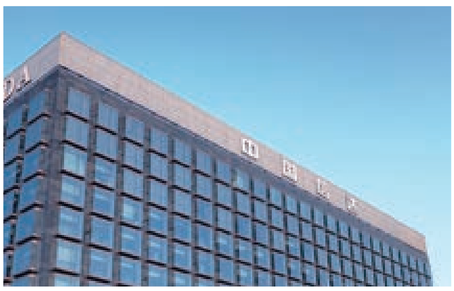
中国信达资产管理股份有限公司
CHINA CINDA ASSET MANAGEMENT CO., LTD.

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

Stock Code: 01359 Preference Shares Stock Code: 04607

2018 Annual Report



Company Profile

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

Our principal business segments include distressed asset management, financial investment and asset management, as well as financial services. Distressed asset management is the core business of the Company. The Company has 33 branches (including Hefei Operation Support Center) in 30 provinces, autonomous regions and municipalities in mainland China and eight subsidiaries as platforms for providing distressed asset management, asset management and financial services in mainland China and Hong Kong, including Nanyang Commercial Bank, Limited, Cinda Securities Co., Ltd., China Jingu International Trust Co., Ltd., Cinda Financial Leasing Co., Ltd., Happy Life Insurance Co., Ltd., Cinda Investment Co., Ltd, China Cinda (HK) Holdings Company Limited and Zhongrun Economic Development Co., Ltd. The Group has approximately 18,000 employees.

In 2018, the Company was once again awarded the "Listed Company with the Best Brand Value" of the 8th China Securities Golden Bauhinia Awards and the "China Top 100 Enterprises Award" by the 18th China Listed Company Top 100 Summit Forum. The Company was also awarded the "Company with the Best Shareholder Returns" of the Sina Finance's 2018 Hong Kong-listed Company Golden Lion Award, the "AMC Awards of the Year" in the 2018 CBN Financial Value Rankings, and the "Outstanding Financial Asset Management Company Award" of the 2018 Leading China at JRJ.com.

Contents

Definitions

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

"(our) Company"	China Cinda Asset Management Co., Ltd.
"(our) Group"	China Cinda Asset Management Co., Ltd. and its subsidiaries
"AMC(s)"	the four financial asset management companies approved by the State Council, including our Company, China Huarong Asset Management Co., Ltd., China Great Wall Asset Management Co., Ltd. and China Orient Asset Management Co., Ltd.
"Articles"	the current articles of association of China Cinda Asset Management Co., Ltd.
"Board"	the board of directors of the Company
"Board of Supervisors"	the board of supervisors of the Company
"BOC"	Bank of China Limited, a company listed on the Hong Kong Stock Exchange (stock code: 03988) and Shanghai Stock Exchange (stock code: 601988)
"CBIRC"	China Banking and Insurance Regulatory Commission
"CBRC"	The former China Banking Regulatory Commission
"CCB"	China Construction Bank Corporation, a company listed on the Hong Kong Stock Exchange (stock code: 00939) and Shanghai Stock Exchange (stock code: 601939)
"China" or "Mainland" or "the PRC"	the People's Republic of China excluding, for the purpose of this report, Hong Kong, Macao and Taiwan region
"Cinda Capital"	Cinda Capital Management Co., Ltd., a subsidiary of the Company
"Cinda Futures"	Cinda Futures Co., Ltd., a subsidiary of the Company
"Cinda Hong Kong"	China Cinda (HK) Holdings Company Limited, a subsidiary of the Company
"Cinda International"	Cinda International Holdings Limited, a subsidiary of the Company (a company listed on the Hong Kong Stock Exchange, stock code: 00111)

"Cinda Investment"	Cinda Investment Co., Ltd., a subsidiary of the Company
"Cinda Leasing"	Cinda Financial Leasing Co., Ltd., a subsidiary of the Company
"Cinda P&C"	Cinda Property and Casualty Insurance Co., Ltd. (which has changed its name to Guoren Property and Casualty Insurance Co., Ltd.), previously a subsidiary of the Company. The Company has completed to transfer 1.23 billion shares held in Cinda P&C upon approval and currently holds 10% of its equity interests
"Cinda Real Estate"	Cinda Real Estate Co., Ltd., a subsidiary of the Company (a company listed on the Shanghai Stock Exchange, stock code: 600657)
"Cinda Securities"	Cinda Securities Co., Ltd., a subsidiary of the Company
"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 up in Renminbi
"First State Cinda Fund"	First State Cinda Fund Management Co., Ltd., a subsidiary of the Company
"H Share(s)"	ordinary share(s) in the share capital of our Company with nominal value of RMB1.00 each, which is (are) listed on the Hong Kong Stock Exchange
"Happy Life"	Happy Life Insurance Co., Ltd., a subsidiary of the Company
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Huaikuang Real Estate"	Huaikuang Real Estate Co., Ltd., being a subsidiary of the Company since July 12, 2018
"Huainan Mining Group"	Huainan Mining Industry (Group) Co., Ltd.
"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board

"IFRS9"	IFRS9 – Financial Instruments
"Jingu Trust"	China Jingu International Trust Co., Ltd., a subsidiary of the Company
"Latest Practicable Date"	March 14, 2019, being the latest practicable date for the purpose of ascertaining certain information contained in this report prior to its publication
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Macao"	the Macao Special Administrative Region of the PRC
"MOF"	the Ministry of Finance of the PRC
"NCB China"	Nanyang Commercial Bank (China) Limited, a company incorporated in the PRC and a wholly owned subsidiary of NCB Hong Kong
"NCB Hong Kong"	Nanyang Commercial Bank, Limited, a company incorporated in Hong Kong and a licensed bank in Hong Kong, a subsidiary of the Company
"NCB" or "Nanyang Commercial Bank"	NCB Hong Kong and its subsidiaries
"NSSF"	National Council for Social Security Fund of the PRC
"Offshore Preference Share(s)"	160,000,000 non-cumulative perpetual preference shares with a par value of RMB100 per share non-publicly issued by the Company in the offshore market on September 30, 2016, which are listed and traded on the Hong Kong Stock Exchange (stock code: 04607)
"PBOC"	the People's Bank of China
"PRC GAAP"	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by MOF, as well as other relevant regulations
"Previous Standards"	International Accounting Standard 39 – Financial Instruments
"Reporting Period"	the year ended December 31, 2018

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) in the share capital of our Company with nominal value of RMB1.00 each, including Domestic Shares and H Shares
"SSE"	Shanghai Stock Exchange
"State Council"	the State Council of the People's Republic of China
"subsidiary(ies)"	has the meanings ascribed to it under the Listing Rules
"Supervisor(s)"	supervisor(s) of the Company
"SZSE"	Shenzhen Stock Exchange
"Transition Date"	the transition date of the beginning of the period of IFRS9, i.e. January 1, 2018
"Zhongrun Development"	Zhongrun Economic Development Co., Ltd., a subsidiary of the Company

Important Notice

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

On March 28, 2019, the second meeting and the second regular meeting of 2019 of the Board considered and approved the 2018 Annual Report (2018 Annual Results Announcement) of the Company. There were 11 Directors eligible to attend the meeting, of whom 10 attended in person.

The annual financial reports for 2018 prepared by the Company according to the PRC GAAP and IFRS, respectively, were audited by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with the Chinese and International Standards on Auditing, respectively, and they have issued the standard and unqualified audit reports for the Company.

The Board proposed to distribute a cash dividend of RMB0.95 per 10 Shares (tax inclusive) for 2018 to Shareholders, which is subject to the approval at the annual general meeting for 2018.

Board of Directors of China Cinda Asset Management Co., Ltd.
March 28, 2019

The legal representative of the Company, Mr. ZHANG Zi'ai, Vice President in charge of finance, Mr. LIANG Qiang, and the General Manager of the Finance and Accounting Department of the Company, Mr. YANG Yingxun, warrant that the financial statements in this report are true, accurate and complete.

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

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

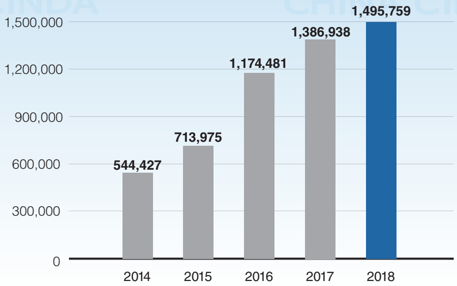
Corporate Information

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	Zhang Zi'ai
Authorized representatives	Zhang Zi'ai, Ai Jiuchao
Board Secretary	Ai Jiuchao
Joint company secretaries	Ai Jiuchao, Ngai Wai Fung
Registered address	No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing, the PRC
Postal code of place of registration	100031
Company's 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 annual reports	www.hkexnews.hk
Place for maintaining annual reports available for inspection	Board of Directors' Office of the Company
Place of listing of H Shares	The Stock Exchange of Hong Kong Limited
Stock Short Name	China Cinda

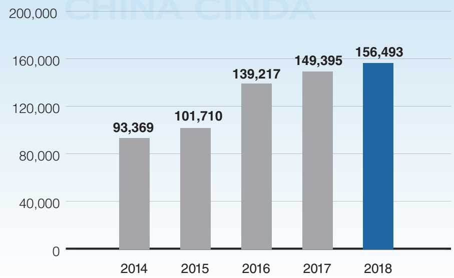
Stock Code	01359
Place of listing of Offshore Preference Shares	The Stock Exchange of Hong Kong Limited
Stock Short Name	CINDA 16USDPREF
Stock Code	04607
Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Social Credit Code	91110000710924945A
Registration number of Financial License	J0004H111000001
Legal advisors as to PRC Law	Haiwen & Partners Fangda Partners Zhong Lun Law Firm
Legal advisors as to Hong Kong law	Herbert Smith Freehills LLP Hogan Lovells
International accounting firm	Ernst & Young
Domestic accounting firm	Ernst & Young Hua Ming LLP

Financial Summary

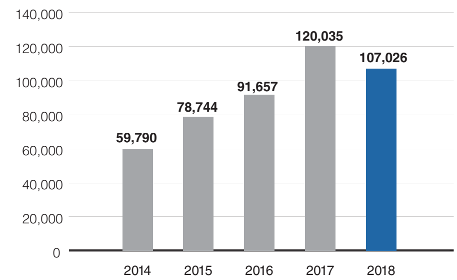
Total assets
Unit: in millions of RMB



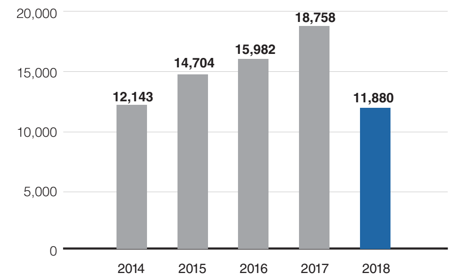
Equity attributable to equity holders of the Company
Unit: in millions of RMB



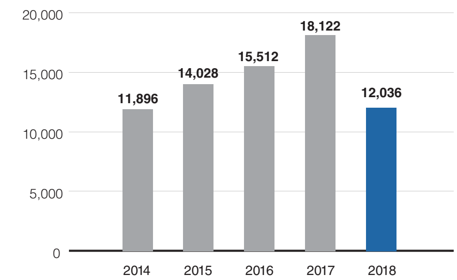
Total income
Unit: in millions of RMB



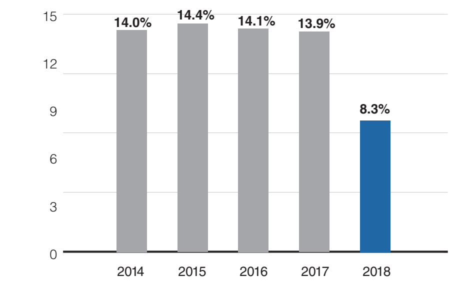
Net profit
Unit: in millions of RMB



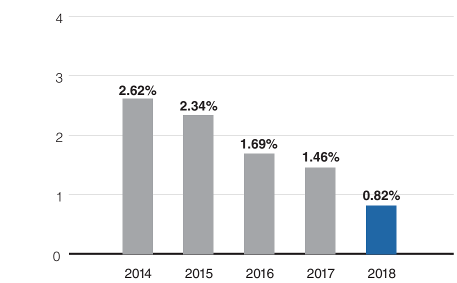
Net profit attributable to equity holders of the Company
Unit: in millions of RMB



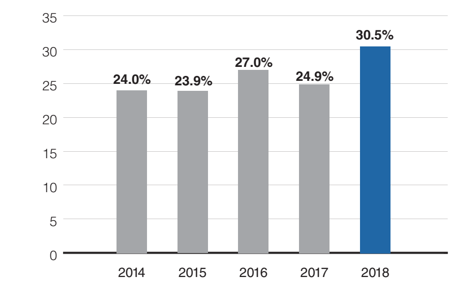
Return on average Shareholder's equity
Unit: %



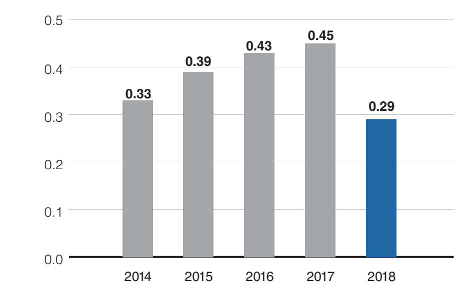
Return on average assets
Unit: %



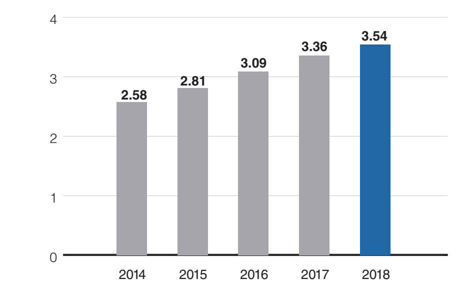
Cost-to-income ratio
Unit: %



Earnings per share
Unit: RMB



Net assets per share
Unit: RMB



The financial information contained in this report was prepared in accordance with the IFRS. Unless otherwise specified, the financial information herein is the consolidated data of the Group and denominated in RMB. Since January 1, 2018, the Group began adopting IFRS9 – Financial Instruments. The Group did not restate the comparative information involving the financial instruments of 2017 within the scope of IFRS9, as the differences arising from the adoption of IFRS9 were directly reflected in shareholders' equity on January 1, 2018. As at and for the year ended December 31, 2018, the financial data was prepared according to IFRS9, while the data of prior years was prepared according to the Previous Standards.

	As at and for the year ended December 31,				
	2018	2017	2016	2015	2014
	(in millions of RMB)				
Income from distressed debt assets at amortized cost	19,308.3	–	–	–	–
Income from distressed debt assets classified as receivables	–	17,773.0	15,539.2	18,883.9	18,113.6
Fair value changes on distressed debt assets	11,451.5	8,266.4	5,716.2	4,420.1	4,077.5
Fair value changes on other financial instruments	15,068.9	2,582.2	2,656.3	1,971.2	2,180.5
Investment income	154.4	29,465.7	17,991.3	13,552.2	9,116.5
Net insurance premiums earned	9,128.6	19,266.9	16,635.8	12,912.2	7,443.0
Interest income	25,755.2	20,640.8	14,506.5	13,516.5	8,810.5
Revenue from sales of inventories	17,446.4	14,425.5	10,954.6	7,637.0	4,340.5
Other income and other net gains or losses	8,712.7	7,614.0	7,657.3	5,851.0	5,708.0
Total income	**107,026.0**	**120,034.6**	**91,657.2**	**78,744.1**	**59,790.1**
Impairment losses on assets	(8,159.0)	(11,404.7)	(4,813.7)	(4,376.5)	(5,438.1)
Interest expense	(46,475.0)	(35,911.1)	(23,223.8)	(20,185.3)	(15,961.1)
Insurance costs	(10,543.5)	(20,913.7)	(17,549.0)	(13,766.9)	(6,865.3)
Purchases and changes in inventories	(11,382.2)	(10,355.8)	(8,455.8)	(5,587.1)	(2,824.0)
Other costs and expenses	(13,647.9)	(15,651.5)	(14,315.4)	(13,285.6)	(10,945.1)
Total costs and expenses	**(90,207.6)**	**(94,236.7)**	**(68,357.7)**	**(57,201.4)**	**(42,033.6)**
Change in net assets attributable to other holders of consolidated structured entities	(526.8)	(1,284.7)	(2,331.7)	(2,557.0)	(1,909.9)
Share of results of associates and joint ventures	2,496.9	1,617.7	797.7	312.2	460.2
Profit before tax	18,788.5	26,130.8	21,765.5	19,297.9	16,306.7
Income tax expense	(6,908.6)	(7,373.0)	(5,783.5)	(4,594.0)	(4,164.0)
Profit for the year	**11,879.9**	**18,757.8**	**15,982.0**	**14,703.9**	**12,142.7**
Profit attributable to:					
– Equity holders of the Company	12,036.1	18,122.4	15,512.2	14,027.5	11,896.2
– Non-controlling interests	(156.2)	635.4	469.8	676.4	246.5

	As at and for the year ended December 31,				
	2018	2017	2016	2015	2014
	(in millions of RMB)				
Assets					
Cash and balances with central banks	16,651.9	21,511.1	17,368.0	46.8	3.3
Deposits with banks and financial institutions	80,102.6	54,429.2	75,801.3	64,590.9	49,033.1
Financial assets at fair value through profit or loss	428,791.0	213,795.9	149,045.5	117,287.4	57,220.5
Available-for-sale financial assets	–	273,182.7	212,495.9	120,604.3	85,794.6
Financial assets at fair value through other comprehensive income	116,827.6	–	–	–	–
Financial assets at amortized cost	252,416.7	–	–	–	–
Financial assets classified as receivables	–	234,226.9	198,787.2	181,058.3	180,913.1
Loans and advances to customers	336,616.5	312,117.5	294,936.6	104,738.5	80,224.7
Other assets	264,352.9	277,674.2	226,046.4	125,648.5	91,238.1
Total assets	**1,495,759.2**	**1,386,937.5**	**1,174,480.9**	**713,974.7**	**544,427.4**
Liabilities					
Borrowings from the central bank	986.1	986.1	986.1	986.1	986.1
Accounts payable to brokerage clients	10,315.8	12,393.8	16,272.1	21,533.2	11,663.3
Borrowings	570,870.2	580,352.1	450,514.8	317,070.7	263,452.4
Due to customers	254,099.9	226,220.8	204,629.0	–	–
Accounts payable	5,313.8	3,220.9	3,053.9	4,970.8	13,891.2
Bonds issued	283,115.1	206,482.6	152,497.6	111,773.4	43,694.9
Other liabilities	192,489.8	189,016.6	198,557.4	146,746.5	108,876.3
Total liabilities	**1,317,190.7**	**1,218,672.9**	**1,026,510.9**	**603,080.7**	**442,564.1**
Equity					
Equity attributable to equity holders of the Company	156,492.8	149,394.5	139,216.7	101,710.2	93,368.9
Non-controlling interests	22,075.6	18,870.2	8,753.3	9,183.7	8,494.4
Total equity	**178,568.5**	**168,264.7**	**147,970.0**	**110,893.9**	**101,863.3**
Total equity and liabilities	**1,495,759.2**	**1,386,937.5**	**1,174,480.9**	**713,974.7**	**544,427.4**

	As at and for the year ended December 31,				
	2018	2017	2016	2015	2014
	(in millions of RMB)				
Financial indicators					
Return on average shareholders' equity(1) (%)	8.32	13.88	14.12	14.4	14.0
Return on average assets (2) (%)	0.82	1.46	1.69	2.34	2.62
Cost-to-income ratio (3) (%)	30.51	24.89	27.0	23.9	24.0
Earnings per share (4) (RMB)	0.29	0.45	0.43	0.39	0.33
Net assets per share (5) (RMB)	3.54	3.36	3.09	2.81	2.58

Notes:

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

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

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

(4) Represents the net profit attributable to ordinary shareholders of the Company during the period divided by the weighted average number of ordinary shares in issue.

(5) Represents the net assets attributable to equity holders of the Company after deducting the amount of the preference shares at the end of the period divided by the number of ordinary shares as at the end of the period.

Chairman's Statement

Chairman
ZHANG Zi'ai

In 2018, the domestic and overseas economic environment was more severe and complicated. The global economy was faced with weakened growth momentum, much slower growth rate, frequent economic and trade frictions, and increasing uncertain and unstable factors, exacerbating the volatility of international financial market. Domestic economy ran steadily with changes, some of which caused concern, thus facing a downward pressure, but the sound economic fundamentals over the long term remained unchanged. Facing the severe and complicated economic situation and an increasingly stringent financial regulatory environment, the Company adhered to stable management, preserved a strong base for the major responsibility and core business, laid the solid foundations for development, and advanced reform and innovation, making progress toward long-term and sustainable high-quality development goals. As of the end of 2018, total assets of the Group reached approximately RMB1.5 trillion, representing a year-on-year increase of 7.8%. Net profit attributable to equity holders of the Company for the year was RMB12.04 billion.

We implemented high-quality development ideas to improve the quality and efficiency of the Company. The Company actively implemented the development ideas of professional management, efficiency first and value creation, and effectively fulfilled its professional functions of eliminating financial risks, serving the real economy and supporting the supply-side structural reforms. Based on the advantages of the core business line of distressed asset management, the Company exerted its unique countercyclical regulation and financial aid function to mitigate the risks in financial and real economy sector, assisted in facilitating market clearing and released a large amount of underutilized resources. The Company increased efficiency through professional management, pushed forward structural adjustment, optimized the allocation of capital resources, and accelerated asset turnover rate to improve the quality of profitability and sustainability of development. The Company adhered to integrating the revitalization of existing assets with the optimization of incremental assets, vigorously explored a new model of asset management of "extensive distressed asset" business by combining business management with value creation, and applied means such as asset acquisition, debt-to-equity swap, and additional investment in a flexible way to deeply involve in acquisition, restructuring and industry upgrade, so as to help customers create and promote values and hasten supply-side structural reforms.

We adhered to major responsibility and core business to enhance professional competitive advantages. The Company actively seized the market clearing opportunity of distressed assets, and provided customers with integrated financial solutions concerning distressed entities and distressed assets to enhance the professional capabilities in preventing and mitigating financial risks. The Company enriched the content and properly extended the variety of "extensive distressed asset" business, realizing breakthroughs in the acquisition of distressed assets of regional commercial banks and non-banking financial institutions. The Company conducted the acquisition of distressed assets of non-banking financial institutions such as financial leasing and trust, actively explored and expanded businesses such as bankrupt enterprise reorganization, revitalization of unfinished buildings, acquisition of defaulted bonds and stock pledge risk mitigation, and continued to consolidate its leading edge in the distressed asset market. The Company promoted the upgrade of distressed asset business model, improved the capability of resource integration and value creation, and cooperated with high-quality customers to jointly revitalize distressed assets by implementing "industry capital + financial capital" model and combining with the mixed-ownership reform of state-owned enterprises and enterprise restructuring. The Company set up various funds related to debt-to-equity swap, acquisition and restructuring, and investment in enterprises in a crucial condition, supported deleveraging of enterprises, and promoted proper disposal of "Zombie Enterprises" to optimize and upgrade industrial structure. The Company also set up professional P2P risk management panels to actively participate in the mitigation of P2P risks.

We deepened reform and innovation to improve the efficiency of operation and management. The Company, under the guideline of addressing weak links in development through reform, conducted system and mechanism reforms, accelerated asset turnover rate, and strengthened risk control to promote a virtuous circle of business operation. The Company carried out piloting reforms for direct management under Strategic Customer Department of its head office to highlight customer orientation and strengthen the professional advantages of head office. The Company promoted specialized and differentiated management in branches, optimized resource allocation and increased professional level. The Company took faster steps in the strategic integration of subsidiaries, and accelerated the integration of securities segment at home and abroad, enhancing the synergy effect of subsidiaries centering on core business. The Company adhered to the risk management concept of "protecting the bottom line by managing risks proactively", enhanced internal control and risk management, and promoted the ability in risk prevention, control and mitigation. The Company adjusted the management strategies for assets and liabilities, optimized the structure of liability term, and increased asset turnover rate for a better balance between safety, liquidity and efficiency by adapting to the regulatory requirements and market changes.

We improved corporate governance and devoted to setting up an example for industry development. The Company further improved corporate governance, implemented the legal status and core leadership of the Party Committee of the Company in the corporate governance, and clarified the boundaries of power and accountability of the Party Committee of the Company and governance entities at all levels to constantly perfect the well-coordinated and effectively balanced decision making and execution mechanism sticking to the principle that power carries accountability. The Company strictly implemented the regulatory requirements and institutional provisions to continuously explore the best practices of corporate governance by promoting scientific decision making and standard and effective operation of the Board. The Company further perfected the regular communication mechanism between the Board and Senior Management, guaranteed the Directors to keep abreast of management through various forms such as holding regular trainings, carrying out field investigation and inviting Directors to sit in on conferences to enhance their abilities of duty performing and decision making, and improved the evaluation mechanism for the performance of Directors and carried out the evaluation of Directors' performance of duties by the Board. The Company adhered to good governance, compliance operation and stable development, devoted to setting up an example for industry development, and gained recognition in terms of corporate governance. In 2018, the Company was awarded the "Company with the Best Shareholder Returns" of the Golden Lion Award for Hong Kong-listed companies and the "Listed Company with the Best Brand Value" of China Securities Golden Bauhinia Awards.

We adhered to integrating economic values with social values and acted as a socially responsible financial enterprise. The Company deepened the implementation of the concept of "valuable Cinda" to integrate and maximize the interests of the Company, customers, employees, society and other stakeholders. Focusing on clients-oriented philosophy during its business management, the Company mitigated risks, served the development of the real economy through high quality and efficient financial services. The Company adhered to sharing with employees the fruits of its development, and created a positive and healthy environment for talents to promote the development of employees with the Company and their value realization. The Company took solid steps to perform its duties in poverty alleviation, implemented tasks of targeted poverty alleviation in Qinghai, Xinjiang and other places, and made contribution to the society by taking various measures. The Company selected and dispatched the 3rd batch of outstanding village-devoted cadres to conduct poverty alleviation in Qinghai Province, continued to promote the Jinhui Rural Financial Education Project, actively implemented financial activities of targeted poverty alleviation, and helped introduce superior enterprises in poverty-stricken areas to capital market. Furthermore, the Company also organized money and goods donations, conducted communications about precise help in targeted places, and carried out the activity of warmth-delivery to poverty-stricken households.

In 2018, Mr. Hou Jianhang resigned from the position of the Chairman of the Company due to age. During his tenure, Mr. Hou Jianhang fulfilled his duties earnestly and diligently, and led the management team to achieve business successes one after another. On behalf of the Board of Directors, I'd like to express heartfelt thanks to Mr. Hou Jianhang for the contribution he made to the development of the Company during his tenure! Mr. He Jieping and Mr. Xu Long were elected to the Board of Directors at the same year. On behalf of the Board of Directors, I'd like to extend a warm welcome to the new Directors, and express heartfelt thanks to outgoing Directors Mr. Li Honghui, Mr. Song Lizhong and Ms. Xiao Yuping for their contribution to the development of the Company during their tenure!

2019 is the 20th anniversary of the Company. With the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company will hold the strategic direction, seek progress while maintain stability, and promote reform and innovation under the requirements of the principle of "relative concentration, focusing on main business" to strengthen reforms in quality, efficiency and motivation. The Company will deepen the construction of "Professional Cinda, Efficient Cinda and Valuable Cinda" to constantly strengthen its core competitiveness, assume its due responsibilities in the national great causes of deepening the financial supply-side structural reforms, enhancing the capability of financial service to the real economy, preventing and mitigating financial risks and advancing financial reform and opening up, and earnestly fulfill its duties and missions to welcome the 70th birthday of the People's Republic of China and the 20th anniversary of the Company with good performance.

Chairman: **ZHANG Zi'ai**
March 28, 2019

President's Statement

President
CHEN Xiaozhou

In 2018, facing with the complicated and challenging conditions in domestic and overseas economy and finance, the senior management of the Company, aiming to achieve high-quality development, implemented the requirements of the principle of “relative concentration, focusing on main business”, advanced the construction of “professional Cinda, efficient Cinda and valuable Cinda”, and coordinated various work in management and operation. The Company stepped up to change its way of development to promote high-quality growth, continued to consolidate asset quality and development foundation, and strictly controlled risks, maintaining a good development momentum of sustainability, coordination and steadiness.

We implemented our goals of operation and management to achieve stable development and keep a leading position in the industry. In 2018, the net profit attributable to equity holders of the Company was RMB12.04 billion. At the end of the Reporting Period, the total assets of the Group reached approximately RMB1.5 trillion, the core tier-1 capital adequacy ratio of the parent Company was 10.21%, which had a better margin of safety compared with regulatory requirements. Besides, the major operating indicators of the Company continued to maintain their leading positions in the industry.

We optimized our core business of distressed asset management to prevent and mitigate financial risks. The Company further optimized its business structure, consolidated its market leading position in Acquisition-operation Distressed Assets, and maintained its leading position in open-market of Acquisition-operation Distressed Assets in terms of market share. The Company made efforts to increase the turnover rate of distressed asset management and reduce cost cycles, achieving a disposal income from Acquisition-operation Distressed Assets for the year of RMB11.27 billion. The Company opened up a new situation for the acquisition of Restructured Distressed Assets, and continued to innovate and upgrade business models to drive the Company’s transformation into a resource integrator and a value creator.

We committed to serving the real economy through supporting the supply-side structural reforms. The Company actively supported the supply-side structural reforms through participating in the mixed-ownership reform of the state-owned enterprises, the substantial restructuring of distressed assets, the separation of principal and auxiliary businesses, debt-to-equity swap, etc. At the same time, the Company capitalised its professional strengths and actively conducted the marketization of debt-to-equity swap business to contribute to the deleveraging of state-owned enterprises. Taking distressed assets as its entry point, the Company facilitated the risk clearing of assets market and provided effective support to the upgrade of traditional industries and the development of emerging industries.

We enhanced refined management and deepened the synergy of the Group. The Company continued to strengthen capital constraint, optimize asset structure, and enhance the matching of assets and liabilities structure to ensure the sustainable profit, controllable liquidity risks and stable cash flow of the Company. The Company strengthened capital refinement management and improved efficiency of capital employment, ensuring stable capital positions. The Company optimized the Group's synergistic means, urged subsidiaries to provide integrated financial services focusing on the core business of distressed assets and the services for the real economy, and improved its capability in resource integration.

We implemented overall risk management and continued to improve management and control capabilities. In 2018, the Company continued to advance its construction of an overall risk management system, organized and conducted stress tests covering credit risk and market risk, and strengthened its risk appetite monitoring and transmission. The Company strengthened the management and control of concentration, perfected the management of connected transaction, and strictly controlled diversified risks to constantly improve its capabilities of risk management and control, and consolidate business foundation.

In 2019, we are facing a more complicated and challenging domestic and overseas economic environment. The Company will fully carry out the principles proposed at the 19th National Congress of CPC and the Central Economic Work Conference, actively implement the development concepts of professional operation, efficiency first and value creation, adhere to deepening reform, and strengthen internal management to improve professional capabilities, consolidate competitive advantages, and fully complete various operation tasks. By leveraging its professional advantages and unique functions, the Company will make new contribution to the development of economy and society.

President: **CHEN Xiaozhou**
March 28, 2019

Statement of Chairman of the Board of Supervisors

Chairman of the Board of Supervisors
GONG Jiande

Statement of Chairman of the Board of Supervisors

2018, as the first year of fully implementing the principles proposed at the 19th National Congress of CPC as well as the 40th anniversary of Reform and Opening Up, is also a crucial year for the Company's reform and development. Facing a challenging situation of increasing downward pressure in macro-economy and a new regulatory trend with reinforced regulation and supervision, the Company fully enhanced the leadership of the Party, kept to the general tone of seeking progress while maintaining stability to effectively cope with the profound changes in external environment, and forged ahead to take solid steps in operation. Meanwhile, the Company focused on its core business of distressed assets, and gained great achievements in serving the real economy as well as preventing and mitigating financial risks.

In 2018, with the goal of promoting the Company to focus on its core business, reform and development, the Board of Supervisors deeply implemented regulatory requirements and continued to improve the effectiveness of supervision. The Board of Supervisors paid attention to the execution of major decisions, and reinforced the application of supervisory results; continued to enhance the supervision of duty performance, and objectively and fairly evaluated the annual performance of the Board, Senior Management and its members as well as the Supervisors; evaluated the scientificity, rationality and effectiveness of the strategic planning of the Company; focused on the execution of remuneration system and drove the improvement of the remuneration management system of the Company; deeply carried out risk and internal control supervision, and took efforts to improve its risk governance structure and the Group's management and control mechanism to promote internal control level; earnestly strengthened financial supervision, paid attention to capital planning and capital adequacy management, moved forward to reinforce debt financing and liquidity management, and urged to improve the management level of tax-planning of the Company; laid emphasis on self-construction and formulated the Standard for the Supervisory Work of the Board of Supervisors and the Standard for the Compliance Inspection Work of the Board of Supervisors.

Those that work assiduously often achieve, and those that walk tirelessly often arrive. 2019, as the 70th anniversary of the founding of the People's Republic of China, is also the 20th anniversary of the Company. The Board of Supervisors will gain insight in current economic and financial situation, deeply implement the guidelines and policies of the CPC, especially the decisions and deployment on preventing and mitigating major risks as well as serving the real economy, and strictly execute the regulatory requirements of China Banking and Insurance Regulatory Commission. Focusing on the management concepts of "professional Cinda, efficient Cinda and valuable Cinda" and guided by goals, issues, compliance, results and professions, the Board of Supervisors will further enhance its functions to improve the effectiveness of supervision, ensure a high-quality development for the Company through premium supervisory services, and assist the Company in performing its responsibilities and missions in mitigating financial risks, serving the real economy and supporting the supply-side structural reforms.

龚建德

Chairman of the Board of Supervisors: **GONG Jiande**

March 28, 2019

Management Discussion and Analysis

Economic and Regulatory Environment

In 2018, the world economy continued to grow moderately with a slightly weakened momentum. The US economy kept growing in a short-time but the prospect of its long-term trend was not promising. The recovery of the Eurozone economy was hindered, the economic growth in Japan slightly slowed down and the economic growth rate of emerging economies was generally declined. Protectionism and unilateralism were reappearing, economic and trade frictions were mounting, the growth rate of international trade slowed down and direct investments were depressed. Global debt continued to increase and financial market fluctuated greatly.

