A
– Other trust products and rights to trust assets	3,041,839	2,651,876	Level 3	– Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management’s best estimation of the expected risk level	– Expected future cash flow – 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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Fair values of financial instruments (continued)

49.2 Fair values 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, 2015	As at December 31, 2014				
Wealth management products	2,327,758	1,238,116				
– Issued by banks or other financial institutions with quoted prices	60,000	488,116	Level 2	– Calculated based on the quoted prices of bonds, equity instruments on which the wealth management products invested in	N/A	N/A
– Issued by banks or other financial institutions without quoted prices	2,267,758	750,000	Level 3	– Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	– Expected future cash flow – Expected recovery date	– The higher the future cash flow, the higher the fair value – The earlier the recovery date, the higher the fair value
Asset backed securities	595,165	605,156	Level 3	– Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	– Discount rates that correspond to the expected risk level – Expected future cash flow – Expected recovery date	– The lower the discount rate, the higher the fair value – The higher the future cash flow, the higher the fair value – The earlier the recovery date, the higher the fair value
					– Discount rates that correspond to the expected risk level	– The lower the discount rate, the higher the fair value

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Fair values of financial instruments (continued)

49.2 Fair values 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, 2015	As at December 31, 2014				
Assets management plan	1,853,669	1,667,550				
– Assets management plan	1,362,784	1,307,550	Level 2	– Calculated based on the quoted prices of similar assets traded in an active market	N/A	N/A
– Assets management plan investing in equity instruments	490,885	360,000	Level 3	– Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	– Expected future cash flow – Expected recovery date	– The higher the future cash flow, the higher the fair value – The earlier the recovery date, the higher the fair value
Debt instruments issued by financial institutions	594,393	13,002,708	Level 3	– Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	– Expected future cash flow – 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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Fair values of financial instruments (continued)

49.2 Fair values 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, 2015	As at December 31, 2014				
Others	516,110	546,046				
– Issued by banks or other financial institutions	507,682	497,683	Level 3	– Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level	– Expected future cash flow – Expected recovery date – Discount rates that correspond to the expected risk level	– The higher the future cash flow, the higher the fair value – The earlier the recovery date, the higher the fair value – The lower the discount rate, the higher the fair value
– Others	8,428	48,363	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	(35,321)	(37,005)				
Income guarantee and repurchase commitment	(35,321)	(37,005)	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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Fair values of financial instruments (continued)

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

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

	As at June 30, 2015			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	12,682,319	9,383,969	60,766,647	82,832,935
Available-for-sale financial assets	23,148,821	13,643,048	12,869,827	49,661,696
Total assets	35,831,140	23,027,017	73,636,474	132,494,631
Financial liabilities at fair value through profit or loss	—	—	(35,321)	(35,321)
Total liabilities	—	—	(35,321)	(35,321)
	As at December 31, 2014			Total
	Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss	9,051,868	5,150,650	43,018,003	57,220,521
Available-for-sale financial assets	14,142,270	10,648,806	20,795,513	45,586,589
Total assets	23,194,138	15,799,456	63,813,516	102,807,110
Financial liabilities at fair value through profit or loss	—	—	(37,005)	(37,005)
Total liabilities	—	—	(37,005)	(37,005)

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

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Fair values 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, 2015	43,018,003	20,795,513	(37,005)
Recognized in profit or loss	1,456,762	(343,996)	(3,546)
Accumulated fair value changes			
transfer out upon disposal	(1,563,000)	—	—
Purchases	26,378,450	8,210,481	—
Settlements/disposals at cost	(8,523,568)	(15,792,170)	5,230
As at June 30, 2015	60,766,647	12,869,828	(35,321)
Total gain for the period for assets/liabilities held as at June 30, 2015			
— included in profit or loss	(106,238)	(343,996)	(3,546)
	Financial assets at FVTPL	Available- for-sale financial assets	Financial liabilities at FVTPL
As at January 1, 2014	17,013,700	13,505,106	(48,465)
Recognized in profit or loss	4,108,469	(340,677)	(8,983)
Accumulated fair value changes			
transfer out upon disposal	(3,699,673)	—	—
Purchases	31,573,376	7,931,002	—
Settlements/disposals at cost	(5,977,869)	(299,918)	20,443
As at December 31, 2014	43,018,003	20,795,513	(37,005)
Total gain for the year for assets/liabilities held as at December 31, 2014			
— included in profit or loss	408,796	(340,677)	(8,983)

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

49. Fair values of financial instruments (continued)

49.3 Reconciliation of Level 3 fair value measurements (continued)

The total losses of the Group for the period amounted to RMB110 million relating to financial assets or financial liabilities that has measured at fair value for the six months ended June 30, 2015 (For the year ended December 31, 2014: an unrealized gain of RMB400 million). Such unrealized losses or 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, 2015, 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:

	For the six months ended June 30	
	2015	2014
Cash received	31,000	321,973
Deferred cash consideration	—	—
	31,000	321,973

Analysis of assets and liabilities over which control was lost:

	As at June 30, 2015	As at December 31, 2014
Current assets	347	2,736,448
Non-current assets	9,004	75,225
Current liabilities	582	1,436,145
Non-current liabilities	—	500,000

Notes to the Condensed Consolidated Financial Statements

For the six months ended June 30, 2015

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

50. Disposal of subsidiaries (continued)

Net cash flows arising on disposal:

	For the six months ended	
	June 30	
	2015	2014
Cash consideration received	31,000	321,973
Less: Cash and cash equivalent balances disposed of	139	4,745
Net cash flows	30,861	317,228

V. EVENTS AFTER THE REPORTING PERIOD

The Company has obtained a reply from the CBRC with the title *Issuance of Financial Bonds by China Cinda Asset Management Co., LTD (Yinjianfu [2015] No. 473)*, which approved the Company to issue financial bonds with an amount no greater than RMB16 billion. According to that reply and based on *Administrative Measures for the Issuance of Financial Bonds in the National Inter-bank Bond Market*, the Company has carried out the issuance and information disclosure. The Company will submit the official issuance report to CBRC within one month after the issuance. On July 30, 2015, the Company has already submitted the issuance material to PBOC.

On 20 August 2015, the Company and Guocoland (China) Limited (the “Seller”) entered into a Master Transaction Agreement with respect to the real estate project of Guoson Center (the “Project”) located in Dong Cheng District, Beijing. The Company agreed to purchase the Project Rights (including all the rights, powers, interests and benefits the Seller has in relation to the Project) for a consideration of RMB4.56 billion, and purchase the Project Claims for a consideration of RMB5.94 billion. The aggregate consideration of the Master Transaction is RMB10.50 billion.

VI. APPROVAL OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been approved and authorized by the Board of Directors of the Company on August 27, 2015.



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