In 2018, China's economy was generally stable. Its GDP growth was stable in a reasonable range, production demands grew steadily, and employment and price were in stable condition. Investment in manufacturing and private investment kept a relatively fast growth; middle and high-end manufacturing and emerging service industries grew at a good rate; new industries, new forms and new products developed fast; economic structure continued to be optimized and the replacement of old growth drivers with new ones was sped up. The transformation and upgrade of traditional industries were accelerated; reforms in key sectors were deepened; major regional development strategies were implemented, the level of opening up was gradually improved and real economy continued to grow.

The external environment experienced significant changes. China's economy ran steadily with changes, some of which caused concern, thus facing a certain downward pressure. Chinese government adhered to the general principle of pursuing progress while ensuring stability. In accordance with the requirements of high-quality development, the government advanced supply-side structural reforms, intensified reform and opening up, and handled economic and trade frictions appropriately, thus sustaining healthy economic development and maintaining social stability as well as making new progress in achieving the goal of building a moderately prosperous society. First, China pursued a proactive fiscal policy and a prudent monetary policy eased or tightened to the right degree to make policies more forward-looking, flexible, and effective. The amount of tax cuts and fee reductions was increased and the construction of infrastructure was strongly supported. In response to the difficulties and high cost of financing, the deposit reserve ratio was lowered four times, and multiple measures were taken to alleviate the capital shortage of private enterprises and small and micro business. The targeted medium-term lending facility was created to maintain reasonably sufficient liquidity. Second, China fully performed its duties in ensuring stable employment, a stable financial sector, stable foreign trade, stable foreign investment, stable domestic investment, and stable expectations. Multiple policy combinations were applied to broaden financing channels for private enterprises, thus alleviating the difficulties that private firms and small and micro businesses face in accessing affordable financing. Opening up was continued to be expanded, restrictions on market access were drastically relaxed, and joint pursuit of the Belt and Road Initiative was promoted to develop in depth and breadth. Third, the prevention and mitigation of financial risks were better combined with serving the real economy. Reinforced financial supervision was carried out constantly, and a series of policy documents were issued such as new regulations on asset management business, guidelines on the supervision of systemically important financial institutions, management measures for financial assets investment companies, etc. Deleveraging was firmly carried out with right pace and intensity to accelerate the cleanup of "Zombie Enterprises" and excess capacity. The rectification of market chaos was deepened, and illegal financial institutions and illegal financial activities were cracked down on severely.

To implement the principles proposed at the 19th National Congress of CPC and the Central Economic Work Conference and win the battle to prevent and mitigate financial risks, supervision departments guided and orderly disposed various financial risks to ensure that no systemic risks will emerge. First, the regulatory requirements for provision coverage and loan provision rate were reduced, commercial banks were urged to conduct loan classification to reflect the actual credit risks, and banks were encouraged to apply means such as write-off of bad debts and batch transfer in an integrated manner to enhance the disposal of non-performing loans. Meanwhile, new regulations on asset management were issued to regulate the investment direction and application of asset management products and block the channels for false disposal of distressed assets. Second, the Administrative Measures for Capital of Financial Asset Management Companies (Provisional) was implemented, and by setting differentiated weighting of asset risks and other provisions, financial asset management companies were guided to follow the principle of "relative concentration, focusing on main business", focus on the core business of distressed assets and prevent diversified operational risks. Supervision departments continued to tackle the market chaos, earnestly consolidated the special governance results in early stage, and severely punished or prosecuted the activities of various types in violation of laws or regulations to guide the industry return to the origin, focus on core business and refine professions with compliance management and stable development. Third, the restrictions on market-oriented debt-to-equity swap were relaxed, other types of debts beyond bank debts were included in the scope of creditor's rights of conversion of shares, the implementing authorities were allowed to acquire and transfer all types of debts in various assets quality classification, and sources of funds were expanded by ways such as targeted cuts and funds issuing to accelerate the implementation of measures and policies for debt-to-equity swap.

Analysis of Financial Statements

Change of Accounting Policies

In July 2014, the International Accounting Standards Board issued the International Financial Reporting Standards No. 9 – Financial Instruments, which reflected all phases of the financial instruments projects and replaced IAS 39-Financial Instruments. In 2017, MOF revised and promulgated four accounting standards related to financial instruments, namely the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Instruments, Accounting Standards for Business Enterprises No. 24 – Hedge Accounting and Accounting Standard for Business Enterprises No. 37 – Presentations of Financial Instruments (hereinafter referred to as the "New Financial Instrument Standards"). The above accounting standards provided new guidelines for the classification and measurement, impairment and hedging of financial instruments. The Group began to adopt the above New Financial Instrument Standards since January 1, 2018 as required.

This change in accounting policy made by the Company is to strictly enforce the New Financial Instrument Standards. According to the Previous Standards for financial instruments, the assets classified as available-for-sale financial assets, financial assets classified as receivables, held-to-maturity investments, and financial assets at fair value through profit or loss were reclassified under the New Financial Instrument Standards to financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortized cost. Please refer to the sections named Summary of Financial Position of the Group and Consolidated Financial Statements for the impact of the relevant reclassification amount on the Transition Date.

Operating Results of the Group

During 2018, the operation of the Group was stable as a whole, with the advantages of core business enhanced, structure further optimized and development quality improved, while the operation results of the Group has declined to some extent due to domestic and overseas economic and financial environment, fluctuation in domestic capital market, the application of new accounting standard and other factors.

In 2018, the net profit attributable to equity holders of the Company amounted to RMB12,036.1 million, representing a decrease of RMB6,086.3 million, or 33.6%, as compared to the same period of the last year. ROE and ROA were 8.32% and 0.82%, respectively.

	For the year ended December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Income from distressed debt assets at amortized cost	19,308.3	–	N/A	N/A
Income from distressed debt assets classified as receivables	–	17,773.0	N/A	N/A
Fair value changes on distressed debt assets	11,451.5	8,266.4	3,185.1	38.5
Fair value changes on other financial instruments	15,068.9	2,582.2	12,486.7	483.6
Investment income	154.4	29,465.7	(29,311.3)	(99.5)
Net insurance premiums earned	9,128.6	19,266.9	(10,138.3)	(52.6)
Interest income	25,755.2	20,640.8	5,114.4	24.8
Revenue from sales of inventories	17,446.4	14,425.5	3,020.9	20.9
Commission and fee income	3,717.6	4,218.9	(501.3)	(11.9)
Net gains on disposal of subsidiaries, associates and joint ventures	1,550.9	3,659.2	(2,108.3)	(57.6)
Other income and other net gains or losses	3,444.1	(264.0)	3,708.1	1,406.6
Total income	**107,026.0**	**120,034.6**	**(13,008.6)**	**(10.8)**
Insurance costs	(10,543.5)	(20,913.7)	10,370.2	(49.6)
Commission and fee expense	(1,771.5)	(2,404.9)	633.4	(26.3)
Purchases and changes in inventories	(11,382.2)	(10,355.8)	(1,026.4)	9.9
Employee benefits	(6,147.1)	(7,411.3)	1,264.2	(17.1)
Impairment losses on assets	(8,159.0)	(11,404.7)	3,245.7	(28.5)
Interest expense	(46,475.0)	(35,911.1)	(10,563.9)	29.4
Other expenses	(5,729.3)	(5,835.3)	106.0	(1.8)
Total costs and expenses	**(90,207.6)**	**(94,236.7)**	**4,029.1**	**(4.3)**
Change in net assets attributable to other holders of consolidated structured entities	(526.8)	(1,284.7)	757.9	(59.0)
Share of results of associates and joint ventures	2,496.9	1,617.7	879.2	54.3
Profit before tax	18,788.5	26,130.8	(7,342.3)	(28.1)
Income tax expense	(6,908.6)	(7,373.0)	464.4	(6.3)
Profit for the period	**11,879.9**	**18,757.8**	**(6,877.9)**	**(36.7)**
Profit attributable to:				
– Equity holders of the Company	12,036.1	18,122.4	(6,086.3)	(33.6)
– Non-controlling interests	(156.2)	635.4	(791.6)	(124.6)

Total Income

In 2018, income structure of the Group became more optimized with a decline in total income as compared to the same period of the last year. The total income decreased from RMB120,034.6 million in 2017 to RMB107,026.0 million in 2018, representing a year-on-year decrease of 10.8%, mainly due to the decrease in the net insurance premiums earned and investment 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 at amortized costs (during 2017 it was known as income from distressed debt assets classified as receivables), which was also known as income from Restructured Distressed Assets; (2) fair value changes on Acquisition-operation Distressed Assets, including realized gains or losses from disposal of Acquisition-operation Distressed Assets and unrealized fair value changes on such assets; (3) net profit or loss on DES Assets, including the gains or losses from the disposal of DES Assets classified as at fair value through profit or loss, dividend income and unrealized fair value changes, which is presented under fair value changes on other financial instruments; the net gains from DES of associates and joint ventures, which is presented under net gains on disposal of subsidiaries associates and joint ventures and share of results of associates and joint ventures; dividend income from DES Assets at fair value through other comprehensive income, which is presented under investment income; the income of DES Assets at available-for-sale financial assets, including dividend income and net gains on disposal, is presented under investment income during 2017; (4) net gains on disposal of assets in satisfaction of debts; and (5) income generated from custody, liquidation and restructuring services for distressed entities and other distressed asset business.

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

	For the year ended December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Income from distressed debt assets at amortized costs	19,308.3	–	N/A	N/A
Income from distressed debt assets classified as receivables	–	17,773.0	N/A	N/A
Fair value changes on Acquisition-operation Distressed Assets	11,442.2	8,266.4	3,175.8	38.4
Net profit or loss from DES Assets				
Financial assets at fair value through profit or loss[(1)]	7,366.8	399.2	6,967.6	1,745.4
Interests in associates and joint ventures[(2)]	698.3	241.0	457.3	189.8
Financial assets at fair value through other comprehensive income[(3)]	9.6	–	N/A	N/A
Available-for-sale financial assets[(3)]	–	14,043.6	N/A	N/A
Net gains on disposal of assets in satisfaction of debts[(4)]	175.4	108.0	67.4	62.4
Total	**39,000.6**	**40,831.2**	**(1,830.6)**	**(4.5)**

Notes:

(1) Represents gains from DES Assets at fair value through profit or loss included in distressed asset management segment, comprising net gains realized on disposal of such equity assets, dividend income and unrealized fair value changes from such equity assets, and were presented in the consolidated statement of profit or loss under "fair value changes on other financial instruments".

(2) Represents gains realized from DES Assets accrued in associates and joint ventures included in distressed asset management segment, comprising net gains realized from the disposal of such equity assets and the profit or loss arising from equity method calculations, and were presented in the consolidated statement of profit or loss under "net gains on disposal of subsidiaries, associates and joint ventures" and "share of results in associates and joint ventures", respectively.

(3) Represents the dividend income from DES Assets at fair value through other comprehensive income included in distressed asset management segment, and were presented in the consolidated statement of profit or loss under "investment income".

(4) Under the Previous Standards, the net gains realized from DES Assets accrued in available-for-sale financial assets included in distressed asset management segment, comprising the net gains realized from the disposal of such equity assets and dividend income, and were presented in the consolidated statement of profit or loss under "investment income".

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

The income from distressed assets of the Group decreased by 4.5% from RMB40,831.2 million in 2017 to RMB39,000.6 million in 2018, accounting for 34.0% and 36.4% of the total income for the respective periods.

Income from Distressed Debt Assets at Amortized Costs (during 2017 it was known as Income from Distressed Debt Assets Classified as Receivables)

On January 1, 2018, the Group began to implement IFRS9. On the Transition Date, distressed debt assets classified as receivables of the Group in the amount of RMB209,681.4 million were reclassified as financial assets at amortized cost. The income from distressed debt assets classified as receivables amounted to RMB17,773.0 million in 2017, while the income from distressed debt assets at amortized costs amounted to RMB19,308.3 million in 2018. Such income from distressed debt assets accounted for 14.8% and 18.0% of the total income for the respective periods. In 2018, the annualized monthly average return of the such distressed debt assets at amortized costs decreased from 8.6% in 2017 to 8.4% in 2018, mainly due to the Company's active adjustment of industry and customer structure.

Fair Value Changes on Acquisition-operation Distressed Assets

The fair value changes on Acquisition-operation Distressed Assets increased by 38.4% from RMB8,266.4 million in 2017 to RMB11,442.2 million in 2018, accounting for 6.9% and 10.7% of the total income for the respective periods. As at December 31, 2017 and 2018, the balance of Acquisition-operation Distressed Assets at fair value was RMB148,790.1 million and RMB189,113.9 million, respectively.

The table below sets out the components of fair value changes on Acquisition-operation Distressed Assets for the years indicated.

	For the year ended December 31,			
	2018	**2017**	**Change**	**Change in percentage**
	(in millions of RMB)			(%)
Realized fair value changes	11,330.8	9,096.0	2,234.8	24.6
Unrealized fair value changes	111.4	(829.6)	941.0	113.4
Total	**11,442.2**	**8,266.4**	**3,175.8**	**38.4**

The table below sets out the changes on Acquisition-operation Distressed Assets at fair value through profit or loss of the Group as at the dates and for the years indicated.

	For the year ended December 31, (in millions of RMB)
As at December 31, 2016	**94,458.6**
Acquisition during the year	86,701.5
Disposal during the year	(31,540.4)
Unrealized fair value changes	(829.6)
As at December 31, 2017	**148,790.1**
Acquisition during the year	76,054.5
Disposal during the year	(35,842.1)
Unrealized fair value changes	111.4
As at December 31, 2018	**189,113.9**

The fair value changes on Acquisition-operation Distressed Assets of the Group increased by 38.4% in 2018 as compared to 2017, among which, an increase in realized fair value changes, increasing by 24.6% from RMB9,096.0 million in 2017 to RMB11,330.8 million in 2018. Income from disposal hit a new high, mainly due to the implementation of strategies deployment by the Company that insisted on focusing at the main business, which seized the market opportunities and grasped the pace of disposal. As compared to the same period of the last year, there was growth in the disposal amount, changing from RMB31,540.4 million in 2017 to RMB35,842.1 million in 2018.

Fair value changes on other financial instruments

On the Transition Date, financial assets of RMB225,319.5 million were reclassified as financial assets at fair value through profit or loss (excluding the distressed debt assets at fair value through profit or loss), of which available-for-sale financial assets under the previous classification amounted to RMB170,214.7 million. The profit or loss of the above financial assets was changed to be presented under fair value changes on other financial instruments accordingly.

The fair value changes on other financial instruments of the Group included the gains or losses from the disposal of financial assets classified as at fair value through profit or loss (excluding the distressed debt assets at fair value through profit or loss), interest income, dividend income and unrealized fair value changes on such assets and the realized and unrealized fair value changes on financial liabilities at fair value through profit or loss. In 2018, the fair value changes on other financial instruments were RMB15,068.9 million, accounting for 14.1% of the total income for the respective period. Of which, the fair value changes on DES Assets were RMB7,366.8 million, accounting for 6.9% of the total income for 2018.

The table below sets out the components of fair value changes on financial instruments at fair value through profit or loss (excluding distressed debt assets at fair value through profit or loss) of the Group for the years indicated.

	For the year ended December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Fair value changes on financial instruments at fair value through profit or loss	2,582.3	2,582.2	N/A	N/A
DES Assets of the Company[1]	6,434.5	399.2	N/A	N/A
Others	(3,852.2)	2,183.0	N/A	N/A
Interest income	4,490.8	–	N/A	N/A
Dividend income	7,995.8	–	N/A	N/A
DES Assets of the Company	932.3	–	N/A	N/A
Principal equity investment of the Company and others	7,063.5	–	N/A	N/A
Total	**15,068.9**	**2,582.2**	**N/A**	**N/A**

Note:

(1) Comprising the realized net gains on disposal of and the unrealized fair value changes on DES Assets classified as financial assets at fair value through profit or loss.

Affected by the transition of standards, financial assets at fair value through profit or loss for 2018 have a different scope of measurement from that of for 2017, available-for-sale financial assets under the classification of the Previous Standards were partially reclassified as financial assets at fair value through profit or loss, therefore the data of the two periods are not comparable.

Investment Income

In 2017 and 2018, the investment income of the Group was RMB29,465.7 million and RMB154.4 million, respectively.

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

	For the year ended December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Net realized gains from disposal of				
Financial assets at fair value through other comprehensive income	64.4	–	N/A	N/A
Available-for-sale financial assets	–	14,401.3	N/A	N/A
Other debt investments at amortized cost	32.9	–	N/A	N/A
Interest income				
Available-for-sale financial assets	–	3,691.3	N/A	N/A
Debt instruments classified as receivables	–	1,294.2	N/A	N/A
Held-to-maturity investments	–	602.0	N/A	N/A
Dividend income				
Financial assets at fair value through other comprehensive income	12.2	–	N/A	N/A
Available-for-sale financial assets	–	8,879.9	N/A	N/A
Others	44.9	597.0	N/A	N/A
Total	**154.4**	**29,465.7**	**N/A**	**N/A**

In 2018, the investment income of the Group amounted to RMB154.4 million, primarily including net realized gains on disposal of other debt investments at amortized cost and financial assets at fair value through other comprehensive income and dividend income; in 2017, the investment income amounted to RMB29,465.7 million. Affected by the transition of standards, in 2018, the net realized gains on disposal of financial assets at fair value through profit or loss which were reclassified from available-for-sale financial assets, interest income, dividend income and unrealized fair value changes are presented under fair value changes on other financial instruments and not included in the investment income. Besides, income from other debt investments at amortized cost and financial assets at fair value through other comprehensive income are presented under interest income, calculated by effective interest rate and not included in investment income, therefore the data of the two periods are not comparable.

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

	For the year ended December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Net realized gains on disposal of available-for-sale financial assets	–	14,401.3	N/A	N/A
DES Assets of the Company[1]	–	13,870.1	N/A	N/A
Others	–	531.2	N/A	N/A
Interest income from available-for-sale financial assets	–	3,691.3	N/A	N/A
Dividend income from available-for-sale financial assets	–	8,879.9	N/A	N/A
DES Assets of the Company	–	173.5	N/A	N/A
Principal equity investment of the Company and others	–	8,706.4	N/A	N/A
Total	**–**	**26,972.5**	**N/A**	**N/A**

Note:

(1) Represents net realized gains on disposal of DES Assets under available-for-sale financial assets, excluding the net realized gains on disposal of DES Assets attributable to interests in associates and joint ventures.

In 2017, investment income realized from available-for-sale financial assets amounted to RMB26,972.5 million. As at December 31, 2017, the balance of available-for-sale financial assets was RMB273,182.7 million, of which RMB170,214.7 million was reclassified to financial assets at fair value through profit or loss on the Transition Date, assets of RMB92,764.5 million was reclassified to financial assets at fair value through other comprehensive income, assets of RMB8,703.5 million was reclassified as financial asset at amortized cost on the Transition Date and assets of RMB1,500.0 million was reclassified as loans and advances to customers on the Transition Date.

Net Insurance Premiums Earned

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

	For the year ended December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Gross written premiums	9,165.7	19,311.8	(10,146.1)	(52.5)
Less: Premiums ceded to reinsurers	20.7	51.1	(30.4)	(59.5)
Withdrawal/(Reversal) of unearned premium reserves	16.4	(6.2)	22.6	364.5
Net insurance premiums earned	**9,128.6**	**19,266.9**	**(10,138.3)**	**(52.6)**

The gross written premiums of the Group decreased by 52.6% from RMB19,266.9 million in 2017 to RMB9,128.6 million in 2018, primarily attributable to the income from the insurance of Happy Life in 2018 decreased year-on-year, and the gross written premiums decreased by 50.4% from RMB18,474.8 million in 2017 to RMB9,165.7 million in 2018.

The premiums ceded to reinsurers in 2018 experienced a year-on-year decrease, while the withdrawal of unearned premium reserves of the Group increased year-on-year. Of which, the withdrawal of unearned premium reserves changed by 364.5% from RMB6.2 million in 2017 to RMB16.4 million provided in 2018.

Commission and Fee Income

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

	For the year ended December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Banking business	993.2	999.2	(6.0)	(0.6)
Fund and asset management business	938.8	703.8	235.0	33.4
Securities and futures brokerage	811.2	1,094.4	(283.2)	(25.9)
Agency business	363.1	377.1	(14.0)	(3.7)
Trustee services	343.0	507.6	(164.6)	(32.4)
Consultancy and financial advisory services	157.8	331.9	(174.1)	(52.5)
Securities underwriting	65.8	86.3	(20.5)	(23.8)
Others	44.8	118.8	(74.0)	(62.3)
Total	**3,717.6**	**4,218.9**	**(501.3)**	**(11.9)**

The commission and fee income of the Group decreased by 11.9% from RMB4,218.9 million in 2017 to RMB3,717.6 million in 2018, mainly due to the decrease in commission and fee income from securities and futures brokerage, consultancy and financial advisory services and trustee services, which was partly offset by the growth in the commission and fee income from fund and asset management business. Among which:

(1) The commission and fee income from securities and futures brokerage was affected by the trading volume in brokerage business market and related factors, decreasing by 25.9% from RMB1,094.4 million in 2017 to RMB811.2 million in 2018;

(2) The commission and fee income from consultancy and financial advisory services decreased by 52.5% from RMB331.9 million in 2017 to RMB157.8 million in 2018, mainly due to the decrease in income from investment consulting and financial advisory services of the Company and Cinda Hong Kong;

(3) The commission and fee income from trustee services decreased by 32.4% from RMB507.6 million in 2017 to RMB343.0 million in 2018, mainly due to the decrease in income from trustee services of Jingu Trust;

(4) The commission and fee income from fund and asset management business increased by 33.4% from RMB703.8 million in 2017 to RMB938.8 million in 2018, mainly due to the increase in the fund management fee income from the subsidiaries of Cinda Investment.

Revenue From Sale of Inventories and Purchases and Changes in Inventories

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

	For the year ended December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Revenue from sales of inventories	17,446.4	14,425.5	3,020.9	20.9
Purchases and changes in inventories	(11,382.2)	(10,355.8)	(1,026.4)	9.9
including:				
Revenue from sales of properties held for sale	17,438.5	14,358.2	3,080.3	21.5
Purchases and changes in properties held for sale	(11,376.6)	(10,310.9)	(1,065.7)	10.3
Gross profit from sales of properties held for sale	6,061.9	4,047.4	2,014.5	49.8
Gross profit margin from sales of properties held for sale (%)	**34.8**	**28.2**	**6.6**	**23.3**

The revenue from sales of inventories of the Group increased by 20.9% from RMB14,425.5 million in 2017 to RMB17,446.4 million in 2018 and the purchases and changes in inventories increased by 9.9% from RMB10,355.8 million in 2017 to RMB11,382.2 million in 2018.

The revenue from sales of properties held for sale of the Group increased by 21.5% from RMB14,358.2 million in 2017 to RMB17,438.5 million in 2018 while the purchases and changes in properties held for sale increased by 10.3% from RMB10,310.9 million in 2017 to RMB11,376.6 million in 2018. The gross profit margin from sales of properties held for sale of the Group increased as compared to the same period of the last year, increasing by 6.6 percentage points from 28.2% in 2017 to 34.8% in 2018. In 2018, both the sales revenue and cost of properties held for sale increased as compared with the same period of last year, mainly due to the increase in the carrying area of properties delivered by Cinda Real Estate during the period. The gross profit margin from sales of properties held for sale in 2018 increased as compared with the same period of the last year, mainly due to good structure and relatively high gross profit margin of properties delivered by Cinda Real Estate during the period.

Interest Income

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

	For the year ended December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Loans and advances to customers	16,833.0	15,116.4	1,716.6	11.4
Financial assets at fair value through other comprehensive income	3,108.9	–	N/A	N/A
Other debt investments at amortized cost	1,815.1	–	N/A	N/A
Financial assets held under resale agreements	1,580.9	2,596.1	(1,015.2)	(39.1)
Placements with banks and financial institutions	1,081.4	587.4	494.0	84.1
Deposits with banks and financial institutions	1,016.3	1,981.5	(965.2)	(48.7)
Balance with central banks	169.5	172.1	(2.6)	(1.5)
Accounts receivable	40.5	9.7	30.8	317.5
Others	109.5	177.6	(68.1)	(38.3)
Total	**25,755.2**	**20,640.8**	**5,114.4**	**24.8**

The interest income of the Group increased by 24.8% from RMB20,640.8 million in 2017 to RMB25,755.2 million in 2018, primarily due to the increase in interest income from loans and advances to customers, other debt investments at amortised cost and financial assets at fair value through other comprehensive income and was partially offset by the decrease of interest income from financial assets held under resale agreements.

(1) The interest income from loans and advances to customers increased by 11.4% from RMB15,116.4 million in 2017 to RMB16,833.0 million in 2018. The interest income from loans and advances to customers included interest income from corporate and personal loans and advances, loans to margin clients and finance lease receivables. The increase in interest income was mainly due to the increase in the amount of loans and interest rate of loans of NCB;

(2) In 2018, the income from financial assets at fair value through other comprehensive income and other debt investments at amortized cost of the Group based on effective interest rate method were RMB3,108.9 million and RMB1,815.1 million respectively, which were presented under interest income, while such income in 2017 was presented under investment income;

(3) The interest income from financial assets held under resale agreements of the Group decreased by 39.1% from RMB2,596.1 million in 2017 to RMB1,580.9 million in 2018, mainly due to the fact that the amount of financial assets held under resale agreements of the Company decreased.

Net Gains on Disposal of Subsidiaries, Associates and Joint Ventures

Net gains on disposal of subsidiaries, associates and joint ventures of the Group decreased by 57.6% from RMB3,659.2 million in 2017 to RMB1,550.9 million in 2018, mainly due to the recognition of net gain on the Company's equity transfer in a subsidiary, Cinda P&C, in April 2017 of RMB3.37 billion. The equity transfer in Cinda P&C was completed in 2017. Upon completion, the Company still holds 10% of Cinda P&C's equity and Cinda P&C was no longer incorporated into the consolidated financial statements as a subsidiary of 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 years indicated.

	For the year ended December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Net gains/(losses) on exchange differences	1,148.9	(1,843.9)	2,992.8	162.3
Rental income	472.1	352.8	119.3	33.8
Revenue from hotel operation	471.9	468.3	3.6	0.8
Revenue from property management business	265.2	262.9	2.3	0.9
Revenue from project supervision	262.2	95.8	166.4	173.7
Government grants and compensation	192.6	38.3	154.3	402.9
Net gains on disposal of other assets	175.8	108.0	67.8	62.8
Net gains on disposal of investment properties	19.5	–	19.5	100.0
Others	436.0	253.8	182.2	71.8
Total	**3,444.1**	**(264.0)**	**3,708.1**	**1,404.6**

The other income and other net gains or losses of the Group changed by 1,404.6% from net loss of RMB264.0 million in 2017 to net gain of RMB3,444.1 million in 2018, mainly due to the change in net losses on exchange differences from RMB1,843.9 million in 2017 to RMB1,148.9 million in net gains on exchange differences in 2018. The impact of exchange rate changes in the Offshore Preference Shares of USD3.2 billion issued by the Company in 2016 and H Shares of HKD6.2 billion issued under the general mandate were recognized as other comprehensive income, while the changes in the exchange rate of the foreign currency assets were included in the net gains or losses on exchange differences. Due to the depreciation of the Renminbi exchange rate in 2018, the net exchange loss of the assets decreased.

Total Costs and Expenses

Costs and expenses of the Group in 2018 experienced a decrease as compared to 2017, while the ratio was less than the decrease in the revenue of the Group.

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

	For the year ended December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Insurance costs	(10,543.5)	(20,913.7)	10,370.2	(49.6)
Commission and fee expense	(1,771.5)	(2,404.9)	633.4	(26.3)
Purchases and changes in inventories	(11,382.2)	(10,355.8)	(1,026.4)	9.9
Employee benefits	(6,147.1)	(7,411.3)	1,264.2	(17.1)
Tax and surcharges	(630.7)	(687.4)	56.7	(8.2)
Business depreciation and amortization	(1,002.9)	(854.0)	(148.9)	17.4
Impairment losses on assets	(8,159.0)	(11,404.7)	3,245.7	(28.5)
Interest expense	(46,475.0)	(35,911.1)	(10,563.9)	29.4
Other expenses	(4,095.7)	(4,293.8)	198.1	(4.6)
Total	**(90,207.6)**	**(94,236.7)**	**4,029.1**	**(4.3)**

The total costs and expenses of the Group decreased by 4.3% from RMB94,236.7 million in 2017 to RMB90,207.6 million in 2018. The total amount of cost and expense of the Group deceased slightly due to the fact that the interest expense in 2018 increased greatly, which is offset by the decrease of insurance costs, impairment losses on assets and employee benefits.

Insurance Costs

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

	For the year ended December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Reserves/(reverses) for insurance contracts	2,301.6	(8,477.7)	10,779.3	127.1
Interests credited and policyholder dividends	(1,113.0)	(1,229.1)	116.1	(9.4)
Refund of reinsurance premiums	9.0	9.2	(0.2)	(2.2)
Other insurance expenses[1]	(11,741.2)	(11,216.1)	(525.1)	4.7
Total	**(10,543.5)**	**(20,913.7)**	**10,370.2**	**(49.6)**

Note:

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

The insurance costs of the Group decreased by 49.6% from RMB20,913.7 million in 2017 to RMB10,543.5 million in 2018, primarily due to the decline in the scale of the insurance business of Happy Life and the increase in policy maturity and surrender, resulting in a year-on-year decrease in the corresponding reserves for insurance contracts.

Employee benefits

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

	For the year ended December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Wages or salaries, bonuses, allowances and subsidies	(4,704.8)	(5,933.8)	1,229.0	(20.7)
Social insurance	(276.3)	(260.3)	(16.0)	6.1
Defined contribution plans	(536.3)	(399.4)	(136.9)	34.3
Defined benefit plans	(3.9)	(3.9)	–	–
Housing funds	(228.2)	(234.3)	6.1	(2.6)
Labor union fees and staff education expenses	(143.3)	(192.3)	49.0	(25.5)
Others	(254.3)	(387.3)	133.0	(34.3)
Total	**(6,147.1)**	**(7,411.3)**	**1,264.2**	**(17.1)**

The employee benefits decreased by 17.1% from RMB7,411.3 million in 2017 to RMB6,147.1 million in 2018, primarily due to (1) the Company decreased the staff cost due to the changes in the consolidated periods affected by the transfer of Cinda P&C's equity in 2017; (2) the Company decreased the relevant staff cost in accordance with profit contribution.

Impairment Losses on Assets

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

	For the year ended December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Financial assets at amortized cost	(4,751.0)	–	N/A	N/A
Distressed debt assets	(4,380.1)	–	N/A	N/A
Other debt investments	(370.9)	–	N/A	N/A
Loans and advances to customers	(2,075.4)	(1,874.8)	(200.6)	10.7
Accounts receivable	(950.0)	(31.1)	(918.9)	2,954.7
Dividends receivable	(115.6)	(209.9)	94.3	(44.9)
Financial assets at fair value through other comprehensive income	(104.7)	–	N/A	N/A
Goodwill	(9.8)	–	(9.8)	100.0
Properties held for sale	(6.4)	(337.6)	331.2	(98.1)
Available-for-sale financial assets	–	(5,229.5)	N/A	N/A
Distressed debt assets classified as receivables	–	(3,133.2)	N/A	N/A
Other financial assets classified as receivables	–	(15.0)	N/A	N/A
Other assets	(146.1)	(573.6)	427.5	(74.5)
Total	**(8,159.0)**	**(11,404.7)**	**3,245.7**	**(28.5)**

The impairment losses on assets decreased by 28.5% from RMB11,404.7 million in 2017 to RMB8,159.0 million in 2018.

During 2018, the impairment losses of distressed debt assets at amortized cost were RMB4,380.1 million, while during 2017, the impairment losses on distressed debt assets classified as receivables were RMB3,133.2 million.

During 2017, the impairment losses on available-for-sale financial assets were RMB5,229.5 million, primarily due to the change in the stock price held by the Group. During 2018, the Group adopted IFRS9. The equity assets which were previously classified as available-for-sale financial assets were reclassified to financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, according to the requirements of the standard, no impairment allowance was accrued any more.

Interest Expense

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

	For the year ended December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Borrowings	(30,492.7)	(23,707.3)	(6,785.4)	28.6
Bonds issued	(10,974.7)	(7,626.3)	(3,348.4)	43.9
Due to customers	(3,431.3)	(2,579.2)	(852.1)	33.0
Financial assets sold under repurchase agreements	(264.0)	(273.4)	9.4	(3.4)
Placements from banks and financial institutions	(242.7)	(314.7)	72.0	(22.9)
Accounts payable to brokerage clients	(37.4)	(48.4)	11.0	(22.7)
Others	(1,032.2)	(1,361.8)	329.6	(24.2)
Total	**(46,475.0)**	**(35,911.1)**	**(10,563.9)**	**29.4**

The interest expense increased by 29.4% from RMB35,911.1 million in 2017 to RMB46,475.0 million in 2018, primarily due to the increase in financing amount of the Group for arisen from the rapid development of core business and the rise in cost of funds.

The interest expenses on the borrowings increased by 28.6% from RMB23,707.3 million in 2017 to RMB30,492.7 million in 2018, primarily caused by both of the increase in average balance of borrowings and the rise in cost of funds.

The interest expense on bonds issued increased by 43.9% from RMB7,626.3 million in 2017 to RMB10,974.7 million in 2018, primarily because the Company and Cinda Hong Kong and its subsidiaries seized the financing opportunities in the market and increased the bonds issuance.

Income Tax Expense

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

	For the year ended December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Profit before tax	18,788.5	26,130.8	(7,342.3)	(28.1)
Income tax expense	(6,908.6)	(7,373.0)	464.4	(6.3)
Effective tax rate (%)	36.8	28.2	8.6	30.3

The income tax expense of the Group decreased by 6.3% from RMB7,373.0 million in 2017 to RMB6,908.6 million in 2018, primarily due to a decrease in the taxable income. In 2017 and 2018, the effective tax rates were 28.2% and 36.8%, respectively. The rise in effective tax rate was mainly due to the increase of LAT and non-deductible expenses before tax.

Segment Results of Operations

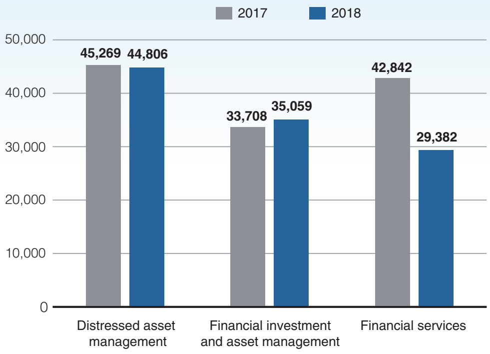
We report the financial results in three segments:

(1) Distressed asset management business, which mainly includes (i) management and disposal of distressed debt assets acquired from financial institutions and non-financial enterprises; (ii) operation, management and disposal of DES Assets, and (iii) restructuring, custody, liquidation and special opportunity business related to distressed assets and distressed entities through collaborative and integrated operation within the Group.

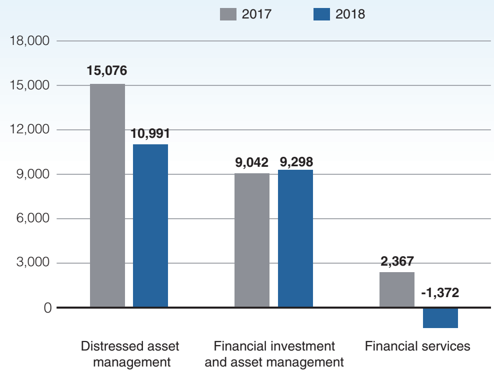
(2) Financial investment and asset management business, which includes principal investment, asset management and consultancy and financial advisory services.

(3) Financial services business, which primarily includes banking, securities, futures, fund management, trusts, financial leasing and insurance.

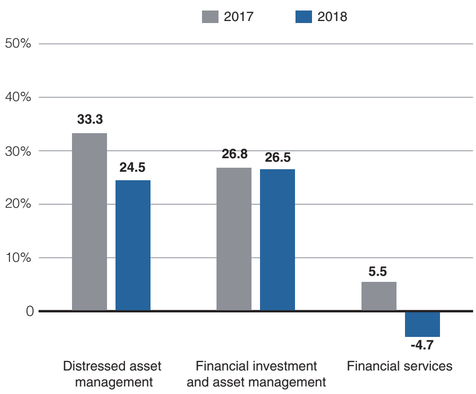
Total income
Unit: in millions of RMB



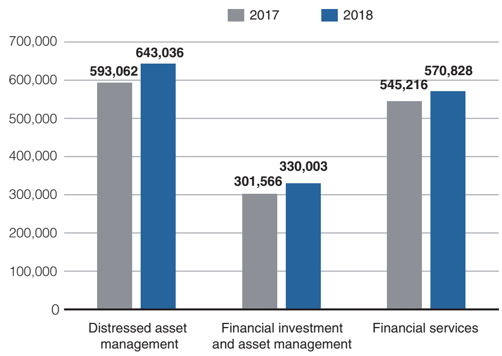
Profit before tax
Unit: in millions of RMB



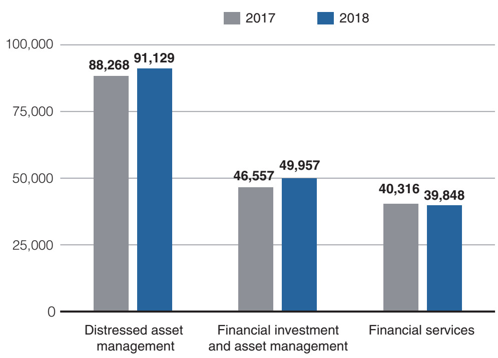
Profit margin
Unit: %



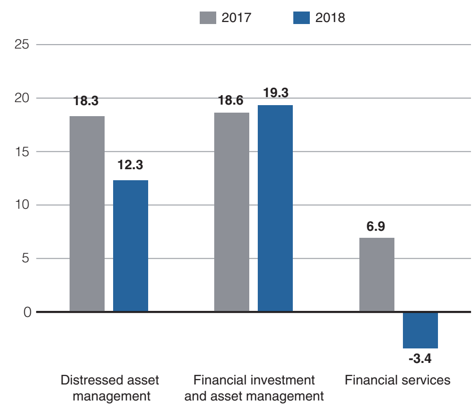
Total assets
Unit: in millions of RMB



Net assets
Unit: in millions of RMB



Return on net assets before tax
Unit: %



The following table sets forth the segment financial results and positions of each of our business segments as at the dates and for the years indicated.

	For the year ended December 31,									
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Distressed asset management		Financial investment and asset management		Financial services (in millions of RMB)		Elimination		Consolidation	
Total income	44,806.2	45,269.2	35,059.0	33,708.2	29,381.6	42,841.5	(2,220.8)	(1,784.4)	107,026.0	120,034.6
Percentage of total (%)	41.9	37.7	32.8	28.1	27.5	35.7				
Total costs and expenses	(35,115.9)	(30,758.8)	(26,531.1)	(24,762.7)	(30,652.8)	(40,146.2)	2,092.3	1,431.1	(90,207.6)	(94,236.7)
Profit before tax	10,991.2	15,075.8	9,297.8	9,041.7	(1,371.9)	2,366.6	(128.6)	(353.3)	18,788.5	26,130.8
Percentage of total (%)	58.5	57.7	49.5	34.6	(7.3)	9.1				
Profit margin (%)	24.5	33.3	26.5	26.8	(4.7)	5.5			17.6	21.8
Return on net assets before tax[(1)] (%)	12.3	18.3	19.3	18.6	(3.4)	6.9			10.8	16.5

	As at December 31,									
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	Distressed asset management		Financial investment and asset management		Financial services (in millions of RMB)		Unallocated part and elimination[(2)]		Consolidation	
Total assets	643,036.2	593,061.6	330,003.3	301,566.3	570,828.1	545,215.7	(48,108.4)	(52,906.2)	1,495,759.2	1,386,937.5
Percentage of total (%)	43.0	42.8	22.1	21.7	38.2	39.3				
Net assets	91,129.2	88,268.4	49,956.5	46,557.3	39,847.9	40,315.5	(2,365.1)	(6,876.5)	178,568.5	168,264.7
Percentage of total (%)	51.0	52.5	28.0	27.7	22.3	24.0				

Notes:

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

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

Distressed asset management is our core business and principal income contributors. In 2017 and 2018, the income generated from distressed asset management accounted for 37.7% and 41.9% of our total income, respectively, and the profit before tax generated from distressed asset management accounted for 57.7% and 58.5% of our total profit before tax, respectively. As at December 31, 2017 and December 31, 2018, the total assets of our distressed asset management accounted for 42.8% and 43.0% of our total assets and the net assets of our distressed asset management accounted for 52.5% and 51.0% of our net assets, respectively.

Financial investment and asset management services are extension of the core business of distressed asset management and also an important functional platform of providing financial service for the maximization of distressed asset management value, accounting for 34.6% and 49.5% of the profit before tax in 2017 and 2018, respectively. In 2017 and 2018, the profit margin before tax of this segment accounted for 26.8% and 26.5%, respectively, and average return on net asset before tax in 2017 and 2018 were 18.6% and 19.3%, respectively. In 2018, profit contribution from financial investment and asset management business increased as compared to 2017.

As a key component of the business of the Group and an important cross-selling driver, the financial services segment benefited from our synergistic and diversified operations and management strategies. The total income of the financial services segment in 2018 decreased by 8.2 percentage points as compared to 2017, mainly due to the significant decrease in premium income earned from insurance business of Happy Life.

For details of the development of each business segment of the Group, please refer to "Business Overview".

Summary of Financial Position of the Group

In 2018, the Group's assets, liabilities and equity maintained steady growth. As at December 31, 2017 and 2018, the total assets of the Group amounted to RMB1,386,937.5 million and RMB1,495,759.2 million, respectively, representing an increase of 7.8%; total liabilities of the Group amounted to RMB1,218,672.9 million and RMB1,317,190.7 million, respectively, representing an increase of 8.1%; total equity amounted to RMB168,264.7 million and RMB178,568.5 million, respectively, representing an increase of 6.1%.

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 December 31,			
	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
	(in millions of RMB)			
Assets				
Cash and balances with central banks	16,651.9	1.1	21,511.1	1.6
Deposits with banks and financial institutions	80,102.6	5.4	54,429.2	3.9
Financial assets at fair value through profit or loss	428,791.0	28.7	213,795.9	15.4
Available-for-sale financial assets	–	–	273,182.7	19.7
Financial assets at fair value through other comprehensive income	116,827.6	7.8	–	–
Financial assets at amortized cost	252,416.7	16.9	–	–
Financial assets classified as receivables	–	–	234,226.9	16.9
Loans and advances to customers	336,616.5	22.5	312,117.5	22.5
Other assets	264,352.9	17.6	277,674.2	20.0
Total assets	**1,495,759.2**	**100.0**	**1,386,937.5**	**100.0**
Liabilities				
Borrowings from the central bank	986.1	0.1	986.1	0.1
Accounts payable to brokerage clients	10,315.8	0.8	12,393.8	1.0
Borrowings	570,870.2	43.3	580,352.1	47.6
Due to customers	254,099.9	19.3	226,220.8	18.6
Accounts payable	5,313.8	0.4	3,220.9	0.3
Bonds issued	283,115.1	21.5	206,482.6	16.9
Other liabilities	192,489.8	14.6	189,016.6	15.5
Total liabilities	**1,317,190.7**	**100.0**	**1,218,672.9**	**100.0**
Equity				
Equity attributable to equity holders of the Company	156,492.8	87.6	149,394.5	88.8
Non-controlling interests	22,075.6	12.4	18,870.2	11.2
Total equity	**178,568.5**	**100.0**	**168,264.7**	**100.0**
Total equity and liabilities	**1,495,759.2**		**1,386,937.5**	

Assets

Monetary Capital

Monetary capital primarily consists of cash, principal deposits, balances with central banks and clearing settlement funds and deposits that Cinda Securities holds on behalf of its customers in the securities brokerage business with banks and other financial institutions. As at December 31, 2017 and 2018, monetary capital amounted to RMB75,940.3 million and RMB96,754.5 million, respectively, representing an increase of 27.4%, mainly due to an increase in bank deposits and balances with interbank deposits.

Financial Assets 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 December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Held-for-trading financial assets and other financial assets at fair value through profit or loss				
Listed investments				
Debt securities	10,591.7	12,703.0	N/A	N/A
Equity investments	9,262.1	6,546.2	N/A	N/A
Funds	2,695.0	873.7	N/A	N/A
Corporate convertible bonds	107.8	–	N/A	N/A
Unlisted investments				
Distressed debt assets	189,113.9	–	N/A	N/A
Funds	101,548.3	5,242.6	N/A	N/A
Equity investments	56,426.6	–	N/A	N/A
Trust products and asset management plans	35,776.2	–	N/A	N/A
Debt instruments	17,458.3	–	N/A	N/A
Security investments	2,044.8	1,337.3	N/A	N/A
Wealth management products	3,072.8	–	N/A	N/A
Derivative financial assets	620.4	381.3	N/A	N/A
Others	73.2	–	N/A	N/A
Subtotal	**428,791.0**	**27,084.0**	**N/A**	**N/A**

	As at December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Financial assets designated as at fair value through profit or loss				
Listed investments				
Corporate convertible bonds	–	309.2	N/A	N/A
Unlisted investments				
Distressed debt assets	–	148,790.1	N/A	N/A
Equity investments	–	28,933.5	N/A	N/A
Funds	–	4,339.5	N/A	N/A
Wealth management products	–	1,878.3	N/A	N/A
Asset management plans	–	411.1	N/A	N/A
Embedded derivatives debts	–	404.3	N/A	N/A
Corporate convertible bonds	–	386.5	N/A	N/A
Asset-backed securities	–	54.6	N/A	N/A
Others	–	1,204.6	N/A	N/A
Subtotal	**–**	**186,711.8**	**N/A**	**N/A**
Total	**428,791.0**	**213,795.9**	**N/A**	**N/A**

As at December 31, 2017 and 2018, financial assets at fair value through profit or loss were RMB213,795.9 million and RMB428,791.0 million, respectively, increasing by 100.6%, mainly due to the transition of standards, therefore the data of the two periods are not comparable.

On the Transition Date, financial assets reclassified as at fair value through profit or loss amounted to RMB374,109.6 million, among which amount of RMB181,663.4 were previously designated as financial assets at fair value through profit or loss and amount of RMB170,214.7 million were previously classified as available-for-sale financial assets. As at December 31, 2017 and 2018, distressed debt assets at fair value through profit or loss amounted to RMB148,790.1 million and RMB189,113.9 million, respectively, increasing by RMB40,323.8 million or 27.1%.

The table below sets forth the principal components of the equity investments at fair value through profit or loss by type of investment and listing status as at the dates indicated.

	As at December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
The Group				
Listed	9,262.1	6,546.2	N/A	N/A
Unlisted	56,426.6	28,933.5	N/A	N/A
Total	**65,688.7**	**35,479.7**	**N/A**	**N/A**
The Company				
Listed	3,826.5	1,501.8	N/A	N/A
Unlisted	26,549.0	5,548.4	N/A	N/A
Subtotal	**30,375.5**	**7,050.2**	**N/A**	**N/A**
Including:				
DES Assets[1]	28,004.5	855.8	N/A	N/A
Financial equity investments[2]	2,371.0	6,194.4	N/A	N/A
Subtotal	**30,375.5**	**7,050.2**	**N/A**	**N/A**

Notes:

(1) Represents DES Assets held by the Company under the financial assets at fair value through profit or loss, which are included under the distressed asset management segment.

(2) Represents equity assets held by the Company through its principal investment under the financial assets at fair value through profit or loss, which are included under the financial investment and asset management segment.

Affected by the transition of standards, the scope of measurement of financial assets at fair value through profit or loss was different as at December 31, 2017 and December 31, 2018, assets which were classified as available-for-sale financial assets under the Previous Standards were partially reclassified as financial assets at fair value through profit or loss on the Transition Date, therefore data of the two periods are not comparable.

Available-for-sale Financial Assets

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

	As at December 31,			
	2018	**2017**	**Change**	**Change in percentage**
	(in millions of RMB)			(%)
Debt securities	–	65,774.8	N/A	N/A
Equity investments	–	29,602.4	N/A	N/A
Certificates of deposit	–	27,929.4	N/A	N/A
Funds	–	101,151.6	N/A	N/A
Trust products and rights to trust assets	–	20,613.0	N/A	N/A
Asset management plans	–	14,304.6	N/A	N/A
Wealth management products	–	11,820.0	N/A	N/A
Asset-backed securities	–	1,031.2	N/A	N/A
Others	–	955.8	N/A	N/A
Total	**–**	**273,182.7**	**N/A**	**N/A**

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

	As at December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
The Group				
Listed	–	4,741.1	N/A	N/A
Unlisted	–	24,861.3	N/A	N/A
Total	**–**	**29,602.4**	**N/A**	**N/A**
The Company				
Listed	–	2,109.4	N/A	N/A
Unlisted	–	21,819.6	N/A	N/A
Subtotal	**–**	**23,929.0**	**N/A**	**N/A**
Including:				
DES Assets(1)	–	21,984.7	N/A	N/A
Financial equity investments(2)	–	1,944.3	N/A	N/A
Subtotal	**–**	**23,929.0**	**N/A**	**N/A**

Notes:

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

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

In 2017, the Group assessed the impairment of the available-for-sale financial assets and accrued provisions for the impairment and recognized the impairment losses of such assets.

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

	For the year ended December 31, (in millions of RMB)
As at December 31, 2016	**(4,946.5)**
Provisions for impairment	(5,288.8)
Reversal of impairment	46.2
Disposal	782.9
As at December 31, 2017	**(9,406.2)**

In 2017, provisions for impairment of available-for-sale financial assets of the Group amounted to RMB5,288.8 million, mainly due to the decrease in the price of the stocks held by the Group. Subsequent to the transition of standards, equity instruments are classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income, which are not subject to impairment provision according to the requirements of the standards.

Financial Assets at Fair Value through Other Comprehensive Income

The financial assets at fair value through other comprehensive income held by the Group meet the conditions that the contractual terms of debt instruments give rise on specific dates to cash flow which are solely payments of principal and interest on the principal outstanding, while with a business model which objective is achieved by both collecting contractual cash flows and selling. And the equity instruments at fair value through other comprehensive income designated by the Group.

The table below sets forth the principal components of financial assets at fair value through other comprehensive income as at the dates indicated.

	As at December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Bonds	112,148.7	–	N/A	N/A
Equity instruments	3,407.0	–	N/A	N/A
Interest receivable	1,271.8	–	N/A	N/A
Total	**116,827.6**	**–**	**N/A**	**N/A**

On the Transition Date, financial assets of RMB97,812.9 million were reclassified as financial assets at fair value through other comprehensive income, of which RMB92,764.5 million were previously classified as available-for-sale financial assets.

Financial Assets at Amortized Cost

The financial assets at amortized cost are debt instruments held by the Group, which meet both of the following conditions: (1) the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and (2) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

	As at December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Distressed debt assets				
Acquired from financial institutions	14,294.1	–	N/A	N/A
Acquired from non-financial institutions	211,064.0	–	N/A	N/A
Subtotal	**225,358.1**	**–**	**N/A**	**N/A**
Interest accrued	2,382.6	–	N/A	N/A
Allowance for impairment losses	(12,887.5)	–	N/A	N/A
Net balance	**214,853.2**	**–**	**N/A**	**N/A**
Other financial assets classified as at amortized cost				
Trust products and asset management plans	19,559.2	–	N/A	N/A
Securities investments	12,727.7	–	N/A	N/A
Others	6,792.7	–	N/A	N/A
Subtotal	**39,079.6**	**–**	**N/A**	**N/A**
Interest accrued	361.2			
Allowance for impairment losses	(1,877.4)	–	N/A	N/A
Net balance	**37,563.5**	**–**	**N/A**	**N/A**
Total	**252,416.7**	**–**	**N/A**	**N/A**

On the Transition Date, financial assets of RMB234,699.3 million were reclassified as financial assets as at amortized cost, primarily include debt assets of RMB212,268.4 million previously classified as financial assets classified as receivables, assets of RMB13,227.4 million previously classified as held-to-maturity investments and available-for-sale financial asset of RMB8,703.5 million.

As at December 31, 2018, the balance of distressed debt assets at amortized cost was RMB214,853.2 million, all of which are the Group's Restructured Distressed Assets and the balance of distressed debt assets classified as receivables as at the end of 2017 was RMB215,163.7 million. As at December 31, 2018, the balance of other financial assets at amortized cost was RMB37,563.5 million, increasing by 97.0% as compared to the balance of other financial assets classified as receivables as at the end of 2017, mainly due to the impact of the transition of standards.

As at December 31, 2018, the impaired distressed debt assets at amortized cost of the Company were RMB7,157.4 million, accounting for 3.13% of the total distressed debt assets at amortized cost. As at December 31, 2018, the allowance for impairment losses on distressed debt assets at amortized cost of the Company was RMB12,904.8 million, the coverage ratio of the impaired distressed debt assets at amortized cost was 180.3%, and the coverage ratio of allowance to total distressed debt assets at amortized cost was 5.64%.

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 December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Distressed debt assets				
Acquired from financial institutions	–	26,552.6	N/A	N/A
Acquired from non-financial institutions	–	197,404.9	N/A	N/A
Subtotal	**–**	**223,957.5**	**N/A**	**N/A**
Allowance for impairment losses	–	(8,793.8)	N/A	N/A
Net balance	**–**	**215,163.7**	**N/A**	**N/A**
Other financial assets classified as receivables				
Trust products	–	15,275.2	N/A	N/A
Asset management plans	–	2,942.5	N/A	N/A
Structured debt arrangements	–	386.0	N/A	N/A
Other debt instruments	–	531.5	N/A	N/A
Subtotal	**–**	**19,135.2**	**N/A**	**N/A**
Allowance for impairment losses	–	(72.0)	N/A	N/A
Net balance	**–**	**19,063.2**	**N/A**	**N/A**
Total	**–**	**234,226.9**	**N/A**	**N/A**

As at December 31, 2017, the impaired distressed debt assets classified as receivables of the Company were RMB4,221.0 million, accounting for 1.88% of the total distressed debt assets classified as receivables. As at December 31, 2017, the allowance for impairment losses on distressed debt assets classified as receivables of the Company was RMB8,802.0 million, the coverage ratio of the impaired distressed debt assets classified as receivables was 208.5%, and the coverage ratio of allowance to total distressed debt assets classified as receivables was 3.93%.

Loans and advances to customers

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

	As at December 31,			
	2018[(1)]	2017	Change	Change in percentage
	(in millions of RMB)			(%)
By business type				
Corporate loans and advances	289,993.1	265,755.1	24,237.9	9.1
Loans to margin clients	6,172.9	7,708.4	(1,535.5)	(19.9)
Finance lease receivables	48,112.1	45,571.9	2,540.2	5.6
Total	**344,278.1**	**319,035.5**	**25,242.6**	**7.9**
By security type				
Mortgaged	108,400.8	86,609.6	21,791.2	25.2
Pledged	64,456.9	71,976.5	(7,519.6)	(10.4)
Guaranteed	63,016.6	41,002.6	22,014.0	53.7
Unsecured	108,403.8	119,446.7	(11,042.9)	(9.2)
Total	**344,278.1**	**319,035.5**	**25,242.7**	**7.9**
Allowance for impairment losses	(7,661.6)	(6,917.9)	(743.7)	10.8
Net balance	**336,616.5**	**312,117.5**	**24,499.0**	**7.8**

(1) As at December 31, 2018, loans and advances to customers include loans and advances to customers measured at amortized cost and fair value through profit or loss, and also include the interest accrued.

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

	As at December 31,			
	2018[(1)]	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Corporate loans and advances				
Loans and advances	249,820.7	230,037.6	19,783.1	8.6
Discounted bills	1,222.3	949.2	273.1	28.8
Subtotal	**251,043.0**	**230,986.8**	**20,056.1**	**8.7**
Personal loans and advances				
Mortgage loans	25,355.7	24,699.2	656.5	2.7
Personal consumption loans	13,594.4	10,069.1	3,525.3	35.0
Subtotal	**38,950.1**	**34,768.3**	**4,181.8**	**12.0**
Total	**289,993.1**	**265,755.1**	**24,237.9**	**9.1**

(1) As at December 31, 2018, loans and advances to customers include the interest accrued.

The table below sets forth the principal components of the Group's finance lease receivables to be settled within the periods indicated, as at the dates indicated.

	As at December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Gross amount of finance leases receivables				
Within 1 year (inclusive)	23,135.0	22,354.6	780.4	3.5
1 year to 5 years (inclusive)	27,453.9	26,187.2	1,266.7	4.8
Over 5 years	2,415.1	1,228.2	1,186.9	96.6
Less: Unearned finance income	5,173.4	4,198.1	975.3	23.2
Interest accrued	281.6	–	N/A	N/A
Net amount of finance leases receivables	**48,112.1**	**45,571.9**	**2,540.2**	**5.6**
Allowance for impairment losses	(1,851.5)	(1,373.1)	(478.4)	34.8
Carrying amount of finance lease receivables	**46,260.6**	**44,198.8**	**2,061.8**	**4.7**

Liabilities

Liabilities of the Group mainly consist of borrowings, due to customers and bonds issued, accounting for 43.3%, 19.3% and 21.5% of the total liabilities of the Group as at December 31, 2018, respectively.

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

	As at December 31,			
	2018		2017	
	Amount	Percentage (%)	Amount	Percentage (%)
	(in millions of RMB)			
Borrowings	570,870.2	48.6	580,352.1	54.4
Due to customers	254,099.9	21.6	226,220.8	21.2
Deposits from banks and financial institutions	22,380.7	1.9	19,259.3	1.8
Accounts payable to brokerage clients	10,315.8	0.9	12,393.8	1.2
Financial assets sold under repurchase agreements	12,970.2	1.1	6,630.3	0.6
Placements from banks and financial institutions	20,218.7	1.7	16,431.6	1.5
Bonds issued	283,115.1	24.2	206,482.6	19.3
Total	**1,173,970.6**	**100.0**	**1,067,770.5**	**100.0**

Borrowings

As at December 31, 2017 and 2018, the balance of borrowings of the Group kept relative stable, amounted to RMB580,352.1 million and RMB570,870.2 million, respectively.

Due to Customers

As at December 31, 2017 and 2018, the balance of due to customers of the Group amounted to RMB226,220.8 million and RMB254,099.9 million, respectively. Due to customers of the Group came from NCB.

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

	As at December 31,			
	2018	2017	Change	Change in percentage
	(in millions of RMB)			(%)
Demand Deposits	**86,784.4**	**87,805.9**	**(1,021.5)**	**(1.2)**
Corporate	47,376.7	48,909.3	(1,532.6)	(3.1)
Individual	39,407.7	38,896.6	511.1	1.3
Time Deposits	**156,906.3**	**128,327.4**	**28,578.9**	**22.3**
Corporate	86,118.5	78,804.6	7,313.9	9.3
Individual	70,787.8	49,522.8	21,265.0	42.9
Guarantee Deposits	**9,265.4**	**10,087.5**	**(822.1)**	**(8.1)**
Interest payable	**1,143.7**	**–**	**N/A**	**N/A**
Total	**254,099.9**	**226,220.8**	**27,879.1**	**12.3**

Bonds Issued

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

	As at December 31,	
	2018	2017
	(in millions of RMB)	
Subordinated bonds	6,250.0	12,530.4
Tier-2 capital bonds	10,183.1	10,176.1
HKD bonds	55.0	74.8
Corporate bonds	24,367.8	26,427.3
Financial bonds	106,140.8	86,096.5
USD guaranteed senior notes	76,148.0	56,038.3
Beneficiary certificates	2,140.0	2,034.8
Certificates of deposit	1,278.8	2,567.1
Mid-term notes	5,073.1	3,067.9
Capital supplement bonds	6,015.7	3,001.0
Asset-backed securities	42,552.7	4,468.4
Debt financing plan	906.2	–
Debt financing instruments	2,003.9	–
Total	**283,115.1**	**206,482.6**

As at December 31, 2017 and 2018, the balance of bonds issued by the Group amounted to RMB206,482.6 million and RMB283,115.1 million, respectively. Bonds issued in 2018 further increased mainly because the Group continuously refined the structure of assets and liabilities by carrying out direct financing with focus on bond financing while reinforcing the inter-bank financing business. Bonds issued in 2018 mainly consist of (1) financial bonds of RMB26.0 billion and asset-backed securities with scale of RMB49.22 billion issued by the Company; (2) guaranteed senior notes of USD2.5 billion issued by a subsidiary of Cinda Hong Kong; (3) financial bonds of RMB5.0 billion and certificates of deposit of RMB1.3 billion issued by NCB China.

Contingent Liabilities

Due to the nature of our business, the Group is involved in certain legal proceedings in the ordinary course of business, including litigation and arbitration. We make provision, from time to time, for the probable losses with respect to those claims when our management can reasonably estimate the outcome of the proceedings, in light of the legal advice we have received. We do not make provision for pending litigation when the outcome of the litigation cannot be reasonably estimated or when our management believes that the probability of loss is remote or that any resulting liabilities will not have a material adverse effect on our financial condition or operating results.

As at December 31, 2017 and 2018, the claim amounts of pending litigation of which the Group was defendant were RMB1,904.8 million and RMB2,243.7 million, respectively, and provisions of RMB128.7 million and RMB136.3 million for the Group were made based on court judgments or the advice of legal counsel, respectively. The Company believe that the final result of these lawsuits will not have material impacts on the financial position or operations of the Group.

Difference between 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 consolidated financial statements prepared by the Company under the PRC GAAP and IFRS, respectively.

Business Overview

The principal business segments of our Group include (1) distressed asset management business, including distressed debt asset management, management of DES Assets, and restructuring, custody, liquidation of distressed entities and special opportunity business; (2) financial investment and asset management business, including principal investment, asset management and consultancy and financial advisory services; and (3) financial services business including banking, securities, futures, fund management, trusts, financial leasing and insurance.

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

	For the year ended December 31,			
	2018		2017	
	Total income	% of total	Total income	% of total
	(in millions of RMB)			
Distressed asset management	44,806.2	41.9	45,269.2	37.7
Financial investment and asset management	35,059.0	32.8	33,708.2	28.1
Financial services	29,381.6	27.5	42,841.5	35.7
Elimination	(2,220.8)	(2.2)	(1,784.4)	(1.5)
Total	**107,026.0**	**100.0**	**120,034.6**	**100.0**

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

	For the year ended December 31,			
	2018		2017	
	Profit before tax	% of total	Profit before tax	% of total
	(in millions of RMB)			
Distressed asset management	10,991.2	58.5	15,075.8	57.7
Financial investment and asset management	9,297.8	49.5	9,041.7	34.6
Financial services	(1,371.9)	(7.3)	2,366.6	9.1
Elimination	(128.6)	(0.7)	(353.3)	(1.4)
Total	**18,788.5**	**100.0**	**26,130.8**	**100.0**

In 2018, the income from distressed asset management, financial investment and asset management and financial services represented 41.9%, 32.8% and 27.5% of the total income of the Group, respectively, and the profit before tax represented 58.5%, 49.5% and -7.3% of the total profit before tax of the Group, respectively.

Distressed asset management

The Group's distressed asset management business includes (1) management and disposal of distressed debt assets acquired from financial institutions and non-financial enterprises, (2) operation, management and disposal of DES Assets, and (3) restructuring, custody, liquidation and special opportunity business related to distressed assets and distressed entities through collaboration within the Group.

Distressed asset management is the main business and the primary source of income and profit of the Group. In 2017 and 2018, the income from distressed asset management business accounted for 37.7% and 41.9% of the total income of the Group, respectively, and the profit before tax from the distressed asset management business accounted for 57.7% and 58.5% of the total profit before tax of the Group, respectively.

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

	As at and for the year ended December 31,	
	2018	**2017**
	(in millions of RMB)	
Acquisition and disposal of distressed debt assets		
Net balance of distressed debt assets[(1)]	405,247.9	363,984.9
Acquisition cost of distressed debt assets	169,597.6	202,053.5
Income from distressed debt assets[(2)]	30,584.2	26,569.5
Management and disposal of DES Assets		
Book value of DES Assets	69,887.2	62,381.0
Gains on fair value changes[(3)]	7,366.8	399.2
Gains on other equity[(4)]	707.9	14,284.6

Notes:

(1) Equivalent to the sum of the Company's "distressed debt assets at fair value through profit or loss", and "distressed debt assets at amortized cost", as presented in the consolidated financial statements.

(2) Equivalent to the sum of the Company's "fair value changes on distressed debt assets", and "income on distressed debt assets at amortized cost", as presented in the consolidated financial statements.

(3) Income of the DES Assets at fair value through profit or loss attributed to distressed assets segment including the net gains on disposal of DES Assets, dividend income, interest income and unrealized fair value changes.

(4) Income from DES Assets accused in associates and joint ventures attributed to distressed assets segment; dividend income from DES Assets at fair value through other comprehensive income and income from DES Assets at available-for-sale financial assets, if any.

The Source of Acquisition of Distressed Debt Assets

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

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

	As at and for the year ended December 31,			
	2018		2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Net balance of distressed debt assets[1]				
FI Distressed Assets	193,514.9	47.8	168,265.2	46.2
NFE Distressed Assets	211,733.0	52.2	195,719.7	53.8
Total	**405,247.9**	**100.0**	**363,984.9**	**100.0**
Acquisition cost of distressed debt assets[2]				
FI Distressed Assets	75,187.3	44.3	93,259.7	46.2
NFE Distressed Assets	94,410.3	55.7	108,793.8	53.8
Total	**169,597.6**	**100.0**	**202,053.5**	**100.0**
Income from distressed debt assets[3]				
FI Distressed Assets	12,666.9	41.4	11,752.1	44.2
NFE Distressed Assets	17,917.3	58.6	14,817.4	55.8
Total	**30,584.2**	**100.0**	**26,569.5**	**100.0**

Notes:

(1) Equivalent to the Company's "distressed debt assets at fair value through profit or loss", and "distressed debt assets at amortized cost", as presented in the consolidated financial statements.

(2) Represents the carrying amounts of distressed debt assets acquired during the period indicated.

(3) Equivalent to the Company's "fair value changes on distressed debt assets", and "income on distressed debt assets at amortized cost", as presented in the consolidated financial statements.

FI Distressed Assets

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

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

	For the year ended December 31,			
	2018		2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Large commercial banks	22,489.1	29.9	43,572.1	46.7
Joint-stock commercial banks	31,863.3	42.4	23,620.1	25.3
City and rural commercial banks	11,127.3	14.8	10,505.5	11.3
Other banks(1)	7,512.4	10.0	9,508.8	10.2
Non-bank financial institutions(2)	2,195.2	2.9	6,053.2	6.5
Total	**75,187.3**	**100.0**	**93,259.7**	**100.0**

Notes:

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

(2) Mainly include non-banking financial institutions such as finance companies.

NFE Distressed Assets

The NFE Distressed Assets acquired by the Company are primarily distressed assets which were held by non-financial enterprises or managed by financial institutions as trustee. The NFE Distressed Assets primarily include accounts receivable, other receivables, corporate bonds, entrustment loans and trust loans, etc.

The Business Model of Distressed Debt Assets

The Company mainly employs two business models in distressed debt asset management, which are (1) Acquisition-operation Model and (2) Restructuring Model.

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

	As at and for the year ended December 31,			
	2018		2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Net balance of distressed debt assets				
Acquisition-operation distressed assets[(1)]	189,458.4	46.8	148,802.0	40.9
Restructured distressed assets[(2)]	215,789.5	53.2	215,182.9	59.1
Total	**405,247.9**	**100.0**	**363,984.9**	**100.0**
Acquisition cost of distressed debt assets				
Acquisition-operation distressed assets	75,944.7	44.8	86,690.9	42.9
Restructured distressed assets	93,652.9	55.2	115,362.6	57.1
Total	**169,597.6**	**100.0**	**202,053.5**	**100.0**
Income from distressed debt assets				
Acquisition-operation distressed assets[(3)]	11,272.8	36.9	8,796.4	33.1
Restructured distressed assets[(4)]	19,311.4	63.1	17,773.0	66.9
Total	**30,584.2**	**100.0**	**26,569.5**	**100.0**

Notes:

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

(2) Equivalent to the Company's "distressed debt assets at amortized cost" minus allowance for impairment losses as presented in the consolidated financial statements.

(3) Equivalent to the Company's realized and unrealized "fair value changes on distressed debt assets".

(4) Equivalent to the Company's "income from distressed debt assets at amortized cost" as presented in the consolidated financial statements.

Acquisition-operation Distressed Assets

The primary sources of the Company's Acquisition-operation Distressed Assets are banks. The Company acquires distressed debt assets from banks through competitive biddings, public auctions, blind auctions or negotiated acquisitions. Based on the characteristics of the distressed debt assets, the Company forms corresponding management strategies to maximize the value of assets and achieve cash recovery by various methods, including debt restructuring, debt-to-equity swap, asset swap, receipt of equity in satisfaction of debt, litigation recovery and disposal, etc.

The table below sets forth certain details of the general operation of the Acquisition-operation Distressed Assets of the Company as at the dates and for the years indicated.

	As at and for the year ended December 31,	
	2018	**2017**
	(in millions of RMB)	
Net balance of Acquisition-operation Distressed Assets	189,458.4	148,802.0
Acquisition cost of Acquisition-operation Distressed Assets	75,944.7	86,690.9
Carrying amount of Acquisition-operation Distressed Assets disposed(1)	35,091.3	31,355.7
Unrealized fair value changes	170.3	(101.8)
Net income from Acquisition-operation Distressed Assets	11,272.8	8,796.4
Internal rate of return(2)(%)	15.5	17.8

Notes:

(1) Represents the amounts of Acquisition-operation Distressed Assets disposed in a given period.

(2) The internal rate of return, or IRR, is the annualized implied discount rate calculated from a series of cash flows. It is the return that equates the present value of all capital invested in the Acquisition-operation Distressed Assets to the present value of all returns of capital, or the discount rate that will provide a net present value of all cash flows equal to zero.

In 2018, the Company coped with the new changes in the distressed asset market flexibly and continued to promote high quality development of acquisition-operation business. In terms of asset acquisition, the Company accurately grasped the opportunities of non-performing assets disposal from banks and other financial institutions, improved quality and efficiency, prudently exploited and reasonably quoted, made full use of professional advantages on valuation and pricing of distressed assets, and maintained a leading position in public market. In terms of asset disposal, the Company enhanced the classification of assets, accelerated asset turnover and improved asset disposal efficiency. The income from the disposal of acquisition-operation distressed assets increased by 28.2% compared with the same period of last year.

Restructured Distressed Assets

The primary sources of our Restructured Distressed Assets are non-financial enterprises. When acquiring debts, the Company would enter into a tripartite agreement with the creditor and debtor. Concurrent to the debts acquisition, we, the debtor and its related parties also enter into a restructuring agreement that details a series of arrangement of reorganization including the repayment amount, repayment method, repayment schedule, and collateral and guarantee agreements, with the goal of activating the existing assets of the debtor, recovering the debt in full and achieving target gains.

The table below sets forth certain details of the general operation of the Restructured Distressed Assets as at the dates and for the years indicated.

	As at and for the year ended December 31,	
	2018	**2017**
	(in millions of RMB)	
Net balance of Restructured Distressed Assets	215,789.5	215,182.9
Acquisition cost of Restructured Distressed Assets	93,652.9	115,362.6
Income from Restructured Distressed Assets	19,311.4	17,773.0
Annualized return on monthly average balance[(1)](%)	8.4	8.6
Balance of impaired Restructured Distressed Assets	7,157.4	4,221.0
Impaired Restructured Distressed Assets ratio[(2)](%)	3.13	1.88
Allowance for impairment losses	12,904.8	8,802.0
Impaired Restructured Distressed Assets coverage ratio[(3)](%)	180.3	208.5

Notes:

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

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

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

In 2018, by grounding on distressed entities and distressed assets, the Company's NFE distressed assets business actively responded to the severe and complicated external environment, sped up efforts on transformation and exploration, actively adjusted asset composition, and strictly controlled new risks. In this regard, the Company: (i) achieved a substantial progress in the exploration of new fields, established a relative mature business model in the field of "Revitalizing Unfinished Real Estate projects" and "Separation of Secondary Business from Principal Business of state-owned enterprises", made a breakthrough in physical asset acquisition, and kept the new acquisition scale relatively stable; (ii) excavated the value of key clients, further deepened the cooperation with industry-leading clients, by transferring from financial restructuring to deep resource integration, cooperative application of multiple financial instruments and channels of the Group, and complementary advantages, to achieve a win-win situation; (iii) strictly controlled the quality of new acquired assets by adjusting business strategies in a timely manner, improving project access standards, and prudently expanding business in unclear external situation; (iv) strengthened refined management, increased business training, optimized the business systems, improved the information systems, and enhanced the control on process.

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 Company classified our DES Assets as unlisted shares of DES Companies ("Unlisted DES Assets") and listed shares of DES Companies ("Listed DES Assets"). As at December 31, 2017 and 2018, the total book value of our Unlisted DES Assets in 153 and 144 DES Companies amounted to RMB46,117.1 million and RMB49,727.9 million, respectively, and Listed DES Assets in 17 and 23 DES Companies, with total book value of RMB16,263.9 million and RMB20,159.3 million, respectively.

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

	As at December 31,	
	2018	**2017**
	(in millions of RMB, except number of DES Companies)	
Number of DES Companies	167	170
Unlisted	144	153
Listed	23	17
Total book value	69,887.2	62,381.0
Unlisted	49,727.9	46,117.1
Listed	20,159.3	16,263.9

DES Assets Income

In 2017 and 2018, the Company realized gains on fair value changes of DES Assets of RMB399.2 million and RMB7,366.8 million, respectively, realizing gains on other equity of RMB14,284.6 million and RMB707.9 million, respectively.

The table below sets forth details of the income on DES Assets of the Company as at the years indicated.

	For the year ended December 31,	
	2018	**2017**
	(in millions of RMB)	
Gains on fair value changes(1)	7,366.8	399.2
Gains on other equity(2)	707.9	14,284.6

Notes:

(1) Income generated from the DES Assets at fair value through profit or loss attributed to distressed assets segment. Included the net gains on disposal of DES Assets, dividend income, interest income and unrealized fair value changes.

(2) Income from DES Assets accrued in associates and joint ventures attributed to distressed assets segment; dividend income from DES Assets at fair value through other comprehensive income and income from DES Assets measured at available-for-sale financial assets, if any.

In 2018, the Company grasped the strategic opportunities arising on the supply-side structural reform, mixed ownership reform of state-owned enterprises and market-oriented business of DES and other policies. Firstly, we continued to adopt the operation method of "One policy for one company" on the existing DES, supporting the development of DES companies with various financial measures to enhance the value of DES Assets, which have resulted in good returns. Secondly, we seized opportunities to develop market-oriented DES business actively. As at the end of 2018, the Company implemented 17 market-oriented DES projects successfully and the total amount of such projects were RMB22.28 billion, which achieved satisfied results and built up our professional brand.

Restructuring, Custody and Liquidation Services for Distressed Entities and Special Opportunity Business

The Group provides restructuring, custody and liquidation and entrusted management services to distressed assets and entities under the engagement of government departments, enterprises and financial institutions. Among those, the custody and liquidation and restructuring business was mainly conducted through Zhongrun Development. As at December 31, 2017 and 2018, the balance of the distressed assets of Zhongrun Development amounted to RMB465.7 million and RMB630.6 million, respectively. The entrusted distressed asset management business was mainly conducted by the Company. As at December 31, 2017 and 2018, the balance of the entrusted distressed assets amounted to RMB15.15 billion and RMB12.97 billion, respectively.

With the in-depth development of the distressed asset management business, the Group seized the business opportunities occurred during the process of economic transformation and upgrading and structural reform of PRC, relied on our solid client base, constructed strategic planning to conduct the special situation investment business through various means of management, which mainly included (1) substantial restructuring service, which is reallocating factors of distressed entities such as funds, assets, talents, technologies and management models, in order to help them to get rid of business and financial difficulties and restore their production and operating capabilities and debt repayment ability, with the goal of recreating and increase their corporate value; (2) additional investments on distressed asset management business to explore and enhance the value of existing assets; (3) comprehensive services for strategic clients in participating the mixed-ownership reform of state-owned enterprises and the separation of secondary business from principal business. The special opportunity business was mainly conducted by the Company. As at December 31, 2018, the balance of the assets involved in the substantial restructuring, additional investment and integrated management business for strategic clients of the Group was RMB36.69 billion; and (4) explored the innovation of products in the distressed asset segment launched the bailout fund for enterprise in difficulty and captured the special investment opportunities during the process of bankruptcy reorganization.

Financial Investment and Asset Management Business

The financial investment and asset management business is conducted by the Company and its subsidiaries including Cinda Investment, Cinda Hong Kong, Zhongrun Development and Cinda Capital, which primarily includes self-owned principal investment, asset management, and other businesses.

In 2017 and 2018, the income from financial investment and asset management business accounted for 28.1% and 32.8% of the total income, respectively, and the profit before tax accounted for 34.6% and 49.5% of the profit before tax of the Group, respectively.

In 2018, in terms of self-owned principal investment, the Group continued to play the core advantages of distressed assets business, focusing on distressed entities and distressed assets, building special opportunities investment brand, reasonable allocating the medium and long-term equity asset and adjusting and optimizing the assets and income structure of the Group. In terms of asset management business, the Group continued to develop the business of asset management with characteristics of steady fixed income steadily, and increased efforts to raise funds from third parties, which improved the value of asset management services.

Principal Investment

Our Group's principal investment business primarily includes (1) equity investment related to the distressed asset management business; (2) real estate investment and development related to the distressed asset management business; and (3) other investments, including investments in funds, debt securities, trust products and wealth management products. As at December 31, 2017 and 2018, the balance of the principal investment of the Group amounted RMB193.33 billion and RMB218.42 billion, respectively. In 2017 and 2018, the income from the principal investment of the Group, primarily including investment income under the financial investment and asset management business segment, interest income, net income from investment properties and hotel operation revenue, amounted RMB17.06 billion and RMB14.62 billion for 2017 and 2018, respectively.

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

	As at December 31,			
	2018		2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Balance of principal investments				
– by investment entities				
The Company	102,850.4	47.1	120,066.2	62.1
Cinda Investment	55,052.8	25.2	35,626.8	18.4
Cinda Hong Kong	63,518.1	29.1	43,433.6	22.5
Zhongrun Development	603.1	0.3	1,037.2	0.5
(Elimination)	(3,604.3)	(1.7)	(6,831.0)	(3.5)
Total	**218,420.1**	**100.0**	**193,332.8**	**100.0**

Principal Investment of the Company

The investment business of the Company refers to the business in which the Company uses its own funds to invest in specific targets with the primary purpose of obtaining short-to-mid term financial return. It includes financial equity investment and non-standard product investment, wherein financial equity investment refers to the equity investment directly made by the Company, with the primary purpose of obtaining financial income from disposal, without seeking control of such equity investments, including the non-listed equity investment and the listed equity investment (initial public offering, placing, rights issue, issuing additional shares, etc.). Non-standard product investment includes the investment as a limited partner in private funds (mainly in the form of limited partnership and limited liability company), trust plans, asset management plans, etc. which are managed by entities outside of the Company. As at December 31, 2017 and 2018, the balance of principal investment of the Company amounted to RMB120.07 billion and RMB102.85 billion, respectively.

	As at December 31,			
	2018		2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Balance of principal investments – the Company				
Equity investments[1]	2,800.3	2.7	2,613.9	2.2
Debt securities investments	541.5	0.5	500.9	0.4
Trust products investments	14,609.0	14.2	13,566.0	11.3
Real estate investments[2]	448.5	0.4	277.0	0.2
Fund investments	81,492.0	79.2	83,429.2	69.5
Other investments[3]	2,959.1	3.0	19,679.2	16.4
Total	**102,850.4**	**100.0**	**120,066.2**	**100.0**

Notes:

(1) Included in equity investment classified under "financial assets at fair value through profit or loss", "financial assets at fair value through other comprehensive income", "financial assets at amortized cost" and "interests in associates and joint ventures" as presented in the consolidated financial statements attributable to financial investment and asset management business segment.

(2) Included in "investment properties" as presented in the consolidated financial statements.

(3) Including asset management plans, large interbank deposits, asset-backed securities and embedded derivatives debts.

Principal Investment of Cinda Investment

As the domestic investment and asset management platform of the Group, Cinda Investment adheres to the main business of the distressed assets operation of the Group, grounds in the capital market, focuses on equity investment, supports the merger and restructuring, transforming and upgrading of enterprises, as well as the industrial investment business within the capital market. Cinda Real Estate (its subsidiary) is principally engaged in real estate development and investment business and Cinda Capital (its subsidiary) is principally engaged in asset management business.

As at December 31, 2017 and 2018, the balance of principal investment of Cinda Investment amounted to RMB35.63 billion and RMB55.05 billion, respectively. In 2017 and 2018, Cinda Real Estate achieved real estate sales income of RMB14.34 billion and RMB17.43 billion, respectively.

	As at December 31,			
	2018		2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Balance of principal investments – Cinda Investment				
Equity investments[(1)]	6,051.9	11.0	8,585.5	24.1
Debt securities investments	50.0	0.1	–	–
Wealth management products	2,765.9	5.0	2,081.1	5.8
Trust products investments	21,121.5	38.4	6,323.6	17.8
Real estate investments[(2)]	4,633.8	8.4	2,709.7	7.6
Fund investments	16,871.8	30.6	12,314.6	34.6
Other investments[(3)]	3,557.9	6.5	3,612.3	10.1
Total	**55,052.8**	**100.0**	**35,626.8**	**100.0**

Notes:

(1) Included in equity investment classified under "financial assets at fair value through profit or loss", "financial assets at fair value through other comprehensive income", "financial assets at amortized cost" and "interests in associates and joint ventures" as presented in the consolidated financial statements attributable to financial investment and asset management business segment.

(2) Included in "investment properties" as presented in the consolidated financial statements.

(3) Including asset management plans, large interbank deposits, asset-backed securities and embedded derivatives debts.

Principal Investment of Cinda Hong Kong

Cinda Hong Kong focuses on the main business of distressed assets, by strengthening cooperation with the Group headquarters and domestic branches and subsidiaries, it focuses on the development of reorganization or liquidation projects of domestic distressed assets and distressed entities which have overseas structures or need to arrange overseas settlement in form of "share plus debt". It also participates in relevant investment and financing projects such as cross-border industrial restructuring, cross-border mergers and acquisitions and overseas settlement which are supported by the national policies of industrial transformation and upgrading.

As at December 31, 2017 and 2018, the balance of principal investment of Cinda Hong Kong amounted to RMB43.43 billion and RMB63.52 billion, respectively.

	As at December 31,			
	2018		2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Balance of principal investments				
– Cinda Hong Kong				
Equity investments[(1)]	27,353.1	43.1	28,911.7	66.6
Debt securities investments	4,219.2	6.6	4,086.6	9.4
Trust products investments	47.1	0.1	–	–
Real estate investments[(2)]	–	–	93.3	0.2
Fund investments	30,034.4	47.3	9,027.3	20.8
Other investments[(3)]	1,864.3	2.9	1,314.7	3.0
Total	**63,518.1**	**100.0**	**43,433.6**	**100.0**

Notes:

(1) Included in equity investment classified under "financial assets at fair value through profit or loss", "financial assets at fair value through other comprehensive income", "financial assets at amortized cost" and "interests in associates and joint ventures" as presented in the consolidated financial statements attributable to financial investment and asset management business segment.

(2) Included in "investment properties" as presented in the consolidated financial statements.

(3) Including asset management plans, large interbank deposits, asset-backed securities and embedded derivations debts.

Principal Investment of Zhongrun Development

As at December 31, 2017 and 2018, the balance of principal investment of Zhongrun Development amounted to RMB1.04 billion and RMB0.60 billion, respectively. In 2017 and 2018, the income on principal investment of Zhongrun Development amounted to RMB0.11 billion and RMB0.07 billion, respectively.

Asset Management Business

The asset management business of the Group consists of (1) asset management business, which is mainly private equity funds; (2) mutual fund and wealth management plans business.

The group asset management business, which is mainly private equity funds, refers to the business in which the Company's subsidiaries act as managers, adopt special purpose vehicles, such as private funds (mainly in the form of limited partnerships and limited liability companies) and trust product plans, mainly based on self-owned funds, and raise external funds for co-investment, in order to earn management fees income and share of excess revenue.

As at December 31, 2017 and 2018, the assets under management of the Group, mainly private equity, amounted to RMB357.25 billion and RMB358.11 billion, respectively, among which the balance of third-party investment amounted to RMB271.25 billion and RMB285.26 billion, respectively. In 2017 and 2018, management fees income of the Group amounted to RMB1.14 billion and RMB0.93 billion, respectively.

Other Businesses

In 2017 and 2018, the income from consulting and advisory services business by the Company, Cinda Investment and Cinda Hong Kong amounted RMB0.19 billion and RMB0.11 billion, respectively.

Financial Services Business

The Group has focused on the development of financial services business which can provide services and support to the development of distressed assets business and asset management business according to its strategic plan. It established a diversified and synergistic financial services platform covering banking, securities, futures, fund management, trusts, financial leasing and insurance business. The Group is committed to providing customized financial services and comprehensive solutions to customers.

In 2017 and 2018, income from financial services represented 35.7% and 27.5% of the total income of the Group, respectively, while the profit before tax from financial services accounted for 9.1% and -7.3% of the total profit before tax of the Group, respectively.

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

	As at and for the year ended December 31,							
	2018				2017			
	Income	Profit before tax	Total assets	Net assets	Income	Profit before tax	Total assets	Net assets
	(in millions of RMB)							
NCB	13,666.6	3,840.1	407,601.5	47,559.3	11,363.3	3,202.2	363,102.0	43,048.1
Securities, Futures and Fund Management[(1)]	3,095.9	59.1	38,409.8	9,789.9	3,934.6	173.3	55,114.4	9,699.2
Jingu Trust	549.5	229.7	4,737.9	4,013.0	847.7	376.3	4,106.6	3,845.3
Cinda Leasing	2,872.2	(27.0)	50,911.6	7,134.7	2,460.9	670.5	48,124.8	7,186.3
Happy Life	9,116.8	(3,709.3)	67,894.1	4,747.2	23,576.3	48.9	72,853.9	8,233.6

Note:

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

Banking Business

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

The Company paid special attention to the business development of NCB and proposed to develop NCB into a platform for group account management, cross-selling and integrated financial service, as well as a new platform of group collaboration, transformation and a new growth point, which will promote the development of the entire financial services sector. Guided by such development object and functional position, NCB effectively utilized its highly complementary products and customer channels with the Group, fully implemented the transformation strategy, actively promoted multi-coordination, continued to strengthen risk prevention and control, which has realized improved performance and achieved sustainable and stable development.

Business strategy: Firstly, taking the advantages of the solid foundation in enterprise financial business and strong synergy effect, NCB provided targeted and comprehensive solutions for customers gradually and effectively to enhance their capacity of professional services and market competitiveness. Secondly, NCB has focused on wealth management and has provided mid-to-high end customers with personalized, customized and comprehensive wealth management solutions according to their asset allocation needs. Thirdly, with the effective use of the characteristics of cross-border business, NCB has expanded sustainable partners and created a platform of comprehensive financial services in cross-border business.

Risk management and control: The risk management of NCB is an important part of the risk management system of the Group. Through the establishment of risk information reporting mechanism, adoption of the risk assessment indicator system for regular testing and evaluation and through field inspection, risk inspection, management meetings and others, global linkage and full coverage of the risk management with NCB were achieved.

NCB

NCB principally engages in the provision of various wealth management services to individual customers, including deposits in various currencies, foreign exchange, stock trading, funds, bonds, foreign exchange margin, securities margin, housing mortgage, taxation, personal loans and insurance services. It also provides import and export bills, trade financing, commercial loans, project financing and syndicate loans for corporate customers.

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

	As at and for the year ended December 31,	
	2018	**2017**
	(in billions of RMB)	
Total assets	407.6	363.1
Total loans	223.4	196.3
Total deposit	301.6	271.5
Net interest income	5.6	5.0
Net commission and fee income	1.4	1.4
Asset quality indicators (%)		
Non-performing loan ratio (1)	0.56	0.48
Capital adequacy ratio indicators (%)		
Total debt-to-capital ratio (2)	18.73	18.49
Tier-1 capital ratio (3)	16.97	16.74
Tier-1 capital ratio of common equities (4)	13.53	13.10
Profitability indicators (%)		
Return on average assets (5)	0.77	0.83
Return on average shareholder's equity (6)	7.79	7.42
Net interest margin (7)	1.66	1.57
Cost-to-income ratio (8)	35.91	37.96
Other indicators (%)		
Liquidity coverage ratio (9)	163.30	159.33

Notes:

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

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

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

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

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

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

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

(8) Equals operating expenses divided by operating income.

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

NCB Hong Kong

NCB Hong Kong is based in Hong Kong, focusing on providing professional service and deep cultivation, and it is well-known for personal wealth management and corporate banking services.

	As at and for the year ended December 31,	
	2018	**2017**
	(in billions of RMB)	
Balance of retail deposits	101.8	80.6
Balance of retail loans	23.0	20.3
From retail customers		
Net interest income	0.8	0.6
Net commission and fee income	0.5	0.5

	As at and for the year ended December 31,	
	2018	**2017**
	(in billions of RMB)	
Balance of corporate deposits	99.9	93.3
Balance of corporate loans	127.8	110.0
From corporate customers		
Net interest income	2.1	1.8
Net commission and fee income	0.5	0.5

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

NCB China

As of December 31, 2018, the main operating indicators of NCB China were better than the average level of foreign banks in Shanghai where it is located.

The table below sets out the main financial and business indicators of NCB China as at the dates and for the years indicated.

	As at and for the year ended December 31,	
	2018	**2017**
	(in billions of RMB)	
Total assets	151.3	145.5
Total loans	74.9	63.8
Total deposits	91.3	94.2
Net interest income	2.0	1.2
Net commission and fee income	0.5	0.5
Asset quality indicators (%)		
Non-performing loan ratio	0.85	1.01
Provision coverage ratio	231.35	180.08
Capital Adequacy ratio indicators (%)		
Core tier-1 capital adequacy ratio	15.57	15.93
Tier-1 capital adequacy ratio	15.57	15.93
Capital adequacy ratio	16.53	16.59
Profitability indicators (%)		
Annualized return on average assets	0.76	0.40
Annualized return on average shareholder's equity	8.66	4.99

According to the different types of products and services, the business units of NCB China include corporate banking business, personal banking business and capital business.

	As at December 31,	
	2018	2017
	(in billions of RMB)	
The balance of corporate loans	58.7	49.3
Its proportion in the total balance of loans (%)	78.7	77.3
The balance of retail loans	15.9	14.5
Its proportion in the total balance of loans (%)	21.3	22.7
The balance of corporate deposits	81.8	86.3
Its proportion in the total balance of deposits (%)	90.2	91.6
The balance of retail loans	8.9	7.9
Its proportion in the total balance of deposits (%)	9.8	8.4

The corporate banking business of NCB China mainly includes deposits, loans, settlement, trade-related products and other banking services for corporate customers. The personal banking business of NCB China mainly includes deposit, credit and debit cards, consumer credit and mortgage loans and personal assets management services for individual customers. The capital business of NCB China mainly includes: (1) foreign exchange market business, mainly spot, forward and swap foreign exchange transactions; (2) money market business, mainly interbank deposit, lending and loans as well as positive and negative repurchase business; (3) derivatives business, mainly interest rate swap business and agent structured financial services; (4) constant return market business, mainly bond business (including large transferable certificates of deposit); (5) commodity business, mainly gold and silver deferred business, gold forward and gold swap business.

Securities, Futures and Fund Management

The Group conducts securities and futures businesses in Mainland China through Cinda Securities and Cinda Futures. The Group also conducts mutual fund management business and other asset management business in Mainland China through First State Cinda Fund and cross-border securities brokerage, financial product trading, investment banking and asset management business in Hong Kong through Cinda International. In 2017 and 2018, the revenue of Cinda Securities amounted to RMB1,759.3 million and RMB1,458.1 million.

Cinda Securities

The table below sets forth the business income of Cinda Securities and their corresponding percentages for the years indicated.

	For the year ended December 31,			
	2018		2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Securities brokerage	457.0	31.3	677.0	38.5
Investment banking	380.5	26.1	389.0	22.1
Asset management	84.3	5.8	151.5	8.6
Futures	167.1	11.5	227.5	12.9
Other business	369.2	25.3	314.4	17.9
Total	**1,458.1**	**100.0**	**1,759.3**	**100.0**

Securities brokerage: As at December 31, 2017 and 2018, the number of clients of Cinda Securities' securities brokerage business amounted to 1.577 million and 1.636 million, the total value of its AUM amounted to RMB170.47 billion and RMB135.77 billion, respectively. In 2017 and 2018, the total transaction volume of Cinda Securities' securities brokerage business amounted to RMB1,643.03 billion and RMB1,170.13 billion, respectively.

Investment banking: In 2017 and 2018, Cinda Securities' underwriting fee and commission income amounted to RMB240.4 million and RMB189.7 million, respectively.

Asset management: As at December 31, 2017 and 2018, the AUM balance of Cinda Securities amounted to RMB68.85 billion and RMB90.04 billion, respectively. In 2017 and 2018, commission and fee income from Cinda Securities' asset management business from trust clients amounted to RMB151.5 million and RMB84.3 million, respectively.

Other businesses: They were mainly investment business and credit business. Of which, as at 2017 and 2018, the gains realized from the securities investment of Cinda Securities amounted to RMB241.6 million and RMB43.3 million, respectively.

As at December 31, 2017 and 2018, the turnover of margin financing business of the Cinda Securities amounted to RMB7.49 billion and RMB5.66 billion, respectively. The turnover of securities lending amounted to RMB6.74 billion and RMB4.96 billion, respectively.

Cinda Futures

In 2017 and 2018, income from the futures business of Cinda Futures amounted to RMB227.5 million and RMB167.1 million, respectively, and the operating profit realized amounted to RMB96.3 million and RMB65.5 million, respectively.

First State Cinda Fund

The Group conducts mutual fund business through First State Cinda Fund and those mutual funds are classified into monetary funds, equity funds, bond funds and hybrid funds, which invest in equity assets and fixed income assets mainly. As at December 31, 2017 and 2018, the Group had 17 and 21 mutual securities investment funds with the total assets under management of public funds and asset management plans amounted to RMB56.97 billion and RMB34.12 billion, respectively. In 2017 and 2018, management fee income from such funds amounted to RMB174.0 million and RMB125.9 million, respectively.

Cinda International

In 2017 and 2018, Cinda International generated revenue of RMB177.3 million and RMB209.0 million, respectively.

Trusts

The Group conducts trust business through Jingu Trust. As at December 31, 2017 and December 31, 2018, the existing trust AUM amounted to RMB116.2 billion and RMB140.1 billion, respectively, and the Group managed 185 and 142 existing trust projects, respectively. In 2017 and 2018, the fees and commission incomes generated from trust business were RMB0.51 billion and RMB0.36 billion, respectively, accounting for 60.0% and 65.5% 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 types of clients.

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

	As at December 31,			
	2018		2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Individual trust schemes	102,997.0	73.5	57,693.0	49.6
Collective trust schemes	37,099.0	26.5	58,516.0	50.4
Total	**140,096.0**	**100.0**	**116,209.0**	**100.0**

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

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

	As at December 31,			
	2018		2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Financing	12,245.0	8.7	18,812.0	16.2
Investment	19,348.0	13.8	26,442.0	22.8
Non-discretionary	108,503.0	77.5	70,955.0	61.0
Total	**140,096.0**	**100.0**	**116,209.0**	**100.0**

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

	As at December 31,			
	2018		2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Infrastructure	14,058.0	10.0	16,814.0	14.5
Real estate	16,028.0	11.4	15,185.0	13.1
Securities markets	3,460.0	2.5	14,047.0	12.1
Industry and commerce	9,897.0	7.1	13,410.0	11.5
Financial institutions	8,393.0	6.0	6,543.0	5.6
Asset-backed securitization	75,430.0	53.8	21,242.0	18.3
Others	12,830.0	9.2	28,968.0	24.9
Total	**140,096.0**	**100.0**	**116,209.0**	**100.0**

Financial Leasing

The Group conducts financial leasing business through Cinda Leasing. In 2018, through restructuring the profit model and promoting business innovation, Cinda Leasing achieved breakthroughs in aircraft leasing and new energy sectors. As at December 31, 2017 and 2018, the net finance lease receivables of the Group was RMB44.2 billion and RMB46.3 billion, respectively. In 2017 and 2018, the net revenue generated by the financial leasing business was RMB1,228.0 million and RMB1,172.8 million, respectively, and the net profit generated from the financial leasing business of the Group was RMB618.0 million and RMB64.8 million, respectively.

Products

In 2018, the total income from specialized products and non-specialized products was RMB664.6 million and RMB2,270.0 million, respectively, representing 23% and 77% of Cinda Leasing's total income for the period, respectively.

Clients

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

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

	As at December 31,			
	2018		2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Manufacturing	16,426.7	34.3	16,648.7	36.5
Mining	3,095.1	6.5	3,553.2	7.8
Water conservancy, environment and public utilities management	5,163.0	10.8	6,949.7	15.2
Construction	93.7	0.2	120.9	0.3
Transportation, logistics and postal services	4,653.6	9.7	2,626.5	5.8
Others	18,398.4	38.5	15,672.9	34.4
Total	**47,830.5**	**100.0**	**45,571.9**	**100.0**

Insurance Business

The Group engages in insurance business through Happy Life. Happy Life mainly offers various types of life and health insurance, accident insurance as well as reinsurance.

The table below sets forth the details of original premium incomes of the main types of life insurance products and their respective percentage of the total income for the years indicated.

	For the year ended December 31,			
	2018		2017	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Life insurance	7,944.6	86.7	17,493.3	94.7
Ordinary life insurance	6,301.5	68.7	15,589.1	84.4
Participating life insurance	1,628.1	17.8	1,890.1	10.2
Others	15.0	0.2	14.1	0.1
Health insurance	1,003.6	10.9	768.3	4.2
Accidental injury insurance	217.5	2.4	213.2	1.2
Total	**9,165.7**	**100.0**	**18,474.8**	**100.0**

Business Synergy

In 2018, subject to the regulatory requirements of related party transactions and internal transactions, and under the guidelines of the Group's strategic deployment of "relative concentration, focusing on main business", the Group further strengthened business synergy within its principal sectors by taking on the advantages of our principal business in "extensive distressed asset" management and each licensed financial service subsidiary operating within legal business scope.

In the development of business synergy, the branches, acting as the main channels for the Group's regional operations, implemented "extensive distressed asset" business by focusing on the distressed entities, distressed assets and serving the real economy; while the subsidiaries, acting as the suppliers of "toolbox for comprehensive financial service", fully leveraged functional advantages of different financial sectors to enhance the ability of providing integrated financial services to clients. A sound business synergy development position on sharing of client lists, products and benefits by the group headquarters, branches and subsidiaries was formed based on collaborative incentives and compliant management.

In 2018, through business cooperation among its subsidiaries and branch companies, the Group recorded revenue from cross-selling of RMB3.3 billion from 2,498 customers in relation to 1,865 projects, with an aggregate business scale of RMB384.0 billion.

In 2018, the income from business synergy of NCB achieved RMB1.3 billion, involving 76 projects and 967 clients; among which, the income from business synergy of NCB China amounted to RMB0.8 billion, while the income from business synergy of NCB Hong Kong amounted to RMB0.5 billion. In 2018, there were 146 clients recorded from the cross selling and business synergy with Cinda Securities involving 191 projects, which realized synergy income of RMB0.2 billion. In 2018, the business synergy from Cinda Leasing amounted to RMB17.5 billion, involving 112 projects and 90 clients, which realized synergy income of RMB0.4 billion. In 2018, Happy Life actively participated in the key projects and major businesses of the Group, which brings the Group a business synergy of RMB7.0 billion and a sum of realized synergy income of RMB0.3 billion. In 2018, Cinda Real Estate played its expertise in real estate and provided professional consultation, co-investment and project regulatory services for the Group, of which the number of relevant cooperation projects amounted to 156, realizing a revenue of RMB0.2 billion. Cinda International actively cooperated with the Group, its branch offices and subsidiaries in investment banking, trading and sales, and asset management business, to provide customers with professional overseas financial services, which brings a business synergy of RMB21.2 billion, and a sum of realized synergy income of RMB63.9 million in 2018.

Material Investment and Acquisition

During the Reporting Period, the Company did not have any significant investment and acquisition subject to disclosure requirement pursuant to the Listing Rules.

Information Technology

In 2018, the Company implemented the second phase of Informationization Planning (2016 to 2020) with remarkable progress and expected results along with further improvements in information technology management system. The Company also passed ISO27001/20000 internal audit and external audit on management system.

Establishment of Information Systems

In 2018, the Company continued to establish business and risk management systems, and completed the construction of new Acquisition-operation Distressed Asset business system and new collaborative office system. In addition, the Company completed the optimization of investment and asset management system, internal rating system and risk alert system, and launched the upgrade of management accounting system and liquidity management system. Those efforts serve to achieve full coverage of distressed asset business operations process and automation of supervision reporting, comprehensively improving the Company's information management capabilities.

In 2018, the Company obtained breakthroughs in technological innovations. The project of Applied Research of Knowledge Graph in Asset Management Companies was awarded First Prize of Achievements in Science and Technology Researches 2018 by the CBIRC.

Construction of IT Infrastructure

In 2018, the Company completed the construction planning of the Group's big data platform and launched the third phase of construction of the Group's data warehouse platform. Moreover, the Company completed the migration and switching of the Group's system from the data center in Beijing East Circle to the data center in Hefei, which was awarded the "Yunying Award" by China Computer Users Association, and the basic support capability for informationization was further enhanced.

Human Resources Management

In 2018, the human resources of the Company closely adhered to the group strategy and annual key works, focusing on organizational construction and team building for elite talents. Guided by the concept of "Professional Cinda, Efficient Cinda and Valued Cinda", the Company strived to improve the allocation efficiency of human resources, strengthened the systems of incentives and restraints and optimized the management mechanism of "selecting, using, educating and retaining talents", in order to provide strong support and strong protection for the implementation of the Group's strategy and operational management.

Reform of the Headquarters and Branches

In July 2018, Asset Preservation Department was set up at the headquarters; in November 2018, Party Committee Inspection Office was set up at the headquarters.

Employees

As of December 31, 2018, the Group had 17,800 employees (excluding those employed through labor dispatch agency), of which 15,993 were in Mainland China and 1,807 were in Hong Kong and Macao. In the Company and its tier-one subsidiaries (head offices), employees with master's degree or above and employees with bachelor's degree accounted for 60% and 37% of the total number of employees, respectively. In order to ensure its stable development in the long run, the Company has attached great importance to its relationship with all employees. The business and financial conditions of the Company are not reliant on particular employee(s).

Remuneration Policy

With the remuneration strategy directed by market-oriented reform, the Company continuously adjusted and optimized its remuneration incentive system, while giving full play to the role of performance orientation and restraint in the process. The overall performance-oriented distribution of the Group was based on delivering performance and continuously strengthening remuneration incentive efficiency. During the year, the Company further improved its incentive and restraint mechanism based on its practical conditions and implemented a differentiated distribution system as based on different degree of contributions. While improving the income of grassroots and key employees, the Company adjusted the performance-oriented distribution mechanism to focus on employees and teams with front-line business, constructing contribution and effective risk control. The Company also emphasised the concepts of motivation, creation and value to encourage enthusiasm, initiative and creativity within all employees, so as to effectively promote high-quality development of the Company.

Education and Training

In 2018, the training works of the Company were aligned with party building and annual key works. Focusing on strengthening party building and on the basis of serving company operation, while emphasising Company's main responsibilities and main business with enhancement of capacity building, the Company held over 1,200 training programs via centralized trainings and video lectures, offline and online studies as well as domestic trainings and overseas studies, with more than 48,000 attendances and over 40 training hours per employee, which further enhanced the pertinence, systematicness and effectiveness of trainings and provided strong support and talent guarantee for the construction of "Professional Cinda, Efficient Cinda and Valued Cinda".

Risk Management

Framework of Comprehensive Risk Management

The comprehensive risk management is a continuous process which calls for the participation of the Board, Senior Management and all levels of employees to identify all risk types and project the extents of risk impacts in strategy setting and normal operations, as well as to effectively manage the Company's risks in different environments within the Company's risk preference.

In 2018, facing the complicated and ever-changing conditions of internal and external risk prevention, the Company complied with the general requirement of "attaching more importance to risk prevention", adhered to the risk management concept of "protecting the bottom-line by managing risks proactively", and facilitated the development of a comprehensive risk management system. The Company proactively went forward with the implementation and transmission of the Group's risk appetite regime, and optimized the responsibility and duty of risk management departments, fulfilled daily risk management in a solid manner, and also strengthened the mitigation efforts of risk in key areas and maintained the stability of asset quality by keeping the principal line of "preventing new risks and reducing existing risks". Furthermore, the Company continuously enhanced the market risk management, deepened operational risk management constantly, and refined the risk management accountability and performance assessment mechanism. Through these steps, the effectiveness of risk management of the Group has improved continuously.

In 2018, the Risk Management Committee of the Board convened six meetings to consider various resolutions and reports, such as the Risk Appetite Statement of the Group, the risk management report and the report on further rectifying market chaos. The Connected Transaction Control Committee of the Board convened two meetings to consider the connected transaction management report and intra-group transaction management report of the Group. The Risk Management Committee of the Senior Management convened three meetings to consider various resolutions and reports, such as the comprehensive risk management self-assessment report of the Company and the concentration management proposal of the Group.

Risk Appetite

Risk appetite represents the types and levels of risks acceptable to the Company as determined by the Board, in alignment with the expectations and constraints of the Company's major stakeholders, external operating environment and the conditions of the Company, in order to achieve business development targets on the principle of keeping the risks under control. In 2018, China Cinda's Risk Appetite Statement of the Group (2018) was issued and implemented upon the approval of the Board. After overall consideration at the group level, the coverage of the Risk Appetite Statement was extended to the operating subsidiaries and overseas branches of the Company, with the addition of new types of risks such as information technology risk and optimization of risk and quantification indicator, improved the transmission mechanism of risk appetite, and gave full play to the guiding role of risk management and operation management of the Group. Meanwhile, the Company further improved the risk appetite management framework, and monitored the risk appetite indicators on both regular and irregular internals, and prepared the report on the implementation of risk appetite of the Group on a quarterly basis and timely optimized and adjusted the risk appetite quantification indicators and qualitative statement.

The overall risk appetite of the Company: in the course of business, the Company is devoted to strategically control risk profile, streamline risk sequence, prevent and control risk exposure, maintain a stable risk appetite, and constantly pursue a balanced development of efficiency, quality and scale. The Company attaches importance to the alignment of business size, operating income and risk exposure, and will not pursue higher profits at the expense of the bottom line of risks. The Company strives to maintain the stability and sustainability of profitability within an acceptable risk level, to ensure an endogenous capital growth and to comply with the required capital adequacy and maintain a stable external rating. The Company will also ensure that all business activities are implemented effectively within the risk appetite framework. All substantive risks are to be accurately defined, clearly measured, carefully assessed and proactively managed in the ordinary course of business, so as to align with the risk tolerance and capital adequacy of the Company. The Company will also strive to optimize the risk-adjusted returns of risks within the planned risk tolerance.

Risk Management Organizational Structure

The Company continued to promote the establishment of a risk management organizational system. The Board assumed the ultimate responsibility for comprehensive risk management, and exercised functions relevant to risk management, considered major issues of risk management, and supervised and evaluated the establishment of risk management system and risk level of the whole group through its Risk Management Committee, Audit Committee and Connected Transaction Control Committee. The Board of Supervisors assumed the responsibility of monitoring comprehensive risk management, and is responsible for supervising and inspecting the performance of the Board and the Senior Management in risk management as well as supervising their rectification. The Senior Management assumed specific responsibilities of comprehensive risk management in accordance to the authorization of the Board, and is accountable to the Board on the effectiveness of the risk management system. The Risk Management Committee under the Senior Management exercised part of the risk management duties of the Senior Management in accordance to relevant authorization.

The Company incorporated various requirements of risk management into its management activities and business processes, and gradually established and improved its three lines of defense for risk management including: the business operation departments of the head office, branches and subsidiaries as the first line of defense; the functional departments of risk management as the second line of defense; the internal audit departments as the third line of defense.

In 2018, the Company further improved the risk management structure, enhanced the comprehensive risk management and the management functions of major risks such as credit risks, market risks and operational risks, thereby allowing the continuous strengthening of professional management of various major risks. By regularly carrying out performance assessment on the responsible personnel in charge of risk management of its branches and subsidiaries and the responsible personnel in charge of the risk management department, the Company continuously improved the efficiency and professionalism of its risk management. As a step forward, the Company also carried on its progress in developing a dedicated risk management team, and strived to continuously improve the performance and competence of all Group personnel involving in risk management through job rotation, special training programme, qualification verification and expertise tests.

Risk Management Policy

In 2018, on the basis of promoting the implementation of the policy system streamlining of "Compliance Year" in 2017, the Company issued and implemented 18 risk management systems including the Comprehensive Risk Management Regulation, the Risk Appetite Management Measures of the Group and the Risk Inspection Work Measures, therefore further improved the comprehensive risk management system. In addition, the Company has also formulated and issued rules on risk monitoring and evaluation and concentration management so as to provide effective guidance on daily risk management.

Risk Management Tools and System

The Company strengthened monitoring, analysis and risk alert of key areas, industries and customer risks through launching a risk management operation and transmission mechanism that seeks to balance between capital, risk and income, and raised its risk identification, measurement, monitoring and control capabilities by utilizing various risk management tools such as economic capital, risk limit, rating classification, impairment provision, stress test and risk assessment.

In 2018, the Company proactively adjusted its business strategy and business structure in alignment with regulatory requirements and market changes, so as to ensure control on concentration risks with key customers, industries and regions. The Company also adjusted the management and control methods on a timely basis and issued control directives as based on changes in risk exposure, so as to ensure the effectiveness and timeliness of concentration management. With economic capital management on top of the agenda, the Company optimized the risk limit control standard and appropriately assigned the economic capital quota for each business line, with an aim to optimize allocation of business and management resources and boost the overall risk-adjusted profitability.

The Company actively promoted the establishment of information systems related to risk management, and continuously optimized and improved the internal rating system, connected transaction management system, collateral management system and risk alert system, in order to further enhance its credit risk management capabilities. The Company is in the process of upgrading its market risk and liquidity risk management system, while the operational risk management optimization project is also entering its implementation stage. Altogether these systems will become parts of a more well-organized risk management information system so that a solid foundation is to be paved for further achieving a refined and scientific risk management.

Management of Credit Risk

Credit risk of the Group is primarily related to its distressed debt asset portfolio, the corporate and individual loans and fixed-income investment portfolio of its financial subsidiaries, the finance lease receivables of its financial leasing business and other on- and off-balance sheet exposures to credit risk under the consolidated financial statements.

The Company has strictly complied with the regulatory requirements of the CBIRC that include relevant management guidelines on credit risks. Under the guidance of the Risk Management Committee of the Board and the Senior Management, the Company has optimized the policies and information system of credit risk management and focused on the risk control of key areas to implement the strategic objectives of the Company as well as to control and reduce credit risks.

In 2018, the Company continued to fine-tune its credit risk management policies in active response to the changes in macroeconomy and financial regulatory requirements. Throughout the process, the Company focused on strengthening the management of concentration and risk limit, and fully leveraged the group data information system to strengthen the management of key clients of the group and their concentration, and timely developed statistics of large exposures and provided early warning to allow proactive management and precise control.

In 2018, the Company continued to enhance the level of risk measurement. The customer credit rating model and business rating model were optimized with the support of internal data in order to fully identify risk.

Management of Market Risk

The market risk management of the Group refers to the process of identifying, measuring, monitoring, controlling and reporting of market risk in accordance with the risk tolerance of the Group in order to establish and refine the market risk management system, thereby controlling the market risk within acceptable range so as to maximize risk-adjusted returns and constantly improve the standards of market risk management.

With respect to interest rate risk, the Company established a two-way transmission mechanism of assets and liabilities to guide the benign and orderly expansion of assets and liabilities, made reasonable allocation between assets and liabilities to mitigate the risk of mismatch, and strengthened the forward-looking judgment on market condition to make timely adjustment to the assets and liabilities allocation strategy, thereby controlling the interest rate risk.

With respect to foreign exchange risk, following the principle of using foreign currency for overseas projects and repaying overseas loans with foreign currency, the Group controlled its exposure of foreign exchange risk mainly by matching currencies used in assets and liabilities. As for the USD bonds and Preference Shares issued by the Group, the relevant investment assets are mainly denominated in USD, which effectively controlled the foreign exchange risk.

The A share market turned sluggish in 2018 due to impact from external events and internal policy adjustment. The Company will continue to closely monitor factors such as trends of macroeconomy, tightness of market liquidity and the latest regulations and requirements that will affect the value of enterprises with the Company's equity holdings, and raise its efforts in research and prejudgment so as to reasonably formulate and adjust the investment management strategies of its equities in listed companies and endeavor to enhance management effectiveness.

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

Management of Liquidity Risk

In strict alignment with regulatory requirements, the Group comprehensively monitored its liquidity risk on different aspects such as asset structure, liability stability and fund collection, and regularly updated various liquidity indicators such as liquidity coverage ratio and liquidity ratio to the regulatory authorities. The Group also established a comprehensive internal supervision regime at each subsidiary under the guidance of the head office and to be incorporated into the Group's liquidity management system.

The Group earnestly managed the maturity matching of asset and liability and established a two-way transmission mechanism of assets and liabilities. The Group also closely followed the situation of macroeconomy, and strengthened prospective analysis of the financing market, while building up a liquidity risk monitoring system, and adopted a proactive liability strategy and controlled maturity mismatch risks to effectively improve its short-term liquidity solvency. In accordance with the requirements of the regulatory authorities, the Group regularly implemented liquidity stress tests, adjusted asset and liability strategies, and formulated targeted liquidity risk contingency plan.

The Group highly valued the maintenance and development of financing channels. Upon the basis of consolidating the medium and large-sized interbank borrowings, the Group further expanded the financing channels to various types of organizations such as small and medium-sized banks, funds, brokers and insurance companies, and vigorously raised the proportion of direct financing, and proactively expanded financing channels such as financial bonds, corporate bonds, Tier-2 capital bonds and asset-backed securities, in order to enhance the long-term debt ratio and constitute a stable, diversified and creative financing system. The Group attached great importance to good communication with rating agencies and earnestly safeguarded its market reputation and the interests of investors.

The Group continued to enhance the level of liquidity fund management, and establish a liquidity analysis system and develop a scientific and effective internal fund transfer pricing mechanism through comprehensive analysis of the bond and fund markets, to proactively circulate internal funds in an efficient manner. The Group also maintained a reasonable proportion of liquid assets and striked a balance between liquidity safety and operating revenue through the layered and diverse allocation of liquidity portfolio.

Management of Operational Risk

In 2018, the Company strengthened its control over operational risk and kept on refining its internal control system so as to further elevate its standard of operational risk management.

The Company had launched an operational risk consulting project that included organizing a professional team to conduct in-depth research and analysis on the Group's operational risk management. Other tasks included overhauling all operational risk management systems and processes to update and improve the internal control manual, and optimizing the design of operational risk management system.

The Company amended and optimized the Administrative Measures for Risk Detection, and conducted risk detection on the Group according to the measures. All branches and subsidiaries had strictly analyzed and effectively rectified the identified risks and potential risks and eliminated certain business and operational risks in time. Through risk detection and rectification, all branches and subsidiaries had seen significant improvements in terms of risk awareness, risk responsiveness and qualities of risk inspectors. All business lines completed their tasks concerning regulation revision process optimization and system construction, which served to further strengthen control of operational risk.

In accordance with the requirements of the CBIRC on further rectifying the market chaos in the banking industry and its regulatory opinions, the Company formulated and published Rules of Implementation on the Working Plans for Further Rectifying of Market Chaos to lay out plans for deepening rectification on market chaos, and specify individual tasks in addition to defining major objectives for the exercise. The Company had also conducted internal review to rectify the market chaos. More onsite inspections and rectification exercises were conducted at the branches and subsidiaries so as to ensure a steady implementation of rectifying exercise on market chaos with good progresses. The awareness of operation compliance was henceforth further strengthened within the Company, which had refined the effective construction of those long-term mechanisms.

Management of Reputation Risk

The Group continued to improve its reputation risk management system, and amended and improved the Administrative Measures for Reputation Risk and the Contingency Plan for Handling Reputation Incidents at the level of the Group headquarters, all branches and subsidiaries to further standardize the classification management of reputation risks. The Company attached great importance to the capacity building of professional management of reputation risks, organized relevant trainings on news publicity and public opinion management, and intensified training on reputation risk management skills and media literacy at branches and subsidiaries. The Company also reviewed reputation risk management at subsidiaries and strengthened the awareness of active management of reputation risks as well as improved the institutionalization and standardization of reputation risk management. During the Reporting Period, the Group steadily enhanced its reputation risk management and effectively safeguarded its positive image and reputation.

Anti-Money Laundering

The Company strictly complied with all relevant anti-money laundering laws and regulations as well as regulatory rules, and diligently abided by its social responsibility of anti-money laundering. The Company enforced requirements of anti-money laundering aiming at risk prevention and continuously increased its capability and management effectiveness of anti-money laundering.

In 2018, the Company has further improved the management system of anti-money laundering, and adapted the anti-money laundering internal control system to changes in regulatory policy in combination with the business characteristics of the Company, which included: specifying customer identification requirements; further clarifying the operation key points of anti-money laundering in each business link; refining suspicious transaction troubleshooting procedures; revising the classification standards of customer money laundering risks, and adding assessment and accountability clauses. In order to effectively fulfill its anti-money laundering obligations and to ensure the efficiency and comprehensiveness of anti-money laundering work, the Company has continuously optimized the anti-money laundering information system during the Reporting Period to align tasks on anti-money laundering more closely with business processes. The Company also enhanced employees' awareness of anti-money laundering by strengthening anti-money laundering training and publicity, to effectively prevent and control anti-money laundering compliance risks.

For more details on the risk management of the Company, please see "Risk Management" in the section headed "Corporate Governance Report" and Note VI.77 "Financial risk management" to the consolidated financial statements.

Capital Management

Drawing on advanced industry experience, the Company established an operation development model on the basis of capital constraints with reference to relevant requirements and specific rules on capital regulation handed down by the regulatory authorities. In the process of business expansion, the awareness on capital cost was continuously intensified. The Company put emphasis on the return level of risk assets, and promoted more efficient and high-quality allocation of resources so that the Company could be able to create constant and stable value and returns for its shareholders by a more intensive operation model with less capital consumption.

On December 29, 2017, the CBRC issued the Measures for the Capital Management of Financial Asset Management Companies (for Trial Implementation) (Yin Jian Fa [2017] No. 56), which came into effect on January 1, 2018. The measures made adjustments to the capital accounting approach of AMCs especially in the measurement of credit risks, some asset classes were newly added, and the risk rated ratios of some assets were adjusted. In accordance with such measures and the overall development strategy of the Group, the Company continued to promote the capital restraint oriented business development mechanism, improved the efficiency of capital utilization, monitored the real-time capital changes of every business sector and every product line, and ensured that the stable capital situation was maintained, so as to support the development of high quality across the Company's businesses. The table below sets out the capital adequacy ratio, net capital and risk-weighted assets of the Company on the indicated dates.

	As at December 31, 2018	As at December 31, 2017
	(in millions of RMB)	
Core tier-1 capital adequacy ratio (%)	10.21	10.65
Tier-1 capital adequacy ratio (%)	13.49	14.29
Capital adequacy ratio (%)	16.01	16.77
Net core tier-1 capital	66,375.9	62,338.0
Net tier-1 capital	87,657.2	83,619.2
Net capital	104,035.7	98,146.9
Risk-weighted assets	649,881.2	585,134.5

As at December 31, 2017 and December 31, 2018, the leverage ratio[1] of the Company was 6.3:1 and 6.6:1, respectively.

Prospects

In 2019, there are still many uncertain and unstable factors in international economic and financial environment, the hidden threat of crisis from financial market fluctuation and debt problems still exist, and it's predicted that growth in the global economy will continue to slow. China's economy runs steadily with changes, some of which causes concern, while facing an emerging downward pressure and more complicated and challenging external environment. Chinese government will continue to promote high-quality development, deepen supply-side structural reforms, expand high-standard opening up, continue the three critical battles and make coordinated efforts to maintain stable growth, advance reform, make structural adjustments, improve living standards, and guard against risks. With the slowdown of economic growth, economic system reform and the promotion of strong supervision, especially the break of rigid redemption and perfection of exit mechanism, the release of risks in key sectors will be continued. The amount of non-performing loans in commercial banks will be kept in a high level. The exposure of risks in financial markets such as bond market, stock market and asset management market will become normal. The amount of accounts receivable from corporations and entities will continue to increase and more disposal of distressed enterprises and distressed assets will be conducted. The Company will continue to give play to its professional advantages of distressed asset management to better serve the supply-side structural reforms, and seize market opportunities to achieve sustainable and healthy development.

1 It refers to the ratio of interest bearing liabilities to equity.

The Company will deeply implement the principles proposed at the 19th National Congress of CPC, the National Financial Work Conference and the Central Economic Work Conference, firmly grasp the main line of preventing and mitigating financial risks as well as serving the supply-side structural reforms, and continue to carry out its obligation positioning in financial system. Under the requirements of the principle of "relative concentration, focusing on main business", the Company will adhere to stable operation, deepen reform and innovation, and serve high-quality development in financial industry as well as boost high-quality development in real economy. First, the Company will continue to consolidate its leading advantages in distressed asset industry by focusing on core business and innovating prudently. The Company will increase the acquisition and disposal of financial distressed assets, and conduct non-financial distressed asset business in compliance with laws and regulations; accelerate asset turnover, improve business models and consolidate its competitive advantages in the whole process of acquisition and management of distressed assets; vigorously expand its business of distressed enterprises and distressed assets with focus on substantial restructuring, and continue to deeply explore the operation model of "extensive distressed asset" business. Second, the Company will focus on its core business and refine its professions to improve its capability in serving the real economy. The Company will take steady steps to promote market-oriented debt-to-equity swap, and support the deleveraging of the real economy; support corporations and entities to optimize their operations and strengthen their capabilities, and contribute to industry transformation and upgrade; serve national development strategies and grasp the market opportunities of regional coordinated development. Third, the Company will conduct integrated financial services centering on its core business to improve customer values. The Company will continue to advance the integration and transformation of financial services to establish differentiated and specialized competitive advantages; exert the Group's synergistic advantages to improve its customized and personalized product and service supply level under the guidance of maximizing customer values; play an active part in helping private firms overcome problems and concerns and mitigating risks in major fields, expand business channels and improve social influence with an aim to achieve its social values and economic values as a whole.

The Company will adhere to consolidating the leadership enhancement of the Party with the improvement of corporate governance, firmly uphold the right view of development and performance, implement the concept of "Professional Cinda, Efficient Cinda and Valuable Cinda", and stick to stable compliance management; firmly hold the bottom line of risks and the red line for compliance, consolidate asset quality, enhance risk management, and strengthen the effectiveness of governance and internal control; advance the resource integration in subsidiaries to prevent diversified operating risks; insist on professionalized, differentiated and characteristic development, and fully enhance its construction of professional capabilities; expand channels for liabilities and capital supplement and increase the efficiency of capital use, vigorously carry out capital saving, and optimize assets and liabilities structure to prevent and control liquidity risks; enhance the construction of information technology, and increase the efficiency of operation and management; strengthen the construction of cadre teams to build a high-quality and professional team; create the Group's special culture to inspire all staffs and officers to work with passion, thus ensuring that the Group will achieve stable and far-reaching progress.

Social Responsibility

In 2018, the Company thoroughly carried out Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and the spirit of the 19th National Congress of CPC and focused on fighting the Three Critical Battles including: forestalling and defusing the major risks, conducting targeted poverty alleviation, and pollution prevention. The Company also closely integrated the core business of distressed assets, constantly strengthened management of social responsibility, and made overall plans to promote business operation and social responsibility agenda. In addition, the Company has taken firm steps in terms of resolving financial risks, serving the real economy, conducting poverty alleviation activities and participating in environmental protection and achieved good economic, social and environmental benefits.

Resolving financial risks. The Company made the most of the advantages of its core business of distressed assets management to prevent and resolve financial and economic risks and address the pain points and difficult problems faced by financial institutions, enterprises and local governments. In 2018, the Company acquired distressed debt assets with an amount of RMB169.6 billion, effectively lowering the risk of distressed assets for financial institutions and enterprises. While acquiring distressed assets from large commercial banks, the Company focused on resolving the financial risks of local banks and non-bank financial institutions. The Company also further promoted business development and innovation, focused on the restructuring and aid of distressed enterprises, and used a variety of financial means and product portfolios to help solve the pain points and difficult problems in social and economic performance. By acquiring RMB3.0 billion of defaulted bonds from a large private enterprise, the Company explored a path to marketization for resolving the risk of defaulted bonds. The Company launched four projects through the Investment Fund for Enterprises in Difficulty to help them with bankruptcy reorganization, assisting in acceleration of the clearance of "zombie enterprises" and optimizing the allocation of economic resources. By actively participating in the implementation of market-oriented debt-to-equity swap, the Company strongly supported the reform and restructuring of a number of large state-owned enterprises, helped private enterprises with future development potentials solve their difficulties, and promoted the high-quality development of enterprises.

Serving the real economy. The Company consistently took serving the development of the real economy as its first duty to strongly support the supply-side structural reform and achieved remarkable results. The Company provided comprehensive financial services focusing on the national key strategies, such as the Belt and Road Initiative, the integrative and synergetic development of Beijing-Tianjin-Hebei region as well as the construction of the Xiongan New Area. The Company devoted to providing better products and services in important fields of people's livelihood such as "agriculture, rural areas and farmers", transportation and logistics, medical health and pension services, so as to make continuous contributions to meet people's growing needs for a better life. In addition, the Company promoted the customers-oriented strategy, constantly consolidated and expanded the scope of customers, and continued to improve customers' service experience, to constantly improve customer satisfaction. The Company also strengthened the publicity and education of financial knowledge to protect the legitimate rights and interests of consumers.

Conducting poverty alleviation activities. The Company implemented the poverty alleviation deployment of the CPC Central Committee, strengthened poverty alleviation investigation and made solid progress in targeted poverty alleviation tasks in Qinghai, Xinjiang and other regions. In 2018, the Company also assigned 20 cadres to work on the frontline of poverty alleviation, focusing on solving livelihood, employment, education and health care related problems of communities in the targeted regions. Together with China Foundation for Development of Financial Education, the Company implemented Jinhui Rural Financial Education Project and trained 436 cadres and other personnel in the targeted regions. The Company allocated RMB4.52 million for poverty alleviation in 2018, with an increase of RMB1.09 million from the previous year. In addition, the Company supported projects of planting and processing agricultural products and e-commerce as well as agricultural market construction projects and launched in-depth activities including consumption, sympathy and donation for poverty alleviation to enhance the self-development capacity of the supported regions. Cinda Hong Kong, as the principal sponsor, supported the Hong Kong Committee of the United Nations International Children's Emergency Fund to hold the Charity Run and organized many sponsors and individuals to donate HKD12.00 million to help prevent and treat AIDS for women, children and adolescents living in poverty.

Participating in environmental protection. By integrating the practice, the Company explored to build up a green financial enterprise and achieved new results in prevention of environmental pollution and promotion of green development. Taking the advantages of its core business, the Company actively provided financial services to green enterprises. In addition, the Company encouraged its subsidiaries to provide such services as green credit, green bonds, green trust, share offering and pre-listing tutoring for green enterprises to strongly support the development of green circular economy and the environmental protection industry. NCB Hong Kong formulated the Measures for Credit Management for Corporate Social Responsibility and granted credits totaling HKD1.5 billion to customers engaged in environmental business. The Company also devoted more efforts to provide e-financial services such as "Internet + distressed assets" in order to reduce environmental pollution and improve work efficiency. The Company adhered to low-carbon operation and advocated measures, such as paperless office and video conference system, to reduce energy and resource consumption and pollution emissions in office space. The relevant branches and subsidiaries also organized various activities such as afforestation to promote the concept of green development.

For details in relation to the Company's specific performance of social responsibilities and the implementation of the Hong Kong Stock Exchange's environmental, social and governance requirements, please refer to the 2018 Corporate Social Responsibility Report to be disclosed separately by the Company.

Changes in Share Capital and Information on Substantial Shareholders

Changes in Ordinary Share Capital

The ordinary share capital of the Company as at December 31, 2018 was as follows:

Class of Shares	Number of Shares	Percentage (%)
Domestic Shares	24,596,932,316	64.45
H Shares	13,567,602,831	35.55
Total	**38,164,535,147**	**100.00**

Substantial Shareholders of Ordinary Shares and De Facto Controller

Interests and Short Positions held by Substantial Shareholders and Other Persons

The Company had 1,676 registered Shareholders of Ordinary Shares as at December 31, 2018. To the knowledge of the Directors, as at December 31, 2018, the following persons had, or were deemed to have, an interest or short position in the shares and underlying shares which have been recorded in the register kept by the Company pursuant to Rule 336 of the SFO:

Name of substantial shareholders	Capacity	Number of shares held directly and indirectly	Class of shares	Nature of interest	Approximate percentage to the total issued share capital of ordinary shares (%)	Approximate percentage to the relevant class of shares (%)
MOF	Beneficial owner	24,596,932,316	Domestic Shares	Long position	64.45	100.00
NSSF	Beneficial owner	2,901,006,093	H Shares	Long position	7.60	21.38
China COSCO Shipping Corporation Limited (1)	Interest of controlled corporation	1,907,845,112	H Shares	Long position	5.00	14.06

Note:

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

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

The MOF, as a department under the State Council, is responsible for the administration of revenue and expenditures and taxation policies of the PRC.

Preference Shares

Issuance and Listing of Preference Shares

During the Reporting Period, the Company did not carry out the issuance and listing of preference shares.

Number of Preference Shareholders and Particulars of Preference Shareholding

As at December 31, 2018, the Company had a total of one preference shareholder (or proxy). Particulars of shareholding of the preference shareholder (or proxy) of the Company are as follows:

Name of shareholder	Nature of shareholder	Type of shares	Increase/decrease during the Reporting Period	Number of shares held as at the end of the Reporting Period	Shareholding percentage (%)
The Bank of New York Depository (Nominees) Limited	Foreign legal person	Offshore Preference Shares	–	160,000,000	100

Note:

Particulars of shareholding of preference shareholders were based on the information set out in the register of preference shareholders maintained by the Company. Based on information available to the Company, the register of preference shareholders presented the information on proxy of placees.

Dividend Distribution of Preference Shares

Subject to the terms and conditions of the issuance of Offshore Preference Shares, each Offshore Preference Share shall entitle the holder thereof to receive non-cumulative dividends which have not been otherwise cancelled each year. The Offshore Preference Shares will accrue dividends on their liquidation preference during the period from and including the issue date to but excluding the first reset date, at the rate of 4.45% per annum, and thereafter at the relevant reset dividend rate.

Pursuant to the resolution on the dividend payment of Offshore Preference Shares considered and approved at the sixth meeting and the third regular meeting of the Board for 2018 convened on August 29, 2018, the Company distributed dividends of Offshore Preference Shares on October 2, 2018, at the rate of 4.45% per annum (after tax). The total amount of dividend was USD142.4 million (after tax). For details of the dividend distribution of Offshore Preference Shares, please refer to the announcement dated August 29, 2018 of the Company.

Redemption or Conversion of Preference Shares

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

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

Restoration of Voting Rights of Preference Shares

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

Accounting Policy Adopted for Preference Shares and Grounds

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

Directors, Supervisors and Senior Management

Directors

No	Name	Gender	Year of birth	Position	Term of office
Current Directors					
1	Zhang Zi'ai	Male	1961	Chairman of the Board Executive Director	From August 2018 until expiration of the term of the current session of the Board
2	Chen Xiaozhou	Male	1962	Executive Director President	From November 2016 until expiration of the term of the current session of the Board
3	He Jieping	Male	1963	Non-executive Director	From July 2018 until expiration of the term of the current session of the Board
4	Xu Long	Male	1966	Non-executive Director	From July 2018 until expiration of the term of the current session of the Board
5	Yuan Hong	Female	1964	Non-executive Director	From June 2016 until expiration of the term of the current session of the Board
6	Zhang Guoqing	Male	1966	Non-executive Director	From April 2017 until expiration of the term of the current session of the Board
7	Liu Chong	Male	1970	Non-executive Director	From August 2017 until expiration of the term of the current session of the Board
8	Chang Tso Tung, Stephen	Male	1948	Independent Non-executive Director	From June 2016 until expiration of the term of the current session of the Board
9	Xu Dingbo	Male	1963	Independent Non-executive Director	From June 2016 until expiration of the term of the current session of the Board
10	Zhu Wuxiang	Male	1965	Independent Non-executive Director	From October 2016 until expiration of the term of the current session of the Board
11	Sun Baowen	Male	1964	Independent Non-executive Director	From October 2016 until expiration of the term of the current session of the Board
Resigned Directors					
1	Hou Jianhang	Male	1956	Chairman of the Board Executive Director	From June 2016 to August 2018
2	Li Honghui	Male	1964	Non-executive Director	From June 2016 to July 2018
3	Song Lizhong	Male	1960	Non-executive Director	From June 2016 to July 2018
4	Xiao Yuping	Female	1960	Non-executive Director	From June 2016 to July 2018

Mr. Zhang Zi'ai

Zhang Zi'ai, Chairman of the Board and Executive Director

Mr. Zhang has been an Executive Director and the Chairman of the Board of the Company since August 2018. Mr. Zhang successively held various positions in BOC from January 1980 to May 2000, including the Deputy Head and Head of the Foreign Trading Credit Section of the Guangzhou branch, Deputy Head of the Renminbi Credit Division of the Guangdong branch, Senior Manager of the Operation Department of the Hong Kong and Macau Office, Deputy General Manager of the Zhongshan branch and Head of the Credit Division, Director of the Office, and Deputy General Manager of the Guangdong branch. From June 2000 to October 2016, Mr. Zhang successively served as Secretary to the Party Committee and General Manager of the Guangzhou Office of China Orient Asset Management Corporation, member of the Party Committee and Vice President, Deputy Secretary to the Party Committee and the President of China Orient Asset Management Corporation. From May 2008 to May 2010, he also served as Secretary to the Party Committee and Chairman of Dongxing Securities Co., Ltd. Mr. Zhang served as the Deputy Secretary to the Party Committee, the Vice Chairman, Executive Director and President of China Orient Asset Management Co., Ltd. from October 2016 to May 2018. Mr. Zhang has become Secretary to the Party Committee of the Company since May 2018. Mr. Zhang graduated from South China Normal University in 1985 with an undergraduate degree and Asia International Open University (Macao) in 2002 with a master's degree in Business Administration. He holds a professional title of Senior Economist.

Mr. Chen Xiaozhou

Chen Xiaozhou, Executive Director, President

Mr. Chen has been an Executive Director and President of the Company since November 2016. Mr. Chen held various positions in CCB from October 1994 to April 1999, including Director of Projects Financing Division of International Business Department, Director of Agency Division of International Business Department and Deputy General Manager of the Business Department of Head Office. Mr. Chen joined the Company in April 1999 and served as the General Manager of Investment Banking Department until September 2000, Assistant to the President from September 2000 to February 2003, Vice President from February 2003 to December 2008, member of the Party Committee of the Company from December 2008 to June 2013 and Deputy Secretary of the Party Committee of the Company since June 2013. Mr. Chen worked as Chairman of the Board of Directors of Cinda Hong Kong from April 2011 to January 2015 and has served as the Chairman of NCB Hong Kong since May 2016. Mr. Chen also served as the Chairman and Non-executive Director of Silver Grant International Industries Limited from September 2006 to January 2017. He also served as the Chairman and Executive Director of Cinda International from December 2008 to January 2015. Mr. Chen graduated from the Hangzhou University in 1983 with a bachelor's degree in Economics. He then graduated from the Graduate School of Finance Research Institute of PBOC in 1988 with a master's degree in Economics. He subsequently graduated from the University of New South Wales in Australia in 2002 with a master's degree in business.

Mr. He Jieping

He Jieping, Non-executive Director

Mr. He has been a Non-executive Director of the Company since July 2018. He served successively as the Editorial Cadre, Assistant Editor, Deputy Director and Director of the Finance Editorial Department of China State Finance Magazine from August 1985 to May 2001. From February 1995 to February 1996, he practiced as the Deputy County Chief of Kazuo County, Chaoyang City, Liaoning Province. He held various positions successively with China State Finance Magazine from May 2001 to July 2018, including Deputy Chief Editor (deputy-department level), Chief Editor (department level) and deputy Secretary of the Party Committee. Mr. He graduated from the Department of Finance of Hubei College of Finance and Economics (currently known as Zhongnan University of Economics and Law) in 1985 with a bachelor's degree in Economics. He has a professional title of Deputy Editor.

Mr. Xu Long

Xu Long, Non-executive Director

Mr. Xu has been a Non-executive Director of the Company since July 2018. He served successively as the cadre and assistant researcher of Regional Finance Department under the Finance Science Institute of the MOF from August 1991 to October 1994. From October 1994 to June 2000, he served successively as the cadre and principal staff of the Infrastructure Department of the MOF. He held various positions with the MOF From June 2000 to August 2013, including deputy director of the Project Investment Division, department secretary (deputy director level) and department secretary (director level) of the Economic Development Department, director of Environment and Resources Division, director of General Division and deputy department-level cadre. From August 2013 to July 2018, he served as deputy head of the Tariff Department of the MOF. From October 1991 to October 1992, he practiced in the Finance Bureau of Mouzhong County, Henan Province and during the period from July 2010 to August 2013, he served as a member of Party Group and Deputy Head of Department of Finance of Qinghai Province. Mr. Xu graduated from the Economics Department of Anhui University, majoring in economic management, with a bachelor's degree in economics in 1988. He obtained a master's degree and a doctoral degree in economics, majoring in finance, from the Graduate School of the Finance Science Institute of the MOF in 1991 and 2004, respectively. He has a professional title of Deputy Researcher.

Ms. Yuan Hong

Yuan Hong, Non-executive Director

Ms. Yuan has been a Non-executive Director of the Company since June 2013. Ms. Yuan was an Officer of the Heilongjiang Branch of PBOC (Foreign Exchange Bureau) from July 1987 to August 1994 (on secondment to Office of Financial Institutions of Foreign Exchange Business Department of State Administration of Foreign Exchange ("SAFE") from October 1990 to August 1994), the Deputy Principal Officer and Principal Officer of the Office of Financial Institutions, Management and Inspection Department of SAFE from August 1994 to August 1998. She also served as the Principal Officer of Policy Bank Regulatory Office, Policy Bank Regulatory Second Office and Policy Bank Regulatory First Office of Bank Regulatory First Division of PBOC from August 1998 to September 2003. From September 2003 to June 2013, Ms. Yuan consequently served on positions such as the Assistant Consultant and the Deputy Director of Policy Bank Regulatory First Office of Third Bank Regulatory Department, the Director of Off-site Regulatory Office of Fourth Bank Regulatory Department, the Director of Second Off-site Regulatory Office of Fourth Bank Regulatory Department, and as the Associate Counsel of Fourth Bank Regulatory Department of the CBRC. Ms. Yuan concurrently served as a Supervisor of the Board of Supervisors of the Agricultural Development Bank of China and as the Supervisor of the Board of Supervisors of Export-Import Bank of China. Ms. Yuan graduated from the Nankai University in 1987 with a bachelor's degree in Economics. She holds the professional title of Economist.

Mr. Zhang Guoqing

Zhang Guoqing, Non-executive Director

Mr. Zhang has been a Non-executive Director of the Company since April 2017. Mr. Zhang had served as the teaching assistant, lecturer and associate professor of the Social Science Department of Jiangxi University of Traditional Chinese Medicine from July 1990 to September 2000, and as the Officer of the Regulation and Supervision Department, the Assistant Consultant of the Division of Regulation and the Director of the Domestic Compliance Division of the NSSF from November 2003 to April 2017. Since April 2017, he has been acting as the Deputy Director under the Department of Regulation and Supervision of the NSSF. He Previously acted as the Supervisor of CECEP Wind-power Corporation Co., Ltd. He graduated from the Jiangxi University (now known as Nanchang University) and the Zhengzhou University with a bachelor's degree and a master's degree in History in 1987 and 1990, respectively. In 2003, he graduated from the China University of Political Science and Law with a doctor's degree in Law.

Mr. Liu Chong

Liu Chong, Non-executive Director

Mr. Liu has been a Non-executive Director of the Company since August 2017. Mr. Liu has worked in various companies including the Guangzhou Maritime Transport (Group) Co., Ltd., the Bao'an Branch of China Merchants Bank, the Guangzhou Maritime Transport Group Real Estate Company, the China Shipping (Group) Company, the China Shipping Investment Co., Ltd., the China Shipping Logistics Co.,Ltd., the China Shipping Haisheng Co., Ltd. and the China Shipping Finance Co., Ltd. Mr. Liu currently serves as the General Manager and Executive Director of the COSCO Shipping Development Co., Ltd., a Director of the China International Marine Containers (Group) Co., Ltd., a Director of the COSCO Shipping Financial Co., Limited, the Chairman of the Board of COSCO Shipping Leasing Co., Ltd., the Chairman of the Board of Shanghai Universal Logistics Equipment Co., Ltd. and a Director of Florens International Limited. Mr. Liu graduated from the Sun Yat-Sen University in 1990 with a bachelor's degree in Economics.

Mr. Chang Tso Tung, Stephen

Chang Tso Tung, Stephen, Independent Non-executive Director

Mr. Chang has been an Independent Non-executive Director of the Company since June 2013. Mr. Chang has been practicing as a Certified Public Accountant in Hong Kong for about 30 years and has extensive experience in accounting, auditing and financial management. Mr. Chang was the Deputy Chairman of Ernst & Young Greater China, Partner of Professional Service Management and Chairman of Audit and Consultant Services of Ernst and Young until his retirement in 2004. Mr. Chang is also a member of the Investment Committee of Shanghai Fudan University Education Development Foundation and Shanghai Fudan University Education Development Foundation (Overseas). Mr. Chang currently serves as an Independent Non-executive Director of Kerry Properties Limited, an Independent Non-executive Director of Hua Hong Semiconductor Ltd. and Independent Non-executive Director of China Life Insurance Co. Ltd. Mr. Chang graduated from the University of London in 1973 with a bachelor's degree in Science. He is a senior member of the Institute of Chartered Accountants in England and Wales and the Hong Kong Institute of Certified Public Accountants.

Mr. Xu Dingbo

Xu Dingbo, Independent Non-executive Director

Mr. Xu has been an Independent Non-executive Director of the Company since June 2013. Mr. Xu was a Teaching Assistant in the University of Pittsburgh and the University of Minnesota and an Assistant Professor in The Hong Kong University of Science & Technology from 1986 to 2003, and was an Adjunct Professor in Peking University from April 1999 to April 2009. Mr. Xu joined the China Europe International Business School in January 2004. He currently serves as the Essilor Chair Professor of Accounting, Associate Dean of China Europe International Business School. Mr. Xu currently serves as an Independent Director and Chairman of the Nomination and Corporate Governance Committee of Beijing Jingdong Century Trading Co., Ltd., Independent Director and Chairman of Audit Committee of the Kweichow Moutai Co., Ltd., Independent Director and Chairman of the Audit Committee and Chairman of the Related Transaction Committee of Societe Generale (China) Limited. Mr. Xu was an Independent Director and Chairman of the Audit Committee of the Dong Yi Ri Sheng Home Decoration (Group) Co., Ltd., Independent Non-executive Director and Chairman of the Audit Committee of The People's Insurance Company (Group) of China Limited, Independent Director and Chairman of the Audit Committee of the Sany Heavy Industry Co., Ltd., and Independent Director and Chairman of the Audit Committee of Shanghai Shyndec Pharmaceutical Co., Ltd. Mr. Xu graduated from the Wuhan University in 1983 and 1986 with a bachelor's degree in Science and a master's degree in Economics, respectively. Mr. Xu graduated from the University of Minnesota in 1996 with a doctor's degree in accounting. He is a member of the American Accounting Association.

Mr. Zhu Wuxiang

Zhu Wuxiang, Independent Non-executive Director

Mr. Zhu has been an Independent Non-executive Director of the Company since October 2016. He is a Professor of the Department of Finance of Tsinghua University School of Economics and Management, a PhD tutor and the Director of the Research Institute of Business Models and Industrial Finance of China Financial Research Center of Tsinghua University. Mr. Zhu has successively served as a teaching assistant, lecturer, Associate Professor and Professor of Tsinghua University School of Economics and Management since January 1990. He has also been a Standing Director of China Society for Finance and Banking and a committee member of the second session of Expert Advisory Committee for Merger, Acquisition and Restructuring under the China Securities Regulatory Commission. Mr. Zhu currently serves as an Independent Director of the China Fortune Land Development Co., Ltd., an Independent Non-executive Director of Beijing Properties (Holdings) Limited, an Independent Director of Visual China Group Co., Ltd., a Supervisor of the Unisplendour Co., Ltd., and an External Supervisor of the Everbright Securities Company Limited. Mr. Zhu was an Independent Director of Rongxin Power Electronic Co., Ltd., an Independent Director of the Offshore Oil Engineering Co., Ltd., and an Independent Director of Dongxing Securities Co., Ltd., an Independent Non-executive Director of the ZTE Corporation. Mr. Zhu graduated from the Tsinghua University in 1987, 1989 and 2002 with a bachelor's Degree in Engineering, a master's degree in Engineering and a doctor's degree in Economics, respectively.

Mr. Sun Baowen

Sun Baowen, Independent Non-executive Director

Mr. Sun has been an Independent Non-executive Director of the Company since October 2016. He is a professor and PhD tutor of the Central University of Finance and Economics. He is also entitled to the special government allowances of the State Council. Mr. Sun was a lecturer of the Central University of Finance and Economics from January 1989 to October 1997 and an Associate Professor of Central University of Finance and Economics from October 1997 to October 2003, and as a Professor and PhD tutor of the Central University of Finance and Economics since October 2003. Mr. Sun is currently a Professor of China Internet Economy Research Center of Central University of Finance and Economics, Chief Expert of Capital Research Base for Internet and Economic Development in Key Research Base for Philosophy and Social Science in Beijing, Deputy Director of Steering Committee of Professional E-commerce Education under the Ministry of Education, member of National Expert Committee for Accessible Construction and Executive Director of the China Disability Research Society. He is currently serving as an Independent Director of the Dareway Software Co., Ltd., Independent Director of Shandong Huaruan Jindun Software Co., Ltd., Independent Director of Bank of Jining Co., Ltd., and Independent Director of Shenyang Rural Commercial Bank Co., Ltd. Mr. Sun was an Independent Director of the Loften Environmental Technology Co., Ltd. and an Independent Director of the Tianshui Zhongxing Bio-Technology Co., Ltd. Mr. Sun received a bachelor's degree and a master's degree in Engineering from the Northeastern University in 1986 and 1989, respectively, and a doctor's degree in Economics from the Central University of Finance and Economics in 2004.

Supervisors

No.	Name	Gender	Year of birth	Position	Term of office
Current Supervisors					
1	Gong Jiande	Male	1963	Chairman of the Board of Supervisors Shareholder Representative Supervisor	From June 2016 until expiration of the term of the current session of the Board of Supervisors
2	Liu Yanfen	Female	1953	External Supervisor	From June 2016 until expiration of the term of the current session of the Board of Supervisors
3	Zhang Zheng	Male	1972	External Supervisor	From June 2016 until expiration of the term of the current session of the Board of Supervisors
4	Li Chun	Male	1957	External Supervisor	From June 2016 until expiration of the term of the current session of the Board of Supervisors
5	Gong Hongbing	Female	1966	Employee Supervisor	From June 2016 until expiration of the term of the current session of the Board of Supervisors
6	Lin Dongyuan	Male	1959	Employee Supervisor	From June 2016 until expiration of the term of the current session of the Board of Supervisors
7	Jia Xiuhua	Female	1961	Employee Supervisor	From June 2016 until expiration of the term of the current session of the Board of Supervisors

Mr. Gong Jiande

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

Mr. Gong has been the Chairman of the Board of Supervisors and the Shareholder Representative Supervisor of the Company since February 2015. Mr. Gong served as the Secretary to General Office, Deputy Secretary and Secretary of Department level to the State Ethnic Affairs Commission of the PRC from August 1995 to October 2000. He also served as the Department Cadre, Research Consultant, Deputy Director and Director of the Organization Department of the CPC Financial Work Committee from October 2000 to July 2003. He was the secretary to the Discipline Supervisory Committee of the Headquarter (Deputy Director level), the Chairman of the Labor Union of the Headquarter (in the grade of Deputy Director), the member of Discipline Supervisory Committee (during which he worked for the CPC Financial Inspection Group), General Deputy Secretary to the Party Committee of the Headquarter (Director level) for the CBRC, member of the Informatization Panel and Head of the Government Procurement Office of the CBRC, Vice Chairman of the Research Institute of Party Construction of the Central Government Authorities and Deputy Director of the Chamber of Financial Street from July 2003 to September 2014. He has served as the Deputy Secretary of the Party Committee of the Company since September 2014. Mr. Gong graduated from the Party School of the Central Committee of the CPC. majoring in Economic Management in 1996, and graduated from the postgraduate program of the Party School of the Central Committee of CPC in 2007.

Ms. Liu Yanfen

Liu Yanfen, External Supervisor

Ms. Liu has been an External Supervisor of the Company since February 2015. Ms. Liu joined BOC in 1982. She served as the General Manager of China Dongfang Trust and Investment Company, the Deputy General Manager and the General Manager of the Finance and Accounting Department of the Head Office of BOC, and the General Manager of the Singapore Branch of BOC. She also served as Chief Audit Officer of BOC from December 2011 to November 2014. Ms. Liu graduated from the Liaoning Finance and Economics College (currently known as Dongbei University of Finance & Economics) with a bachelor's degree in 1982 and obtained a master's degree in Finance from the Wuhan University in 1999. She holds the professional title of Senior Accountant and is qualified as a Certified Public Accountant of the PRC. She is also entitled to the special government allowances of the State Council.

Mr. Zhang Zheng

Zhang Zheng, External Supervisor

Mr. Zhang has been an External Supervisor of the Company since June 2016. He is a Professor and PhD tutor of Finance of the Guanghua School of Management of Peking University. Mr. Zhang currently serves as an Independent Director of Harbin Bank Co., Ltd. and Zhejiang Jasan Holding Group Co., Ltd. He received the 2014 "Sun Yefang Financial Innovation Award" – Paper Award (with the co-author), the 2014 Taishin Holdings Excellent Paper Award, the Peking University Excellent Teaching Award (2013-2014 Academic Year), the Chinese Finance Annual Meeting Distinguished Service Award (2013), the Fourth Li Yining Teaching Excellence Award (2010), the Tenth Beijing Philosophy and the Social Science Excellent Achievements Award and Doctor's Dissertation Award of Peking University. Mr. Zhang graduated from the Department of Mathematics of Nankai University with a bachelor's degree in Science in 1995 and a master's degree in Science in 1998, and graduated from Peking University with a doctor's degree in Economics in 2005.

Mr. Li Chun

Li Chun, External Supervisor

Mr. Li has been an External Supervisor of the Company since February 2015. He is the Founding Partner and Executive Partner of Grandall Law Firm, the Managing Partner of the Hong Kong office of Grandall Law Firm, the President and Chief Researcher of the Grandall Development Research Institute. Mr. Li served as Deputy Director of Jilin Institute of Law of the Chinese Academy of Social Sciences, General Manager of the Jilin Economic and Legal Consultation Centre, Chief Legal Counsel of the China Merchants Shekou Industrial Zone Ltd., Deputy General Manager and Chief Legal Counsel of the Shenzhen Property Rights Exchange, President of the Shenzhen Lawyers Association, Vice President of the Guangdong Lawyers Association, member of the first session of the Listing Committee of the SZSE, Deputy Director of Development Strategy Committee of the All China Lawyers Association, Chief Executive and Chief Researcher of the China Private Funds and Risk Investment Legal Consultation Centre, Adjunct Professor and researcher of Peking University, Renmin University of China, East China University of Political Science and Law and Shenzhen University. He has participated in the drafting and consultation process for the Company Law of the PRC and the Securities Law of the PRC. He was once the Independent Director of the Shandong Airlines Co., Ltd., the Shenzhen Laibao Hi-Tech Co., Ltd., the EDAN Instruments, INC., and the LongiTech Smart Energy Holding Limited. He currently serves as the Independent Director of Impulse (Qingdao) Health Tech Co., Ltd. Mr. Li graduated from Jilin University in 1996 with a master's degree in Law.

Ms. Gong Hongbing

Gong Hongbing, Employee Supervisor

Ms. Gong has been an Employee Supervisor of the Company since July 2014. From August 1988 to August 1999, Ms. Gong consecutively served as the Officer, Associate Chief Officer and Chief Officer of the Personnel Department of Yantai Branch and the Personnel Division of Shandong Branch of CCB. Ms. Gong joined the Company in August 1999 and served as the Assistant to General Manager of the General Affairs Office and Assistant to the Director of the Board of Directors' Office of the Company, Deputy General Manager of General Affairs Office and Deputy General Manager in charge of the General Affairs Office (Mass Work Department). Since October 2015, she has served as the Deputy Director of the Labor Union and General Manager of the General Affairs Office (Mass Work Department). Ms. Gong graduated from the Harbin Senior Finance College (currently known as Harbin Finance University) majoring in Bank Management in 1988 and graduated from the Shandong Branch of the Party School of the Central Committee of CPC majoring in Economics and Management in 2002. She obtained a master's degree in Business Administration from the Beijing Jiaotong University in 2008. She holds the professional title of Senior Political Engineer.

Mr. Lin Dongyuan

Lin Dongyuan, Employee Supervisor

Mr. Lin has been an Employee Supervisor of the Company since June 2016. Mr. Lin served as the Officer of the Planning Division of the Geology Department of the Ministry of Metallurgical Industry and the Deputy Head of the Finance and Accounting Division and the Head of the Finance Division of the Geological Exploration Bureau from August 1981 to February 2000. Mr. Lin joined the Company in March 2000 and served as the Chief Financial Officer of the Planning and Finance Department, the Deputy Director of the Changsha Office, the Deputy Director of the Beijing Office, and the General Manager of the Asset Appraisal Department. He has served as the General Manager of the Risk Management Department since March 2014. He also served as the Director of Cinda Financial Leasing since September 2015. Mr. Lin graduated from the Zhejiang Metallurgic and Economics Technical School (currently known as Jiaxing University) majoring in Finance and Accounting in 1981. He also graduated from the School of Adult Education of Renmin University of China majoring in Accounting with a bachelor's degree in Economics in 2000 and graduated from the Xiangtan University majoring in Political Economics with a doctor's degree in Economics in 2010. He holds the professional title of Senior Accountant.

Ms. Jia Xiuhua

Jia Xiuhua, Employee Supervisor

Ms. Jia has been an Employee Supervisor of the Company since June 2016. She served as the Officer of the Finance Division of Tianjin Silk Company from July 1985 to April 1988, the Officer of the Business and Finance Department, and Officer and Deputy Chief of the Finance Supervision Department of the MOF from April 1988 to June 2000. She also served as the Deputy Chief and Chief of the Board of Supervisors of the China Huarong Assets Management Company (currently known as China Huarong Asset Management Co., Ltd.) and the China Coal Trust Investment Co., Ltd. (currently known as China Credit Trust Co., Ltd.) as appointed by the Central Financial Work Commission from July 2000 to August 2003. She served as the Chief of the Board of Supervisors and Supervisor at the grade of Chief of the Company as appointed by the CBRC from September 2003 to April 2007. Ms. Jia joined the Company in April 2007 and served as the Deputy General Manager of the Compliance Management Department, the Deputy General Manager of the Audit Department and the Deputy General Manager (General Manager Level) of the Audit Department. She has served as the General Manager of the Audit Department since January 2017. She has also served as the Supervisor of Cinda Financial Leasing since April 2010. Ms. Jia graduated from Liaoning Finance and Economics College (currently known as Dongbei University of Finance & Economics), majoring in Business and Economics and had received a bachelor's degree in Economics in 1985. She is qualified as an Accountant.

Senior Management

No.	Name	Gender	Year of birth	Position	Term of office
Current Senior Management					
1	Chen Xiaozhou	Male	1962	President	From November 2016
2	Zhuang Enyue	Male	1960	Vice President	From March 2007
3	Liu Ligeng	Male	1965	Vice President	From June 2015
4	Liang Qiang	Male	1971	Vice President	From April 2019
5	Luo Zhenhong	Male	1965	Chief Risk Officer	From October 2013
6	Ai Jiuchao	Male	1967	Board Secretary	From April 2016
Resigned Senior Management					
1	Li Yuejin	Male	1958	Vice President	From February 2011 to January 2018
2	Chen Yanqing	Male	1963	Assistant to the President	From February 2016 to January 2019

Mr. Chen Xiaozhou

Chen Xiaozhou, President

Please see "Directors".

Mr. Zhuang Enyue

Zhuang Enyue, Vice President

Mr. Zhuang has been a Vice President of the Company since March 2007. From July 1990 to March 2001, Mr. Zhuang had held various positions successively in the National Audit Office, including the Deputy Director of Directing Bureau, the Director of the Second Scientific Research Office, the Deputy Director of Scientific Research Centre, the Vice President of Nanjing Audit University and the Deputy Director of National Audit Office Economic and Trading Section. From March 2001 to July 2003, Mr. Zhuang had served as the Supervisor at the grade of Deputy director of the Board of Supervisors, Deputy Office Director, Supervisor at the grade of Director of the Board of Supervisors, Supervisor at the grade of Director and Office Director of Industrial and Commercial Bank of China. Mr. Zhuang joined the Company in July 2003 and was appointed as the Supervisor at the grade of Director of the Board of Supervisors of the Company. He served as the Executive Director of the Company from May 2011 to June 2013. Mr. Zhuang graduated from the Department of Management of Shanghai Maritime College (currently known as Shanghai Maritime University) in 1983 with a bachelor's degree in Accounting, and graduated from Renmin University of China in 1990 with a master's degree in Economics. He was accredited as a Researcher at the National Audit Office and receives government special allowance from the State Council.

Mr. Liu Ligeng

Liu Ligeng, Vice President

Mr. Liu has served as a Vice President of the Company since June 2015. From July 1988 to September 2003, Mr. Liu had served as an Officer and Deputy Head of the Education Division, Human Resources Division, and Human Resources and Staff Training Division of the PBOC. He served as a Researcher, the Head and the Deputy Director (Deputy Head) of the Human Resources Department of the CBRC from September 2003 to January 2014. Mr. Liu joined the Company in January 2014 and has served as the Director of the Labor Union of the Company since then. He graduated from Beijing Normal University in 1988 with a bachelor's degree in Education and obtained a Postgraduate Diploma from Hunan College of Finance and Economics (currently known as Hunan University) in 1998. He holds the professional title of Economist.

Mr. Liang Qiang

Liang Qiang, Vice President

Mr. Liang has served as a Vice President of the Company since April 2019. From July 1993 to September 1999, Mr. Liang consecutively served as the Officer and the Director of the General Affairs Division, as Assistant to the Director of the General Office and Deputy General Manager of the Retail Operation Department of the Shanxi Branch of CCB. Mr. Liang joined the Company in September 1999. He successively served as the Assistant to General Manager and Deputy General Manager of the Capital and Finance Department, Deputy General Manager and Deputy General Manager (General Manager level) of the Planning and Finance Department of the Head Office, the General Manager of the Finance and Budget Department of the Company, and the Secretary of Party Committee and General Manager of the Shanghai Branch. From February 2016 to April 2019, he served as the Assistant to the President of the Company. He had served as Deputy head of the Reorganization Leading Panel Office of the Strategic Investors Introduction and Listing Panel Office and Listing Preparation Leading Panel Office. He has been serving as the Head of Listing Preparation Leading Panel Office since February 2016. Mr. Liang is a Standing Member of All-China Financial Youth Federation since January 2014. Mr. Liang graduated from Shanxi Finance & Taxation College in 1993 majoring in Investment and Economic Management. He graduated from the Shanghai University of Finance and Economics majoring in Accounting and obtained a bachelor's degree in Economics in 1999. He obtained an MBA degree from Tsinghua University in 2005. He holds a professional title of Senior Economist.

Mr. Luo Zhenhong

Luo Zhenhong, Chief Risk Officer

Mr. Luo has been the Chief Risk Officer of the Company since October 2013. From July 1988 to April 1999, Mr. Luo held various positions in CCB. Mr. Luo joined the Company in April 1999 and served as the Deputy General Manager and the General Manager of Legal Department, the General Manager of the Legal and Compliance Department of the Company. From October 2008 to November 2012, Mr. Luo served as the Vice President of the Banking Law Division of China Law Society and has served as the Vice President of China Banking Law Society since November 2012. Mr. Luo graduated from Peking University with a bachelor's degree in Law in 1988, a master's degree in Law in 2002, and an EMBA degree in 2012.

Mr. Ai Jiuchao

Ai Jiuchao, Board Secretary

Mr. Ai has served as the Board Secretary of the Company since April 2016. He held various positions in China National Coal Allocation Corporation, the Ministry of Coal Industry and the National Coal Industry Bureau from June 1989 to September 2000. Mr. Ai joined the Company in September 2000. He served as the Deputy Head and Deputy Head (at the grade of Director) of the Chief Executive Office, the General Manager of the Compliance Management Department and the head of the Board Office. In addition, he has also served as the General Manager of Strategic Development Department and the Director of the Financial Risk Research Center. Mr. Ai graduated from the China University of Mining and Technology and obtained a bachelor's degree in Engineering in 1989. He had also obtained a bachelor's degree in Economics from Renmin University of China in 1996 and an EMBA degree from China University of Mining and Technology in 2002. He holds the professional title of Senior Economist.

Change in Directors, Supervisors and Senior Management

Change in Directors

As elected at the first extraordinary general meeting for 2018 and approved by CBIRC, Mr. He Jieping and Mr. Xu Long were appointed as the Company's Non-executive Directors since July 10, 2018.

As elected at the general meeting for 2017 and approved by CBIRC, Mr. Zhang Zi'ai was appointed as the Company's Executive Director since August 13, 2018. The Board elected Mr. Zhang Zi'ai as the Company's Chairman of the Board.

Since July 10, 2018, Mr. Li Honghui and Mr. Song Lizhong had ceased to be the Non-executive Directors of the Company due to other work arrangement.

Since July 27, 2018, Ms. Xiao Yuping had ceased to be the Non-executive Director of the Company due to other work arrangement.

Since August 13, 2018, Mr. Hou Jianhang had ceased to be the Executive Director and the Chairman of the Board of the Company due to age reason.

During the Reporting Period, Mr. Liu Chong ceased to be the chairman of the board of directors of Florens International Limited.

During the Reporting Period, Mr. Xu Dingbo ceased to be an independent non-executive director and chairman of the audit committee of the People's Insurance Company (Group) of China Limited.

During the Reporting Period, Mr. Zhu Wuxiang ceased to be an independent non-executive director of ZTE Corporation.

During the Reporting Period, Mr. Sun Baowen ceased to be an independent director of the Tianshui Zhongxing Bio-Technology Co., Ltd.

In January 2019, Mr. Xu Dingbo ceased to be an independent director and chairman of the audit Committee of the Sany Heavy Industry Co., Ltd.

In February 2019, Mr. Xu Dingbo ceased to be an independent director and chairman of the audit committee of Shanghai Shyndec Pharmaceutical Co., Ltd.

Change in Supervisors

During the Reporting Period, Mr. Gong Jiande ceased to be the chairman of the board of directors of Cinda Investment.

During the Reporting Period, Mr. Zhang Zheng ceased to be an independent director of Tianjin Guangyu Development Co., Ltd. and independent director of Guangdong Silver Age Sci & Tech Co., Ltd.

Change in Senior Management

As appointed by the eighth Board Meetings of the Company in 2018 and approved by the CBIRC, Mr. Liang Qiang has served as the Vice President of the Company since April 8, 2019.

Since January 26, 2018, Mr. Li Yuejin had ceased to be the Vice President of the Company due to other work arrangement.

Since January 11, 2019, Mr. Chen Yanqing had ceased to be the Assistant to the President of the Company due to other work arrangement.

Annual remuneration

Remuneration of Directors, Supervisors and Senior Management

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

Highest paid individuals

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

Corporate Governance Report

Summary

During the Reporting Period, the Company has upheld the principle of good corporate governance of listed companies and was in strict compliance with the requirements of the Company Law of the PRC, the Listing Rules, and other applicable laws and regulations, regulatory documents and the Articles. The Company has committed to strengthening the corporate governance practice and system and creating a well-coordinated and effectively balanced corporate governance mechanism to ensure that operation of the Company is prudent and in compliance with laws and regulations, so as to effectively boost high-quality development of the Company.

The Company has actively strengthened communication with the market to improve the efficiency and quality of the communication. The Company has continuously conducted the working mechanism innovation and enhanced the quality of the Company's information disclosure, to ensure that the information disclosure is efficient and in compliance with laws and regulations and to effectively protect Shareholders' information right.

During the Reporting Period, the Company was awarded the "Listed Company with the Best Brand Value" of the China Securities Golden Bauhinia Awards, the "China Top 100 Enterprises Award" by China Listed Company Top 100 Summit Forum, and the "Company with the Best Shareholder Returns" of the Sina Finance's 2018 Hong Kong-listed Company Golden Lion Award, which demonstrated good market image of the Company.

Corporate Governance Code

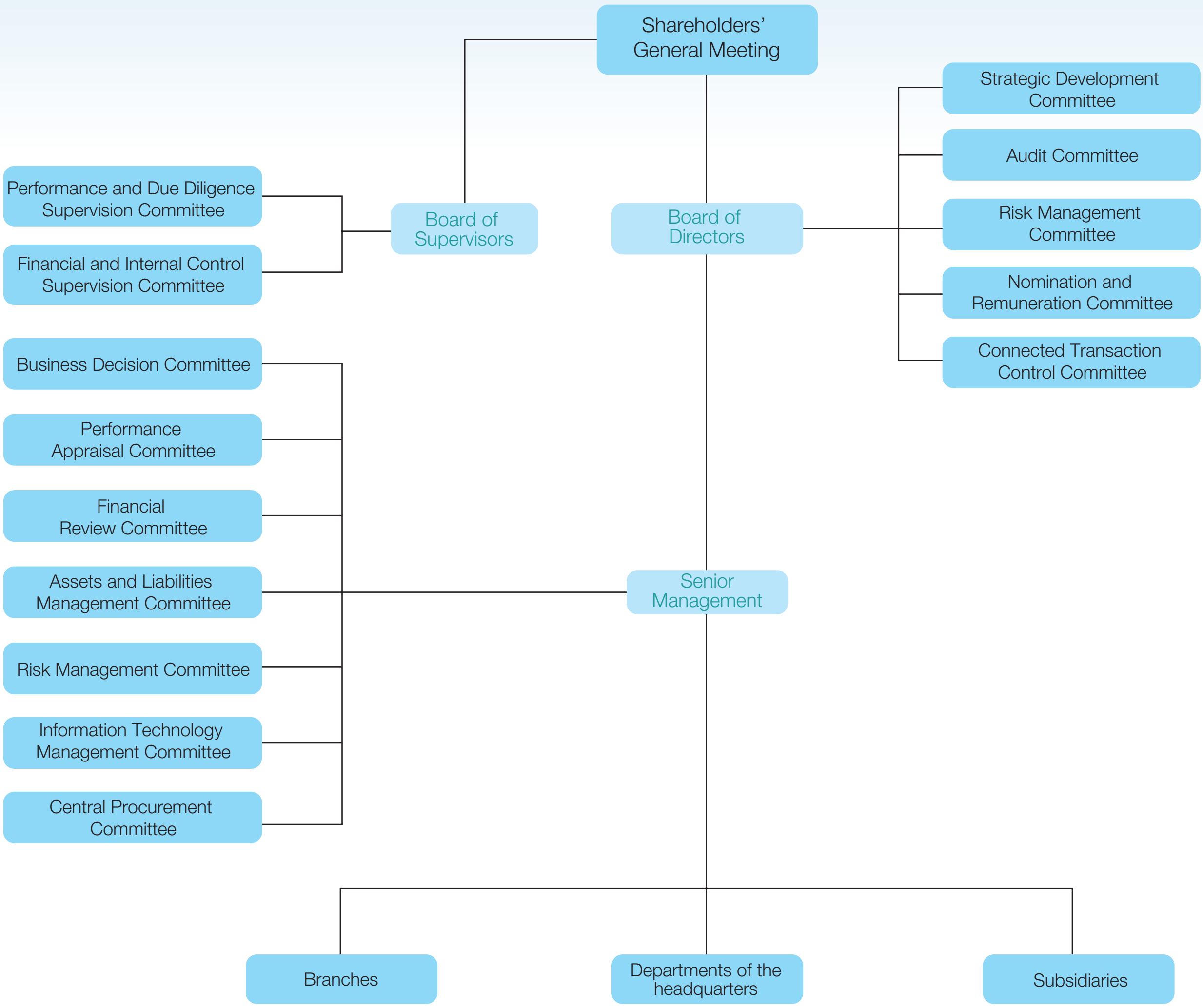
During the Reporting Period, the Company has fully complied with the code provisions and adopted most of the recommended best practices set out in the Corporate Governance Code under Appendix 14 to the Listing Rules (the "CG Code").

Corporate Governance Functions

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

Corporate Governance Structure

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



Amendments to the Articles

In 2017, the Company amended the Articles in accordance with the requirement of incorporating Party-building work into the articles of association, with reference to the relevant regulations of Guidelines on the Corporate Governance of Commercial Banks issued by the CBRC, and taking into account the Company's corporate governance practice. The amended Articles were considered and approved at the third extraordinary general meeting for 2017 of the Company and were approved by the CBIRC on April 2, 2018. For details of the above amendments, please see the circular of the Company dated October 16, 2017 and the announcements of the Company dated October 31, 2017 and April 11, 2018.

Shareholders' General Meeting

Responsibilities of Shareholders' general meeting

The Shareholders' general meeting is the body of authority of the Company and its main functions and powers include: (1) to decide the Company's operating policies and investment plans; (2) to elect and replace Directors and the non-employee representative Supervisors, and to decide on matters related to the emoluments of Directors and Supervisors; (3) to consider and approve the report of the Board and the report of the Board of Supervisors; (4) to consider and approve the annual financial budgets, final account plans, profit distribution plans and loss recovery plans of the Company; (5) to resolve on any increase or reduction in the Company's registered capital; (6) to resolve on the issuance of corporate bonds, any class of shares, warrants or other marketable securities of the Company and their listings; (7) to resolve on matters related to merger, separation, dissolution, liquidation of the Company or alternation on the form of the Company; (8) to amend the Articles, the procedural rules of the Shareholders' general meetings, the meetings of the Board and the Board of Supervisors; and (9) to consider and approve major investment and disposal of equity interests, investment and disposal of debentures, financing, pledges and guarantee of assets, acquisition and disposal of fixed assets, disposal of debt-to-equity swap assets, write off of assets, external donations of the Company and other major decisions of the legal entity, etc.

Details of Shareholders' general meetings

During the Reporting Period, the Company held two Shareholders' general meetings in Beijing, including one annual general meeting and one extraordinary general meeting, at which a total of 10 resolutions were considered and approved. The Company strictly complied with the legal procedures applicable to Shareholders' general meetings to ensure that Shareholders are able to attend the meetings and exercise their rights. Shareholders voted at the Shareholders' general meetings by poll according to the Listing Rules, and they were fully informed of the voting procedures by poll. The Company engaged legal counsels to attend and attest Shareholders' general meetings and to issue legal opinions. Major resolutions considered and approved at the general meetings include:

- the resolution on the election of Mr. He Jieping as Non-executive Director of the Company;
- the resolution on the election of Mr. Xu Long as Non-executive Director of the Company;
- the resolution on the work report of the Board of the Company for 2017;
- the resolution on the report of the Board of Supervisors of the Company for 2017;

- the resolution on the final financial account plan of the Company for 2017;
- the resolution on the profit distribution of the Company for 2017;
- the resolution on the appointment of accounting firms of the Company for 2018;
- the resolution on the granting of a general mandate to issue additional H Shares to the Board of the Company;
- the resolution on the confirmation of the changes in the registered capital of the Company; and
- the resolution on the election of Mr. Zhang Zi'ai as Executive Director of the Company.

Shareholders' rights

Right to propose to convene extraordinary general meetings

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

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

Right to propose resolutions to Shareholders' general meetings

Shareholders, individually or jointly holding 3% or more of the shares with voting rights shall have the right to submit proposals to the Company in writing. The Company should incorporate all proposed matters that fall within the power of the Shareholders' general meeting on the agenda of such meeting.

Shareholders, individually or jointly holding 3% or more of the shares with voting rights shall have the right to submit interim proposals in writing 10 days before the Shareholders' general meeting to the convener of such meeting. The convener shall, within two days upon receiving such proposals, give supplemental notice to other shareholders and incorporate all proposed matters that fall within the power of the Shareholders' general meeting on the agenda of such meeting.

Right to propose to convene extraordinary Board meetings

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

Right to propose resolutions to Board meetings

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

Right to raise proposals and enquiries

Shareholders shall have the right to oversee, to present proposals or to raise enquiries regarding the Company's business operations. Shareholders are entitled to inspect the Articles, the register of shareholders, the state of Company's share capital and minutes of Shareholders' general meetings of the Company. Shareholders may raise their enquiry or suggestions to the Board by mail to the registered address of the Company or by emailing to the Company. In addition, Shareholders' enquiry on shares or dividends (if any) can be sent to Computershare Hong Kong Investor Services Limited, the share registrar of the H Shares of the Company, whose contact information is available in "Corporate Information" in this report.

Other rights

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

Attendance of Directors at Shareholders' general meetings

Attendance of Directors at Shareholders' general meetings

Members of the Board	Number of meetings attended/ required to attend	Attendance rate
Executive Directors		
Zhang Zi'ai	–	–
Chen Xiaozhou	2/2	100%
Non-executive Directors		
He Jieping	–	–
Xu Long	–	–
Yuan Hong	2/2	100%
Zhang Guoqing	2/2	100%
Liu Chong	2/2	100%
Independent Non-executive Directors		
Chang Tso Tung, Stephen	2/2	100%
Xu Dingbo	2/2	100%
Zhu Wuxiang	0/2	0%
Sun Baowen	2/2	100%
Directors Resigned during the Reporting Period		
Hou Jianhang	2/2	100%
Li Honghui	2/2	100%
Song Lizhong	2/2	100%
Xiao Yuping	2/2	100%

Notes:

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

Independence from controlling shareholder

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

Board of Directors

Composition and responsibilities of the Board

As at the date of this report, the Board has 11 members, including two Executive Directors, namely Mr. Zhang Zi'ai (Chairman) and Mr. Chen Xiaozhou, five Non-executive Directors, namely Mr. He Jieping, Mr. Xulong, Ms. Yuan Hong, Mr. Zhang Guoqing, and Mr. Liu Chong and four Independent Non-executive Directors, namely Mr. Chang Tso Tung, Stephen, Mr. Xu Dingbo, Mr. Zhu Wuxiang and Mr. Sun Baowen. Their terms of office shall end on the expiry of the current session of the Board.

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

The Board is responsible for the Shareholders' general meeting in accordance with the Articles. The main duties of the Board include: (1) to convene Shareholders' general meetings and report its work at the Shareholders' general meetings; (2) to implement the resolutions passed at the Shareholders' general meetings; (3) to determine the development strategies, operation plans and investment plans of the Company;(4) to formulate annual financial budgets and final financial account plans, profit distribution plans and loss recovery plans of the Company; (5) to appoint or dismiss the President and the Board Secretary; to appoint or dismiss the Vice Presidents, Assistants to the President and other Senior Management members (excluding the Board Secretary) according to the President's nominations; (6) to formulate plans for increasing or reducing registered capital, merger, division, dissolution and repurchase of shares of the Company; (7) to formulate the appraisal methods and remuneration scheme of Directors for approval at the Shareholders' general meeting; (8) to determine the remuneration, performance appraisal, and award and punishment mechanism for Senior Management members of the Company; (9) to determine the risk management, compliance and internal control policies of the Company and to formulate appropriate systems with regards to the internal control and compliance management of the Company; (10) to consider and approve the major investment and disposal of equity interests, investment and disposal of debentures, financing, pledges and guarantee of assets, acquisition and disposal of fixed assets, disposal of debt-to-equity swap assets, writing-off assets, external donations of the Company and other major decisions of the legal entity, within the extent of authorization by the Shareholders' general meeting.

Board Meetings

In 2018, the Board held eight meetings, including four regular meetings and four extraordinary meetings, at which 41 resolutions were passed and 13 work reports were reviewed. Before the meetings, Directors had been appropriately provided with notice and information necessary for making an informed decision in time. Among the resolutions passed, there were 14 resolutions on operational and management matters, one resolution on significant transaction, four resolutions on work reports, six resolutions on nomination of candidates for directors, three resolutions on remuneration and insurance matter and 13 other resolutions. The major matters were as follows:

- the final financial account plan and the profit distribution plan of the Company for 2017 and fixed assets investment budget for 2018;
- the annual report (the annual results announcement) of the Company for 2017 and the interim report (interim results announcement) of the Company for 2018;
- the work report of the Board, risk management report, internal control evaluation report and social responsibility report of the Company for 2017;
- the internal audit work plan of the Company for 2018;
- the distribution of dividends for Offshore Preference Shares of the Company;
- the plan for the transfer of the shares of China Jingu International Trust Co., Ltd. partly held by the Company through listing;
- the amendments to the Working Rules for the President of the Company, Comprehensive Risk Management Regulation and Administrative Measures on the Preparation of Regular Information Disclosure Report;
- the nomination of the Executive Director and Non-executive Directors of the Company and election of Chairman of the Board and chairman of the Risk Management Committee;
- the remuneration settlement scheme for Directors and Senior Management of the Company for 2017; and
- reviewing the reports on implementation of proposals passed at previous Board meetings and identification of connected persons of the Company.

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

Directors' Attendance at Board Meetings

Directors' Attendance at Board Meetings

Members of the Board	Number of meetings attended/ required to attend	Attendance rate
Executive Directors		
Zhang Zi'ai	3/3	100%
Chen Xiaozhou	7/8	88%
Non-executive Directors		
He Jieping	3/3	100%
Xu Long	3/3	100%
Yuan Hong	8/8	100%
Zhang Guoqing	8/8	100%
Liu Chong	8/8	100%
Independent Non-executive Directors		
Chang Tso Tung, Stephen	8/8	100%
Xu Dingbo	8/8	100%
Zhu Wuxiang	6/8	75%
Sun Baowen	8/8	100%
Directors Resigned during the Reporting Period		
Hou Jianhang	5/5	100%
Li Honghui	5/5	100%
Song Lizhong	5/5	100%
Xiao Yuping	5/5	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone and video conference.
2. Attendance rate is the number of meetings attended by Directors in person as a percentage of the total number of meetings required to attend.
3. Directors who were not able to attend in person have appointed other Directors as the proxy to vote at the meetings on their behalf.

Special Committees of the Board

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

Strategic Development Committee

As at the date of this report, the Strategic Development Committee has eight members. Mr. Zhang Zi'ai (Chairman of the Board) serves as the chairman. The members include five Non-executive Directors, namely Mr. He Jieping, Mr. Xu Long, Ms. Yuan Hong, Mr. Zhang Guoqing and Mr. Liu Chong and two Independent Non-executive Directors, namely Mr. Chang Tso Tung, Stephen and Mr. Sun Baowen.

The Strategic Development Committee shall perform, among others, the following duties: to review the general strategic development plan, annual operation plan and fixed asset investment budget, major organizational restructuring and adjustment proposals, major investments and financing proposals, major merger and acquisition proposals of the Company and make relevant recommendations to the Board; to review and assess the comprehensiveness of governance structure of the Company and to review corporate governance report to ensure that the disclosure therein complies with the relevant requirements of the CG Code and Corporate Governance Report.

During the Reporting Period, the Strategic Development Committee held three meetings to consider 10 resolutions, mainly including the 2017 final financial account plan, the 2018 annual operation plan, the 2018 fixed asset investment budget, the resolution on the Strategic Development Plan Outline of the Company (2018-2020) (revision), and the resolution on the plan for transfer of the shares of China Jingu International Trust Co., Ltd., partly held by the Company and reviewed the report on the 2017 corporate governance report.

Directors' attendance at Strategic Development Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Zhang Zi'ai	1/1	100%
He Jieping	1/1	100%
Xu Long	1/1	100%
Yuan Hong	3/3	100%
Zhang Guoqing	3/3	100%
Liu Chong	2/3	67%
Chang Tso Tung, Stephen	3/3	100%
Sun Baowen	3/3	100%
Members Resigned during the Reporting Period		
Hou Jianhang	2/2	100%
Li Honghui	2/2	100%
Song Lizhong	2/2	100%
Xiao Yuping	2/2	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone and video conference.
2. Attendance rate is the number of meetings attended by Directors in person as a percentage of the total number of meetings required to attend.
3. Member who was unable to attend the meetings in person has appointed another member as the proxy to vote on his behalf.

Audit Committee

As at the date of this report, the Audit Committee has four members. Mr. Xu Dingbo (Independent Non-executive Director) serves as the chairman. The members include one Non-executive Director, Mr. He Jieping and two Independent Non-executive Directors, namely Mr. Chang Tso Tung, Stephen and Mr. Sun Baowen.

During the Reporting Period and as at the date of this report, the Company has complied with Rule 3.21 of the Listing Rules that at least one member of the Audit Committee has appropriate professional qualifications or has appropriate professional qualifications or accounting or relevant financial management expertise.

The Audit Committee shall perform, among others, the following duties: to review significant financial policies of the Company and their implementation, and supervise financial activities of the Company; to review the financial information and relevant disclosure of the Company; to consider and approve the internal control evaluation work plan of the Company, and supervise and evaluate the internal control and risk management of the Company; to supervise and evaluate the internal auditing of the Company; to propose on the appointment or dismissal of the external auditors; to monitor the non-compliance activities in respect of financial reporting and internal control; and to evaluate whether the resources devoted to functions such as accounting, internal auditing and financial reporting (including qualification and experience of relevant personnel as well as the training provided to such personnel and the relevant budget) were sufficient.

During the Reporting Period, the Audit Committee held five meetings to review eight resolutions including the 2017 annual report (2017 Annual Results Announcement), the internal control evaluation report for 2017, the risk management report for 2017, the internal audit work plan for 2018, the appointment of external accounting firms, the 2018 interim report (Interim Results Announcement) and the implementation plan for internal control evaluation of the Company, and reviewed six reports including the report on relevant management suggestions from auditors for 2017, audit plan for financial statements for 2018 and report on the implementation of the IFRS 9 consulting project.

On March 25, 2019, the Audit Committee held a meeting to resolve the submission of the 2018 annual financial report to the Board for review. The Audit Committee together with the Board and the external auditing firms jointly reviewed the accounting standards and practice adopted by the Group and the audited consolidated financial statements for the year ended December 31, 2018.

During the Reporting Period, the Audit Committee duly performed its duties to review the financial information of the Company and its disclosure, regularly review financial reports of the Company and supervise operating activities of the Company; to supervise and guide the implementation of the internal control evaluation of the Company; to coordinate the communication between the internal audit department and the external auditors, consider auditors' recommendations on management and work together to determine external audit plans and work arrangements; to assess the effectiveness of risk management and internal control of the Company, draft internal audit work plans, and to monitor the non-compliance activities of the Company in respect of financial reporting and internal control.

Directors' attendance at Audit Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Xu Dingbo	5/5	100%
He Jieping	2/2	100%
Chang Tso Tung, Stephen	5/5	100%
Sun Baowen	5/5	100%
Member Resigned during the Reporting Period		
Li Honghui	3/3	100%

Notes:

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

Risk Management Committee

As at the date of this report, the Risk Management Committee has four members. Mr. He Jieping (Non-executive Director) serves as the chairman. The members include Mr. Chen Xiaozhou, an Executive Director, Mr. Zhang Guoqing, a Non-executive Director, and Mr. Xu Dingbo, an Independent Non-executive Director.

The Risk Management Committee shall perform, among others, the following duties: to examine risk management strategies and policies of the Company and supervise their implementation and effectiveness; to continuously monitor the effectiveness of the risk management and internal control systems of the Company to ensure compliance with the provisions regarding the risk management and internal control under the CG Code and Corporate Governance Report; to review the effectiveness of risk management and internal control systems at least once a year; to review risk management reports of the Company; to evaluate the risk exposure of the Company; to supervise the performance of the Senior Management in respect of credit, market and operation risk control; and to formulate and amend the compliance policies of the Company, and to evaluate and supervise the compliance of the Company.

During the Reporting Period, the Risk Management Committee held six meetings to review and receive 12 resolutions and reports, mainly including reviewing the 2017 risk management report and the evaluation report on internal control for 2017 and reviewing the quarterly risk management reports of the Company and the report on further rectifying the non-compliance activities in the market. Risk Management Committee understood and evaluated the effectiveness of the operation of the Company's risk management and internal control system through measures such as reviewing the briefings on risk management reports and internal control reports, identifying the risk appetite of the Company in accordance with the strategic management target of the Company, participating in meetings on the Company's system risk management, and investigation and research on site.

Directors' attendance at Risk Management Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
He Jieping	3/3	100%
Chen Xiaozhou	6/6	100%
Zhang Guoqing	5/6	83%
Xu Dingbo	6/6	100%
Members Resigned during the Reporting Period		
Li Honghui	2/3	67%
Xiao Yuping	3/3	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone and video conference.
2. Attendance rate is the number of meetings attended by Directors in person as a percentage of the total number of meetings required to attend.
3. Members who were unable to attend the meetings in person have appointed other members as the proxy to vote on their behalf.

Nomination and Remuneration Committee

As at the date of this report, the Nomination and Remuneration Committee has three members. Mr. Sun Baowen (Independent Non-executive Director) serves as the chairman. The members include Mr. Xu Long, a Non-executive Director, and Mr. Zhu Wuxiang, an Independent Non-executive Director.

The Nomination and Remuneration Committee shall perform, among others, the following duties: to formulate procedures and standards for the election of Directors and Senior Management members; to preliminarily review the qualifications of the candidates for Directors and Senior Management roles; to make recommendations to the Board on the candidates for Directors, President, Board Secretary, chairmen (other than the chairman of the Strategic Development Committee) and members of the special committees of the Board; to review the structure and composition of the Board; and to propose on the remuneration package of Directors and Senior Management members according to their performance appraisal results and propose to the Board for approval.

During the Reporting Period, the Nomination and Remuneration Committee held six meetings to consider 12 resolutions, including the nomination of candidates for the Directors of the Company, the nomination of candidate for the Chairman of the Board, preliminary review on the qualifications of the candidate for Vice President, to consider the Implementation Plan of the Board for the Evaluation of the Performance of Directors, the remuneration settlement scheme of Directors and Senior Management for 2017, renewal of liability insurance for Directors, Supervisors and Senior Management, review on the structure, size and composition of the Board (in respect of knowledge, skills and experience), the performance of Directors and the independence of independent non-executive Directors.

Directors' attendance at Nomination and Remuneration Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Sun Baowen	6/6	100%
Xu Long	3/3	100%
Zhu Wuxiang	4/6	67%
Member Resigned during the Reporting Period		
Song Lizhong	3/3	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone and video conference.
2. Attendance rate is the number of meetings attended by Directors in person as a percentage of the total number of meetings required to attend.
3. Member who was unable to attend the meetings in person has appointed another member as the proxy to vote on his behalf.

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

1. Candidates of Directors or Independent Non-executive Directors shall be nominated through proposal with their detailed information including factors such as:

   - personal particulars such as education background, working experience and any concurrently holding positions;

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

   - their shareholdings in the Company; and

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

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

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

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

5. The Shareholders' general meeting shall consider and vote on the election of each candidate by way of a separate resolution; and

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

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

Connected Transaction Control Committee

As at the date of this report, the Connected Transaction Control Committee has three members. Mr. Zhu Wuxiang, an Independent Non-executive Director, serves as the chairman. The members include Ms. Yuan Hong, a Non-executive Director, and Mr. Xu Dingbo, an Independent Non-executive Director.

The Connected Transaction Control Committee shall perform, among others, the following duties: to identify connected persons of the Company; to review basic management rules for connected transaction; to conduct preliminary review on connected transactions which are subject to the approvals of the Board or Shareholders' general meetings; and to maintain records of connected transactions.

During the Reporting Period, the Connected Transaction Control Committee held two meetings to consider and receive six resolutions and reports that included matters relating to identification of connected persons of the Company, the 2017 connected transaction management report and the report on internal transactions of the Group for 2017.

Directors' attendance at Connected Transaction Control Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Zhu Wuxiang	2/2	100%
Yuan Hong	2/2	100%
Xu Dingbo	2/2	100%

Notes:

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

Board of Supervisors

Duties of the Board of Supervisors

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

Composition of Board of Supervisors

As at the date of this report, the Board of Supervisors consists of seven Supervisors, including one Shareholder Representative Supervisor, Mr. Gong Jiande, and three External Supervisors, namely Ms. Liu Yanfen, Mr. Zhang Zheng and Mr. Li Chun, and three Employee Supervisors, namely Ms. Gong Hongbing, Mr. Lin Dongyuan and Ms. Jia Xiuhua. The term of office of the above Supervisors shall expire at the end of the term of this session of the Board of Supervisors and they shall be eligible for re-election upon the expiry of their term of office.

The shareholder representative Supervisors and external Supervisors of the Company are elected at the Shareholders' general meeting and the employee Supervisors of the Company are elected at the employees' general meeting.

Chairman of the Board of Supervisors

Mr. Gong Jiande acts as the chairman of the Board of Supervisors and is responsible for the operation of the Board of Supervisors in accordance with the Articles.

Meetings of the Board of Supervisors

In 2018, the Board of Supervisors of the Company held seven meetings and approved 17 resolutions, including the Annual Work Plan of the Board of Supervisors for 2018, the Legal Compliance for 2017, the Final Financial Account Plan for 2017, the Use of Proceed Raised, the Profit Distribution Plan for 2017, the Internal Control Evaluation Report for 2017, the Report on the Performance of Directors and Senior Management for 2017, the Report on the Performance of Supervisors for 2017, the Focus of Performance Supervision on Directors and Senior Management for 2018, the Report of the Board of Supervisors for 2017, the 2017 Annual Report (2017 Annual Results Announcement), the Internal Review Plan and Report of the Board of Supervisors on Further Rectifying the Market Non-compliance in the Banking Industry, the Implementation Plan of the Board of Supervisors for Supervision of the Company's Further Rectifying the Market Non-compliance in the Banking Industry, the Interim Report (Interim Results Announcement) for 2018, the Adjustment of the Chairman and Members of the Special Committees of the Board of Supervisors, the Resolution on the Submission of the Remuneration Settlement Scheme for Supervisors of the Company for 2017 to the Shareholders' General Meeting, and the Evaluation Report of Board of Supervisors on the Company's Strategic Development Plan.

Supervisors' attendance at meetings of the Board of Supervisors

Supervisors	Number of meetings attended/ required to attend	Attendance rate
Gong Jiande	7/7	100%
Liu Yanfen	7/7	100%
Zhang Zheng	7/7	100%
Li Chun	7/7	100%
Gong Hongbing	7/7	100%
Lin Dongyuan	6/7	86%
Jia Xiuhua	7/7	100%

Notes:

1. Attendance in person includes on-site attendance and attendance through electronic means such as telephone and video conference.
2. Attendance rate is the number of meetings attended by Supervisors in person as a percentage of the total number of meetings required to attend.
3. Supervisor who was not able to attend in person has appointed another supervisor as the proxy to vote at the meetings on his behalf.

Special committees of the Board of Supervisors

The Board of Supervisors has two special committees, namely the Performance and Due Diligence Supervision Committee and the Financial and Internal Control Supervision Committee, which assist the Board of Supervisors to perform its obligations under the authorization of the Board of Supervisors, and report their work to the Board of Supervisors.

Performance and Due Diligence Supervision Committee

As at the date of this report, the Performance and Due Diligence Supervision Committee consists of three Supervisors, including Mr. Zhang Zheng (External Supervisor) as chairman, and Ms. Gong Hongbing (Employee Supervisor) and Ms. Jia Xiuhua (Employee Supervisor) as members.

The duties of the Performance and Due Diligence Supervision Committee primarily include: (1) to provide supervision advices on the performance of duties of the Board, Senior Management and their members, and report to the Board of Supervisors; (2) to make recommendations to the Board of Supervisors on candidates of Supervisors and independent Directors; (3) to review the remuneration settlement scheme of Supervisors; (4) to perform other duties as authorized by the Board of Supervisors.

During the Reporting Period, the Performance and Due Diligence Supervision Committee held two meetings and reviewed the following matters, including the Report on the Performance of Directors and Members of the Senior Management for 2017, the focus of the Performance Supervision of Directors and Senior Management for 2018, the Evaluation Report of Board of Supervisors on the Company's Strategic Development Plan and the resolution on submitting the Remuneration Settlement Scheme of Supervisors for 2017 to the Shareholders' general meeting for approval.

Financial and Internal Control Supervision Committee

As at the date of this report, the Financial and Internal Control Supervision Committee consists of three Supervisors, including Ms. Liu Yanfen (External Supervisor) as chairman, and Mr. Li Chun (External Supervisor) and Mr. Lin Dongyuan (Employee Supervisor) as members.

The duties of the Financial and Internal Control Supervision Committee primarily include: (1) to provide review suggestions on the financials of the Company and report to the Board of Supervisors; (2) to provide evaluation suggestions on the internal control reports of the Company and report to the Board of Supervisors; (3) to supervise the risk management of the Company; (4) to perform other duties as authorized by the Board of Supervisors.

During the Reporting Period, the Financial and Internal Control Supervision Committee held seven meetings to review the following matters, including the Final Financial Account Plan for 2017, the Use of Proceed Raised, the Internal Control Evaluation Report of the Company for 2017, the 2017 Annual Report (2017 Annual Results Announcement) and the 2018 Interim Report (Interim Results Announcement) of the Company.

Chairman of the Board and President

In accordance with A.2.1 of the CG Code and the Articles, the Chairman of the Board and the President shall be assumed by different individuals, and the Chairman of the Board shall not be assumed by the legal representative or key management of the controlling shareholder.

Mr. Zhang Zi'ai acts as the Chairman of the Board and the legal representative of the Company, and is responsible for presiding over the general meeting of shareholders, reporting to the general meeting on behalf of the Board, convening and presiding over meetings of the Board, supervising and inspecting the implementation of the resolutions of the Board, leading the Board to formulate the annual budget and final accounts and other major matters of the Company.

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

Senior Management

Composition and duties of Senior Management

The Senior Management is the executive body of the Company and is accountable to the Board. As at the date of this report, the Senior Management of the Company comprises six members. For details of its composition, please see "Directors, Supervisors and Senior Management" – "Senior Management" in this report. There is a strict separation of power between the Senior Management and the Board. The Senior Management determines the operation management and decisions within its duties and responsibilities as authorized by the Board. Senior Management of the Company includes President, Vice Presidents, Assistants to the President, Chief Risk Officer and Board Secretary. Other members of Senior Management perform their duties and take responsibilities according to the authorization of the President. The Board conducts appraisal on the Senior Management and its members in accordance with the evaluation requirements of the MOF and CBIRC, the results of which form the basis of the remuneration and other performance-based arrangements regarding the Senior Management.

Supervision and evaluation of the performance of Directors and Senior Management

In accordance with the Measures on the Performance Supervision of the Board of Supervisors and the focus of the performance supervision of the Directors and Senior Management for 2018, the Board of Supervisors conducted supervision over the performance of the Board, Senior Management and its members through attending the Shareholders' general meetings, Board meetings, meetings of the special committees of the Board and the meetings of Senior Management, examining the minutes of the meeting, records and performance reports of Director and Senior Management, and also through daily supervision arrangements.

Remuneration of Directors and Senior Management

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

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

Risk Management

The Company endeavours to develop a comprehensive risk management system which is in line with the scale and complexity of its business development, and has developed a comprehensive risk management framework consisting of four levels, namely the Board and the Board of Supervisors, the Senior Management, the Risk Management Department and relevant functional departments at the head office, and its branches and subsidiaries, and three lines of defence comprising the business operation departments, the functional departments of risk management and the internal audit departments.

The Board assumes ultimate responsibility for the effectiveness of overall risk management. Its Risk Management Committee supervises and evaluates the Group's risk management and internal control, and the Audit Committee supervises the Group's internal control, internal audit and risk management. The Board of Supervisors supervises the risk management and internal control of the Company and presents suggestions and proposals accordingly. The Senior Management, including the Chief Risk Officer, as authorized by the Board, assumes responsibility for the implementation of comprehensive risk management and is accountable to the Board for the overall effectiveness of comprehensive risk management. The Risk Management Committee of the Board reviews the management's quarterly report on the Group's risk management, reviews the annual risk management report of the Company and supervises the effective and stable operation of the risk management system through reviewing reports and field research. Based on the review results of the available reports and operating conditions, the Board is of the view that all policies, systems and processes of risk management formulated by the Board has been effectively enforced at the operation level, and henceforth fostered a stable and prudent risk management culture, with sufficient organizational structure, human resources, management instruments and technical means available for risk management. During the Reporting Period, the Company's risk management and internal control system is effective and the relevant risk is within the acceptable range of the Company.

Details of the Company's establishment of risk management system, risk management framework and control measures for 2018 are set out in the "Management Discussion and Analysis" – "Risk Management" in this report.

Internal Control

In accordance with the requirements of enterprise internal control system, the Board of the Company is responsible for the establishment and implementation of a sound and effective internal control system and the evaluation of its effectiveness, and truthfully disclosing the internal control evaluation report. The Board of Supervisors is responsible for supervising the establishment and implementation of internal control system by the Board. The Senior Management is responsible for organizing the daily operation of internal control system of the Company. The Board, the Board of Supervisors and Directors, Supervisors and members of the Senior Management of the Company undertake that information in this report does not contain any false representations, misleading statements or material omissions, and jointly and severally take responsibility for the truthfulness, accuracy and completeness of this report.

The objectives of the internal control of the Company are to reasonably ensure its operation and management are in compliance with laws and regulations, assets safety, the truthfulness and completeness of financial reports and relevant information, to improve operation efficiency and effects, and to facilitate the Company to achieve its development strategic targets. Due to its inherent limitations, internal control can only provide reasonable assurance regarding the achievement of the above objectives. Moreover, changes in circumstances may render the internal control mechanisms inappropriate, or reduce the degree of compliance with policies and procedures, so that predicting the effectiveness of internal control in the future according to the evaluation results of internal control may involve certain risks.

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

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

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

Pursuant to the Measures on the Internal Control of Financial Asset Management Companies, the Basic Internal Control Norms for Enterprises and the Guidelines for Internal Control of Commercial Banks, as well as the regulatory requirements of CG Code, the Company has established and continuously improved the internal control management system in line with the internal control objectives of the Company.

During the Reporting Period, based on the regulatory requirements and the Company's development strategies, the Company continued to optimize the internal control system. The policy system streamlining of the "Compliance Year" campaign was completed, and various updated polices were released and effectively operated. In the special rectification campaign of "further rectifying market chaos" by the CBIRC, each department of the Company, and each branch and subsidiary carefully investigated the problems, rectified the problems found at each stage, analyzing the issues behind the problems, and solidified the rectification measures at the system level to effectively improve institutional compliance.

The Company actively promoted the culture of internal control compliance. A new educational column focusing on our Company polices has been set up on the Intranet of the Company, and the drafters of relevant polices have produced micro-videos for training purpose to make it easier for employees to understand the polices. The management also visited certain branches to carry out compliance awareness education and organize polices understanding tests, in order to "promote learning through tests and disseminate knowledge" and urge the employees of the Company to be proactive in learning and understanding the systems of the Company. Each branch has organized a variety of activities to comprehend and learn the polices, solidly promoted the implementation of the polices and built a corporate compliance culture. The Company also vigorously carried out various professional trainings to enhance the compliance awareness and performance capacity of the compliance and internal control managers.

According to the Guidelines for the Evaluation of Internal Control of Enterprises issued by five ministries and commissions including the MOF, the CG Code as set out in Appendix 14 to the Listing Rules and the Guidelines for Internal Control of Commercial Banks issued by the CBRC, the Company adopted an implementation plan for internal control assessment for 2018 in line with the internal control system. The plan has clearly defined the scope, procedures and methods of internal control evaluation.

The evaluation of internal control of the Company for 2018 covered all departments at the headquarters, branches, subsidiaries and major products and business lines, and consisted of comprehensive self-assessment of all departments at the headquarters, branches and subsidiaries, on-site tests and inspection of key aspects. Each unit designated special departments or personnel to be specifically responsible for sorting out the main business processes one by one to find defects in internal control, actively implementing the rectification and optimizing the establishment and implementation of internal control by taking into account the business operation situations. No material or significant defects in internal control were identified during the evaluation while matters to be addressed did not have a substantial impact on the operation and management of the Company. The Company attaches great importance to the matters to be addressed and will launch further rectification measures.

Internal Audit

The Company has implemented an internal audit system. An audit department is established at the headquarters of the Company with dedicated professional auditors with a mission to independently and objectively supervise, inspect and evaluate the income and expenditure, operating activities, risk exposure and internal control of the Company. All designated auditors are also responsible for reporting material deficiencies in the course of auditing to the Board or the Audit Committee of the Board. The Company's internal audit system is in compliance with the requirements of CG Code on establishing the internal audit function.

In 2018, the internal audit of Company fully completed the annual internal audit plan. In accordance with the regulatory requirements for listed companies, and the corporate risk profile, the Company was dedicated to developing and continuously improving its risk management mechanism, its internal control compliance and to ensure that its corporate governance structure and the performance of the entities being audited are effectively. The Company also promoted the effective implementation of laws, regulations, the rules and regulations of the Company, facilitated its stable operation and value enhancement and fully leveraged the regulatory and advisory functions of internal audit.

Carrying out special audits. The Company carried out special audits on major projects to manage potential risks, and carried out special audits on centralized procurement projects to promote the effective implementation of relevant laws and regulations and the rules of the Company so as to lay a solid foundations for compliance. According to the requirements of the CBIRC, the Company carried out special audits on performance appraisal and remuneration management. The Company also carried out performance audit on leaders in the system during their terms of office, with focus on economic responsibility.

Organizing evaluation on internal control. All departments of the headquarters, and all branches and subsidiaries have conducted self-evaluation together with other means including on-site tests and key areas spot checks. In addition, the Company evaluated the effectiveness and sufficiency of internal control and made recommendations for improvement.

Further improving audit system. The Company timely revised its internal control evaluation system and internal audit system pursuant to the changes in regulatory policies. At the same time, the Company promoted the internal audit team building through comprehensive and diversified trainings, in close view of regulatory requirements and the course of corporate development.

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

The Company has formulated and implemented the Administrative Measures on the Preparation of Regular Information Disclosure Reports, to ensure accountability in the disclosure of material errors in the annual reports. During the Reporting Period, the Company has strictly complied with the policies and regulations relating to the preparation and disclosure of annual reports to ensure awareness of this accountability, so as to enhance the quality and transparency of information disclosure in annual reports. During the Reporting Period, there were no material errors discovered in the information disclosed in the annual reports.

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

During the Reporting Period, the Company improved the compliance awareness of employees and better managed inside information in accordance with the Insider Information Management System and Information Disclosure System. We had also enhanced confidentiality of inside information and strictly implemented the insider registration system to limit the number of insiders as well as proactively prevent inside dealing. To the knowledge of the Company, during the Reporting Period, there was no incident of inside trading of the shares of the Company by taking advantage of the inside information.

Communication with Shareholders

Information disclosure and investor relations

The Company has carried out information disclosure and investor relations management, in strict compliance with regulatory provisions and the internal requirements set out under the rules of the Company, including the Information Disclosure Policy, the Administrative Measures on the Preparation of Regular Information Disclosure Reports, the Administrative Measures on the Internal Reporting of Material Information and the Provisional Measures of Investor Relations Work. The Company also communicated and interacted with shareholders and potential investors through various channels to assist them in making rational investment decisions and to protect investors' rights and interests.

In 2018, the Company dedicated to information disclosure in strict compliance with the true, accurate, complete, timely and fair principles. The Company also worked continuously to enhance the quality of disclosures contained in regular reports by adjusting the disclosures contained therein in accordance with the new accounting standards and ensuring the effectiveness and continuity of the disclosures contained in the regular reports. The Company also dedicated to accurately disclose temporary announcements in a timely manner, and to actively encourage voluntary disclosure and improve transparency in information disclosure. The Company also dedicated to protect investors' right to know, and improved the working mechanism for information disclosure and its effectiveness. The Company strictly implemented the registration of insiders as a part of its efforts to strengthen confidentiality of its inside information.

The Company long took the adequacy, timeliness, compliance, fairness and efficiency as the standards for investor relations management. The Company attached great importance to communication with investors, actively listened to their opinions and suggestions, and conducted two-way communication with investors to help them correctly understand its value. The Company has set up various channels for interactive communication with investors, including results announcement, non-deal roadshow, participation in large investment forums and investment bank summits, and daily investor visits. It introduced the development of the industry, and strategy, business philosophy, competitive advantages and business development of the Company to investors, and responded to their concerns in a timely manner to enable investors to fully understand its operating style and capabilities, commitments to social responsibilities, thus enhancing their confidence in investment into the Company, and further improving recognition and brand influence of the Company in the capital market.

Contacts of Board of Directors' Office

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

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

Auditor's Remuneration

As approved by the annual general meeting for 2017, the Company had appointed Ernst & Young Hua Ming LLP and Ernst & Young (collectively "Ernst & Young") as its domestic and international auditors for 2018, respectively, to provide audit service of the annual financial statements, review of the interim financial statements, and audit of internal control as well as other professional services for the Company for the year of 2018. During the Reporting Period, the audit fee incurred in respect to the audit of financial statements and audit of internal control provided by Ernst & Young and its member firms amounted to a total of RMB38.28 million. The fees incurred in respect of other verification services provided by Ernst & Young and its member firms amounted to a total of RMB1.32 million. In 2018, the fees incurred in respect to consulting service provided by Ernst & Young and its member firms amounted to a total of RMB6.78 million. There is no non-audit services provided by Ernst & Young and its member firms to the Group other than those mentioned above.

Responsibilities of Directors in respect of Financial Statements

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

Securities Transactions by Directors, Supervisors and Senior Management

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

The Independence of Independent Non-executive Directors

All independent non-executive Directors of the Company are independent persons. The Company has received annual confirmation letters from each of the independent non-executive Directors to confirm their independence. As at the Latest Practicable Date, the Company considered that all independent non-executive Directors are independent. The independence of independent non-executive Directors complies with the relevant guidelines set out in Rule 3.13 of the Listing Rules.

Trainings for Directors

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

External Trainings

Training on merger acquisition and financing, annual financial audit and performance report and latest revision of accounting standards in Mainland China and Hong Kong by The Hong Kong Institute of Chartered Secretaries;

Training on business model changes, industrial economic trends and financial support, risk management under financial innovation, latest development of blockchain and financial application by Central Huijin Investment Ltd;

Training on the spirit of the 19th CPC National Congress, international financial regulatory reform and large bank regulation practices, asset and liability management of commercial banks, clean office education and anti-corruption by China Investment Corporation;

Training on strengthening party building, financial rules for financial enterprises, improving the management of state-owned financial capital, improving comprehensive quality by the MOF.

Internal Trainings

Special training on Directors' duties and compliance requirements of the companies listed on the Hong Kong Stock Exchange;

Training on strategy-based performance evaluation, RMB internationalization and related issue discussion, corporate financial statement analysis, budget management and financial control of the Group, value creation ability of enterprises reflected in financial statements, the new financial era and new thoughts on financial management;

Training on regulatory policies and the spirit of regulatory meetings held by the CBIRC;

Training on the Company's 2018 equity operation decision-making and regulatory policies and market-oriented debt-to-equity swaps;

Training on risk management work.

Joint Company Secretaries

Mr. Ai Jiuchao is one of the joint Company secretaries. He has served the Company for many years and is familiar with the Company's daily operations. In addition, the Company has appointed Dr. Ngai Wai Fung as another joint company secretary to work closely with Mr. Ai. He also assists Mr. Ai in fulfilling the functions and duties of joint company secretary and acquiring relevant experience within the meaning of Rule 3.28 of the Listing Rules. Dr. Ngai is a Director and the Chief Executive Officer of SWCS Corporate Services Group (Hong Kong) Limited, a corporate service provider. In respect of corporate governance, the Listing Rules and other applicable laws and regulations related to the Company and other matters, Dr. Ngai shall liaise with Mr. Ai, the key contact person of the Company. Mr. Ai shall report to the Directors and/or the President. During the Reporting Period, Mr. Ai and Dr. Ngai had participated in the relevant professional training courses for 15 hours, in compliance with the requirements of Rule 3.29 of the Listing Rules.

Report of the Board of Directors

Principal Business

The Company primarily engages in distressed asset management, financial investment and asset management as well as financial services. Details of the analysis of business review and operating performance, major risks, risk management and future development of the Company are set out in "Management Discussion and Analysis" in this report. During the Reporting Period, there were no significant changes to the principal business scope of the Company.

Profit and Dividend Distribution

The profit and financial condition of the Group for the year ended December 31, 2018 are set out in the section headed "Management Discussion and Analysis" – "Analysis of Financial Statements" in this report.

Having considered the long-term development requirement and the interests of investors of the Company, the Board proposed to distribute cash dividends for 2018 in the amount of RMB 0.95 per 10 shares (tax inclusive) to holders of Domestic Shares and H Shares whose names appear on the register of members on the record date, representing total cash dividends of approximately RMB3,626 million on the basis of 38,164,535,147 Domestic Shares and H Shares in issue on December 31, 2018.

The 2018 profit distribution plan of the Company shall be subject to approval by the annual general meeting for 2018. Subject to the approval, the cash dividend for 2018 is expected to be distributed on or around August 16, 2019 to the holders of Domestic Shares and H Shares whose names appear on the register of members of the Company on the record date for dividend distribution. The cash dividend will be denominated and declared in Renminbi and will be paid in Renminbi to holders of Domestic Shares and in Hong Kong dollars to holders of H Shares. The amount of Hong Kong dollar will be calculated on the basis of the average basic exchange rate between Renminbi and Hong Kong dollar quoted by the People's Bank of China one week prior to the date of the annual general meeting for 2018 (including the date of the meeting).

The Company will announce the date of the annual general meeting for 2018 and the period of closure of register of members of the Company for the determination of the entitlement of Shareholders to attend the annual general meeting and to vote thereon and the period of closure of registered of members of the Company to determine the entitlement of Shareholders for 2018 cash dividends in due course.

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

For individual holders of H Shares, pursuant to the PRC Individual Income Tax Law, the Implementation Regulations of the PRC Individual Income Tax Law, other laws and regulations and relevant regulatory documents promulgated by the State Administration of Taxation of the PRC, the Company shall, as a withholding agent, withhold and pay individual income tax at the rate of 10% for the individual holders of H Shares in respect of the dividend for 2018 to be distributed to them. The individual holders of H Shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled and the tax arrangements between mainland China, Hong Kong or Macao.

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

For investors of the SSE or SZSE investing in the H Shares of the Company, the Company will distribute the cash dividend for 2018 to China Securities Depository and Clearing Corporation Limited which, as the nominee of the investors of H Shares of Southbound Trading, will then re-distribute the cash dividends to the relevant investors of H Shares of Southbound Trading through its depository and clearing system. Pursuant to the relevant requirements of the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81) and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No. 127), the Company shall withhold and pay individual income tax at the rate of 20% on behalf of domestic individual investors. For domestic securities investment funds, the tax payable shall be the same as that for individual investors. The Company will not withhold and pay the income tax of dividends for domestic enterprise investors which shall report and pay the relevant tax themselves. The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H Shares of the Company.

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

Details of the Company's dividend on Offshore Preference Shares for 2018 are set out in the section headed "Changes in Share Capital and Information on Substantial Shareholders" – "Preference Shares" in this report.

Distributable Reserves

Details of distributable reserves of the Group for the year ended December 31, 2018 are set out in the Consolidated Statement of Financial Position in the consolidated financial statements.

Financial Summary

The operating results and summary of assets and liabilities of the Group for the year ended December 31, 2018 are set out in the "Financial Summary" in this report.

Donations

Donations made by the Group for the year ended December 31, 2018 amounted to RMB5.37 million.

Property and Equipment

None of the percentage ratios (as defined under Rule 14.04(9) of the Listing Rules) of the properties held by the Group exceeds 5%. Details in relation to the changes in property and equipment of the Group for the year ended December 31, 2018 are set out in Note VI. 44 "Property and equipment" to the consolidated financial statements.

Pension Plan

According to the relevant regulations of the PRC, the employees of the Group participate in the social basic pension insurance schemes implemented by the local labour and social security departments. The Group shall pay pension insurance fee to the local social basic pension insurance agency according to the base and proportion prescribed by the local regulations. Such insurance fees payable were charged to the profit or loss for the period on an accrual basis. Local labour and social security departments will pay basic social pension to the staff upon their retirement. Qualified employees of the institutions of the Group in Hong Kong have participated in a locally-defined pension plan or defined benefit plan.

Besides basic social pension insurance, all employees of the Company also participate in the annuity scheme established by the Company in accordance with relevant policies of the annuity system of the PRC. The Company makes contributions to the annuity scheme at a certain proportion of the total salaries of the employees, and the contributions are recorded as costs when incurred.

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

Major Clients

During the Reporting Period, the combined revenue from the top five clients of the Company did not exceed 30% of its total revenue for 2018. There are no customers, suppliers, employees or others who have a significant impact on the Group and on which the Group's success depends.

Share Capital and Public Float

As at December 31, 2018, the Company had a total of 38,164,535,147 Shares in issue and 1,676 registered Shareholders. Please see "Changes in Share Capital and Shareholdings of Substantial Shareholders" in this report for details. As of the Latest Practicable Date, based on the information available to the Company and to the knowledge of the Directors, the public float of the Company was 35.55%, which was in compliance with the relevant laws and regulations and the requirement of the Listing Rules.

Pre-emptive Right

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

Purchase, Sale and Redemption of Shares

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

Equity-linked Agreement

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

During the Reporting Period, the Company did not enter into any equity-linked agreement.

Issuance of Securities

Issuance of Securities of the Company

During the Reporting Period, the details of issuance of bonds of the Company is set out in Note VI. 61 "Bonds payable" to the consolidated financial statements.

Issuance of Securities of Subsidiaries

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

In July 2018, Cinda Real Estate issued a total of 1,327,618,153 A Shares to the Company and Huainan Mining Group with a par value of RMB1.00 per share ("A Share") by non-public issuance respectively, as the consideration of the acquisition of 100% equity interest in Huaikuang Real Estate (equivalent to RMB7,832,947,100). Among them, Cinda Real Estate issued 796,570,892 A shares to the Company for acquiring 60% equity interest in Huaikuang Real Estate held by the Company; and issued 531,047,261 A shares to Huainan Mining Group for acquiring 40% equity interest in Huaikuang Real Estate held by itself. The issue price was RMB5.90 per share which was determined based on the basis of 90% of the average transaction price of A shares of Cinda Real Estate within 120 trading days prior to the date of benchmark pricing after the ex-rights or ex-dividend arrangements (i.e. July 20, 2017), and is adjusted after taking into account the dividend distributions of Cinda Real Estate in 2017 and 2018. The A Shares subscribed by the Company and Huainan Mining Group under such non-public issuance shall not be transferred within 36 months commencing on the date of listing of such A Shares on the SSE. As of August 24, 2018, the closing price of Cinda Real Estate A Shares has been lower than RMB5.90 per share for 20 consecutive trading days. According to the "Undertaking on Share Lock-up" signed by the Company on July 9, 2017, the lock-up period of 796,570,892 A Shares held by the Company will be automatically extended for another six months in addition to the 36-month lock-up period.

The details of issuance of bonds of the subsidiaries of the Company are set out in Note VI. 61 "Bonds payable" to the consolidated financial statements.

Save as disclosed, during the Reporting Period, the Company and its subsidiaries did not issue or grant any shares, convertible bonds, options or other securities.

Material Interests and Short Positions

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

Use of Proceeds

During the Reporting Period, the use of proceeds from the Company's issuance of new Shares under the general mandate to issue new H shares, granted by the 2015 annual general meeting to the Board, conformed to the use of proceeds disclosed in the relevant announcement, which was to replenish the core tier-1 capital of the Company for supporting its business development.

Borrowings

The borrowings of the Group as at December 31, 2018 amounted to approximately RMB570.87 billion. Details of the borrowings are set out in Note VI. 54 "Borrowings" to the consolidated financial statements.

Directors, Supervisors and Senior Management

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

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

As at December 31, 2018, none of the Directors, Supervisors or chief executive officer of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which was required to be recorded in the register kept by the Company pursuant to Section 352 of the SFO or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Appendix 10 Model Code for Securities Transactions by Directors of Listed Companies to the Listing Rules.

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

In 2018, none of the Directors and Supervisors of the Company (or their connected entities) had any material interests, directly or indirectly, in any major transactions, arrangements or contracts (except service contracts) regarding the business of the Group entered into by the Company or any of its controlling companies, subsidiaries or fellow subsidiaries.

None of the Directors and Supervisors of the Company had entered into any service contract with the Company which was not terminable by the Company within one year without payment of compensation (other than statutory compensation).

Interests of Directors in Business Competing with the Company

During the Reporting Period, none of the Directors held any interest in business which directly or indirectly competed, or was likely to compete with the business of the Company.

Material Contracts with Controlling Shareholders

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

Management Contracts

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

Remuneration Policy of Directors, Supervisors and Senior Management

The remuneration policy of Directors, Supervisors and Senior Management of the Company is in compliance with the "Interim Measures on Management of Remuneration of Representatives of Central Financial Enterprises" promulgated by the MOF. The remuneration policy of Directors, Supervisors and Senior Management consists of incentive and restriction based on their performance and the risks and responsibilities of their positions and is subject to government supervision and adjustment along with market condition. The remuneration system comprises basic salary, bonus and other benefits, as well as corporate pension scheme in accordance with relevant national requirements. During the Reporting Period, the Company had no arrangement for any stock incentive plan for Directors, Supervisors and Senior Management.

Relationship between Directors, Supervisors and Senior Management

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

Indemnity for Directors, Supervisors and Senior Management

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

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

Connected Transactions

On October 26, 2018, the Company entered into the Market-oriented Debt-to-Equity Swap Agreement of Huainan Mining Group with Huainan Mining Group and Huaihe Energy Holdings Group Co., Ltd., pursuant to which, the Company agreed to contribute capital to Huainan Mining Group by way of debt-to-equity swap with a total capital increase amount of RMB3 billion. Upon completion of such capital increase, the Company will hold approximately 9.12% equity interest in Huainan Mining Group. As Huainan Mining Group holds over 10% equity interest in Cinda Real Estate, a subsidiary of the Company, pursuant to Chapter 14A of the Listing Rules, Huainan Mining Group constitutes the connected person at the subsidiary level of the Company and such transaction was subject to the reporting and announcement requirements but exempt from the circular, advice from independent financial adviser and shareholders' approval requirements. For the details of the capital increase, please refer to the announcement dated October 26, 2018 of the Company.

Save as disclosed above, during the reporting period, the Company did not conduct other connected transactions or continuing connected transactions required to be reported, announced or approved by independent shareholders under Chapter 14A "Connected Transactions" of the Listing Rules. Details of related party transactions as defined under the IFRS are set out in Note VI. 76 "Related Party Transactions" to the consolidated financial statements, which do not constitute connected transaction or continuing connected transaction under Chapter 14A of the Listing Rules.

Compliance with Relevant Laws and Regulations

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

Auditors

The financial reports of the Company for 2018 prepared under the IFRS and PRC GAAP have been audited by Ernst & Young and Ernst & Young Hua Ming LLP, respectively.

Statement for Changes of Auditors in the Past Three Years

As approved at the annual general meeting for 2017 on June 29, 2018, the Company re-appointed Ernst & Young Hua Ming LLP and Ernst & Young as its domestic and international auditors for 2018, respectively, to provide the audit of the annual financial statements, review of the interim financial statements, audit of internal control and other relevant services to the Company for 2018. The Company has not changed its auditors in the past three years.

By Order of the Board
ZHANG Zi'ai
Chairman

March 28, 2019

Report of the Board of Supervisors

In 2018, pursuant to the national laws, regulations, regulatory requirements and the requirements of the Articles, the Board of Supervisors conscientiously carried out the Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era and strictly implemented the regulatory requirements. By closely centering on the operation and development of the Company and targeting at promoting and supervising the Company to focus on its main business as well as transformation and development, the Board of Supervisors strengthened the effectiveness of supervision with a focus on implementing the regulatory requirements of the CBIRC, innovating the method of supervision and reinforcing risk prevention and control and mitigation to further improve the pertinence and effectiveness of supervision, thereby facilitating the sustainable and healthy development of the Company.

Major Work Completed

Continuously enhancing the supervision of duty-performance. The Board of Supervisors has closely paid attention to the performance of the Board and the Senior Management in implementing the relevant routes, guidelines and policies, and regulatory requirements of the CPC Central Committee and the State Council, focusing on the main business, mitigating risks for the state and serving the development of the real economy. The Board of Supervisors conducted evaluations on the performance of duties by the Directors, Supervisors and senior management and made a report in accordance with the relevant requirements, evaluated the scientificalness, rationality and effectiveness of the strategic plans of the Company, paid attention to the implementation of the remuneration system of the Company and drove the Company to improve its remuneration management system.

Earnestly enhancing the supervision of risk internal control. The Board of Supervisors has closely paid attention to the building of a comprehensive risk management system, facilitated the Company to improve its risk governance structure and fulfilled its risk management and control responsibilities; paid attention to the mitigation of existing risk assets and the effective control of new asset risks, with a focus on compliance risk, credit risk, concentration risk and liquidity risk profile, so as to advance the improvement of the management and control mechanism of the Group and increase the effectiveness of internal control. Meanwhile, it has further rectified the chaos in the market as required by the CBIRC and issued opinions on supervision.

Conscientiously enhancing financial supervision. The Board of Supervisors has provided opinions on periodical reports and carried out supervision, paid attention to material changes affecting the truthfulness, accuracy or completeness of the financial report, and conducted analysis and gave prompts in a timely manner. The Board of Supervisors has paid attention to capital planning and the management of capital adequacy, enhanced capital constrain to ensure that the regulatory indicators met requirements; promoted and enhanced debt financing and liquidity management, paid attention to the impacts on the liquidity of the Company arising from changes in regulatory policies to keep assets and liabilities maturity mismatch within a reasonable rang and improve the level of refined management; paid attention to the application of supervision achievements, followed up the implementation of recommendations on the investigation and research of the management of tax planning of the Company to promote the improvement of the overall management standard of tax planning of the Group.

Focusing on self-building. Under the situation of strict supervision, the Board of Supervisors continuously improved self-building in accordance with the focus of the regulatory authorities, conducted in-depth investigation and research, and put forward opinions and suggestions with a definite object in view by accurately grasping the key points of supervision. The Board of Supervisors organized and held supervision training seminars to promote the improvement of the governance system and mechanism building of the Board of Supervisors of the Group, and actively participated in duty performance training and enhanced working communications with industry peers to constantly improve the ability of supervisors to perform their duties.

Performing supervisory duties according to law. In accordance with the regulatory requirements and the actual work requirements, the Board of Supervisors kept improving the working system of the Board of Supervisors to fully cover the regulatory requirements. In 2018, the Board of Supervisors provided independent opinions on legal operation, financial report, duty performance, internal control, use of proceeds raised and other aspects of the Company in accordance with the relevant laws and regulations. In addition, the members of the Board of Supervisors diligently performed their duties, conscientiously reviewed relevant proposals, and effectively performed their duties of supervision to actively promote the implementation of regulatory opinions.

Independent Opinions on Relevant Matters

Lawful operation

During the Reporting Period, the operation of the Company was in compliance with laws and regulations, and its decision-making procedures are in compliance with to relevant laws, regulations and the Articles. The Board of Supervisors had no objection to the matters submitted to the Shareholders' general meeting for consideration. The Board duly implemented the resolutions approved at the Shareholders' general meeting. Directors and Senior Management duly performed their duties. The Board of Supervisors is not aware of any breach of laws, regulations and the Articles or any act detrimental to the interests of the Company by any of the Directors or Senior Management in performing their duties.

Financial reports

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

Opinions on the performance evaluation of Directors and Senior Management

The results of the performance evaluation of all Directors and members of Senior Management for 2018 were competent.

Internal control

During the Reporting Period, the Company continued to improve internal control and the Board of Supervisors had no disagreement with the evaluation opinions on internal control of the Company for 2018.

Use of proceeds

During the Reporting Period, the Company's use of proceeds from the issuance of Offshore Preference Shares and the issuance of new H shares under the general mandate granted to the Board by the 2015 annual general meeting was in compliance with the use of proceed undertaken by the Company.

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

March 28, 2019

Significant Events

Material Litigation and Arbitration

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

Major Acquisition and Disposal of Assets and Merger

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

Appropriation of Funds by the Controlling Shareholder and other Related Parties

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

Implementation of Share Incentive Plan

During the Reporting Period, the Company did not implement any share incentive plan.

Major Contracts and Implementation

Major Custody, Contracting and Leasing

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

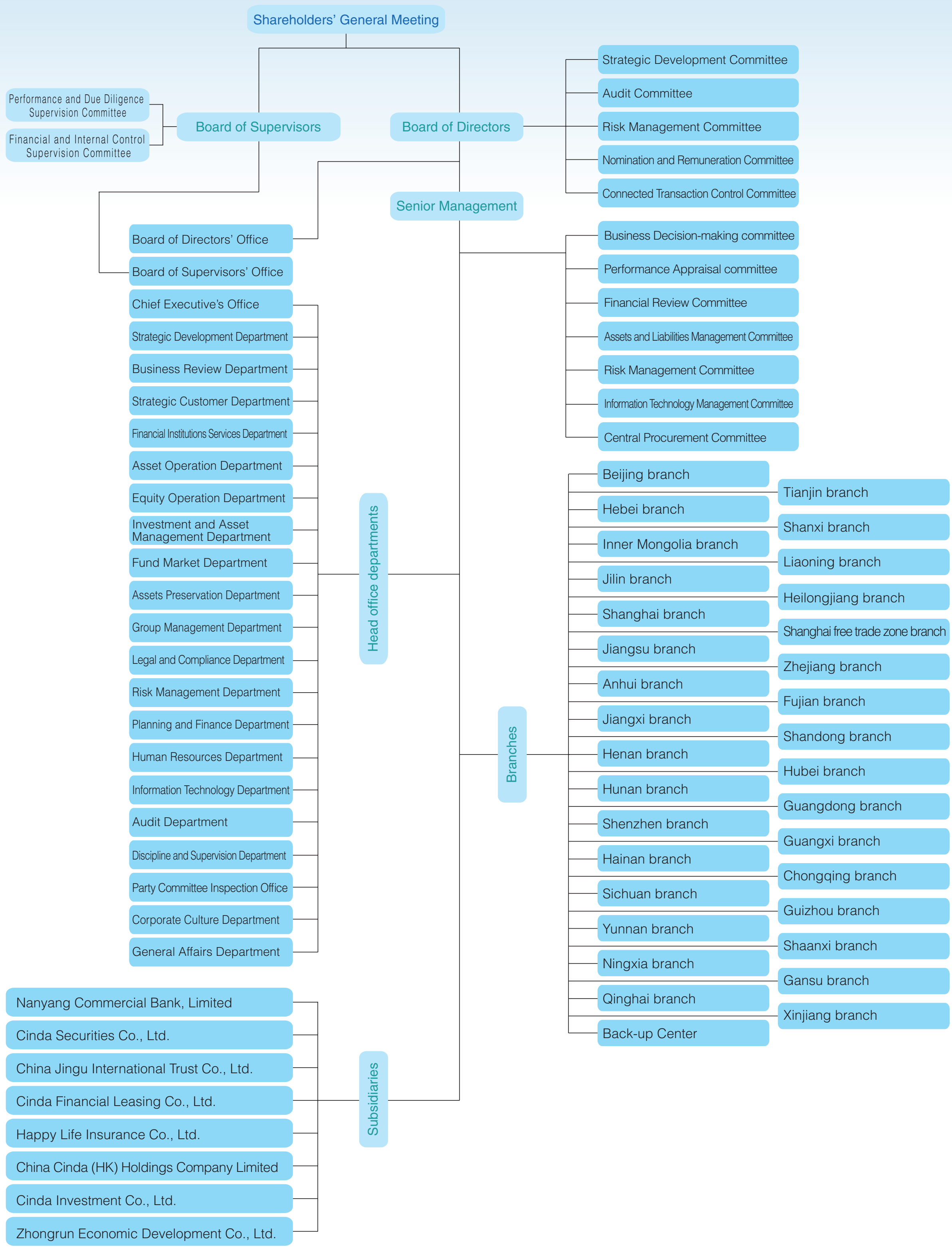
Material Guarantees

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

Sanctions Imposed on the Company and Directors, Supervisors and Senior Management

During the Reporting Period, none of the Company or any of the Directors, Supervisors and Senior Management was subject to any investigation or administrative sanctions by securities regulatory authorities, publicly censured by any stock exchange, imposed by other regulatory authorities any penalty with a material impact on the operation of the Company, or prosecuted for criminal liabilities by the judicial authority.

Organizational Chart



Audit Report and Financial Statements

Independent Auditor's Report

EY 安永
Building a better working world

22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

To the shareholders of China Cinda Asset Management Co., Ltd.
(Established in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of China Cinda Asset Management Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 174 to 455, which comprise the consolidated statement of financial position as at December 31, 2018, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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

Key audit matter	**How our audit addressed the key audit matter**
(1) Classification and impairment assessment of financial assets	
The Group has adopted IFRS 9 – Financial Instruments (hereinafter referred to as "IFRS 9") on January 1, 2018. The Group classifies financial assets into three categories: amortized cost (Note VI.32), fair value through other comprehensive income (Note VI.29) and fair value through profit or loss (Note VI.27) based on the business model for managing the financial assets and their contractual cash flow characteristics according to IFRS 9. The significant judgements used in the classification of financial assets by the Group involve assessing the business model for managing a portfolio of financial assets and assessing whether contractual cash flows are solely payments of principal and interest on principal amount. The Group's disclosures about accounting judgements and estimations are included in Note V.1 Classification of financial assets.	1. Classification of financial assets Our audit procedures included reviewing accounting policies related to the Group's classification of financial assets, assessing and testing the design and operating effectiveness of controls over the assessment of the business model for managing the financial assets and the assessment of contractual cash flow characteristics in the process of classification of financial assets. We reviewed management's business model assessment by obtaining supporting evidence on how the business performance is measured and assessing the frequency and relative amount in sales in the past. We obtained understanding and assessed the logic of contractual cash flow assessment, and on a sampling basis, we reviewed management's contractual cash flow assessment by reading the relevant contractual terms and performing an independent assessment of the contractual cash flows.

Key audit matter	How our audit addressed the key audit matter
The Group adopts the expected credit loss model to assess the impairment of financial assets according to IFRS 9. Complex models and assumptions are used in the measurement of expected credit losses for loans and advances to customers and distressed debt assets at amortized cost, for example: • Significant increases in credit risk – The selection of criteria for identifying significant increases in credit risk are highly dependent on judgement and may have a significant impact on the expected credit losses for financial assets with longer remaining periods to maturity; • Models and parameters – Inherently complex models are used to measure expected credit losses. Modelled parameters have numerous inputs and the parameter estimation involves many judgements and assumptions; • Forward-looking information – Expert judgement is used to create macroeconomic forecasts and to consider the impact on expected credit losses under multiple economic scenarios given different weights; and • Individual impairment assessments – Identifying credit impaired financial assets requires consideration of a range of factors, and individual impairment assessments are dependent upon estimates of future cash flows. The Group's disclosures about accounting judgements and estimations of impairment of financial assets and the details of these financial assets are included in Note V.3 Impairment of financial assets, Note VI.31 Loans and advances to customers, Note VI.32 Financial assets at amortized cost and Note VI.77.1 Credit risk.	2. Impairment assessment of financial assets Our audit procedures included assessing and testing the design and operating effectiveness of controls over the measurement of expected credit losses for loans and advances to customers and distressed debt assets at amortized cost. With the support of our internal credit risk modelling experts, we evaluated and tested the reasonableness of the methodology, important parameters of the expected credit loss model, management's major judgements and related assumptions, including: • Assessing the reasonableness of the expected credit loss model methodology; • Assessing the reasonableness of related parameters, including the probability of default, loss given default, risk exposure, and the significant increases in credit risk; • Assessing the forward-looking information management used to determine expected credit losses, including the forecasts of macroeconomic variables and the assumptions of multiple macroeconomic scenarios; and • Evaluating the models and the related assumptions used in individual impairment assessment and analyzed the amount, timing and likelihood of management's estimated future cash flows, especially cash flows from collateral. Based on the financial and non-financial information of the debtors and other external evidence, we selected samples and assessed the appropriateness of the identification of credit ratings, significant increases in credit risk and credit impaired financial assets applied by management. In addition, we selected samples and checked key data used in the models, including historical data and measurement data, to evaluate the accuracy and completeness of the data used. Furthermore, we checked the appropriateness of related disclosures including the disclosures of credit risk and expected credit losses.

Key audit matter	How our audit addressed the key audit matter
(2) Valuation of financial instruments	
Financial assets carried at fair value represented a significant portion of total assets. The fair values of level 2 and level 3 financial instruments are determined through the application of valuation techniques which often involve the exercise of judgement by management and the use of assumptions and estimates. The Group's disclosures about accounting judgements and estimation and the details of these financial assets are included in Note V.2 Fair value of financial instruments and Note VI.78 Fair values of financial instruments.	Our audit procedures included assessing and testing the design and operating effectiveness of controls over the identification, measurement and management of valuation risk. We compared observable inputs, such as quoted bid prices in an active market, against independent sources and externally available market data and re-performed valuations on a sample basis to evaluate the valuation techniques, assumptions and estimates adopted by the Group with the assistance of our internal valuation specialists. Furthermore, we checked the appropriateness of related disclosures of fair value including the disclosure of the fair value hierarchy.
(3) Assessment of control, joint control and significant influence	
The Group makes significant judgements to assess whether the Group has control over structured entities, and joint control or significant influence over the structured entities and other investees. • The Group has interests in various structured entities including private equity funds, trusts, asset management plans, wealth management products and mutual funds. The consolidation of those entities is determined by the Group on the basis of control, which involves management's judgement upon power over the structured entities' relevant activities, exposure to variable returns from its involvement with the structured entities, and the ability to use the power to affect the amount of its returns;	We evaluated and tested the design and operating effectiveness of the key controls related to the Group's assessment of whether it has control, joint control or significant influence over structured entities and other investees. We assessed the Group's analysis and conclusions on whether or not it controls structured entities based on the Group's analysis on its power over structured entities' relevant activities, and the magnitude and variability of variable returns from its involvement with structured entities. We also evaluated the appropriateness of the Group's assessment on its legal or constructive obligation to absorb loss of structured entities by reviewing relevant agreements or contracts, and whether the Group has provided liquidity support or credit enhancement to structured entities. Furthermore, we checked the appropriateness of related disclosures including interests in consolidated and unconsolidated structured entities.

Key audit matter	How our audit addressed the key audit matter
• The joint control over the structured entities and other investees is determined by the Group's assessment of the existence of sharing of control. The assessment involves judgement on whether decisions about the relevant activities require the unanimous consent of the parties sharing control; and • The significant influence over the structured entities and other investees is determined by the Group's assessment of its power to participate in the structured entities and other investees' financial and operating policy decisions. The assessment involves significant judgement based on factors such as the structured entities and other investees' policy-making process, composition of the board of directors or other governing bodies change in ownership and existence of contractual arrangements. Due to the significance of these investments to the Group and the complexity of judgement exercised by management, this is considered as a key audit matter. The Group's disclosures about accounting judgements and estimation and the details of these equity investments are included in Note V.6 Control on structured entities, Note V.7 judgement on joint control, Note V.8 judgement on significant influence and Note VI.39 Interests in subsidiaries, Note VI.41 Interests in consolidated structured entities and Note VI.42 Interests in associates and joint ventures.	We also assessed the Group's analysis and conclusions on the existence of joint control or significant influence over the structured entities and other investees. We made inquiries and inspections of the relevant contracts and agreements of investments to evaluate the Group's assessment of its power to joint control over the structured entities and other investees' relevant activities, or to participate in the structured entities and other investees' financial and operating policy decisions. We also reviewed the minutes of the meetings of the investors or shareholders, the board of directors or other governing bodies of the structured entities and other investees. We evaluated the Group's reassessment of its influence over the structured entities and other investees on a continuous basis if facts and circumstances indicated that there were changes. Furthermore, we checked the appropriateness of related disclosures of interests in associates and joint ventures.

Key audit matter	How our audit addressed the key audit matter
(4) Transfer of financial assets	
Distressed asset management is one of the Group's core businesses, which involves management's judgement upon whether the transfer should be applied to part of a financial asset or the financial asset in its entirety, as well as the evaluation of whether, and to what extent, transfer is appropriate. Considering the significant impact and the usage of judgement and subjective estimation by management in relation to the accounting treatment, we treated the transfer of financial assets as a key audit matter. The Group's disclosures about accounting judgements and estimation and the details of these transfers of financial assets are included in Note V.4 Transfer of financial assets and Note VI.74 Transfers of financial assets.	Our audit procedures included assessing and testing the design and operating effectiveness of controls over judgement and estimation involved in the transfer of financial assets. We obtained and reviewed related contracts and agreements and assessed whether the Group should derecognize financial assets based on relevant facts and circumstances, mainly including the nature and purpose of the financial assets transferred, the Group's exposure, before and after the transfer, to the variability in the amounts and timing of the net cash flows of the transferred assets, as well as whether the Group had retained the control of the transferred assets. We checked related agreements for transfer of significant financial assets to assess whether the financial assets should be derecognized. Furthermore, we checked the appropriateness of related disclosures of transfer of financial assets.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants

Hong Kong

March 28, 2019

Consolidated Statement of Profit or Loss

For the year ended December 31, 2018
(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	Year ended December 31	
		2018	2017
Income from distressed debt assets at amortized cost	1	**19,308,309**	–
Income from distressed debt assets classified as receivables	1	**–**	17,773,020
Fair value changes on distressed debt assets	2	**11,451,465**	8,266,362
Fair value changes on other financial instruments	3	**15,068,927**	2,582,223
Investment income	4	**154,407**	29,465,747
Net insurance premiums earned	5	**9,128,643**	19,266,928
Interest income	6	**25,755,175**	20,640,790
Revenue from sales of inventories	7	**17,446,425**	14,425,517
Commission and fee income	8	**3,717,645**	4,218,924
Net gains on disposal of subsidiaries, associates and joint ventures	9	**1,550,907**	3,659,160
Other income and other net gains or losses	10	**3,444,128**	(264,043)
Total		**107,026,031**	120,034,628
Interest expense	11	**(46,474,971)**	(35,911,078)
Insurance costs	12	**(10,543,544)**	(20,913,659)
Employee benefits	13	**(6,147,103)**	(7,411,338)
Purchases and changes in inventories	7	**(11,382,225)**	(10,355,808)
Commission and fee expense	14	**(1,771,489)**	(2,404,861)
Taxes and surcharges		**(630,650)**	(687,361)
Depreciation and amortization expenses		**(1,002,930)**	(853,972)
Other expenses		**(4,095,684)**	(4,293,978)
Impairment losses on assets	15	**(8,158,977)**	(11,404,680)
Total		**(90,207,573)**	(94,236,735)

The accompanying notes form an integral part of these consolidated financial statements.

(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	Year ended December 31 2018	2017
Change in net assets attributable to other holders of consolidated structured entities	41	**(526,831)**	(1,284,748)
Profit before share of results of associates and joint ventures and tax		**16,291,627**	24,513,145
Share of results of associates and joint ventures		**2,496,919**	1,617,671
Profit before tax	16	**18,788,546**	26,130,816
Income tax expense	17	**(6,908,637)**	(7,372,990)
Profit for the year		**11,879,909**	18,757,826
Profit attributable to:			
Equity holders of the Company		**12,036,131**	18,122,390
Non-controlling interests		**(156,222)**	635,436
		11,879,909	18,757,826
Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)	18		
– Basic		**0.29**	0.45
– Diluted		**0.29**	0.45

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2018

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2018	2017
Profit for the year	**11,879,909**	18,757,826
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the year	**471,538**	–
Amount reclassified to profit or loss upon disposal	**(48,077)**	–
Amount of profit or loss upon impairment	**146,295**	–
	569,756	–
Fair value changes on available-for-sale financial assets		
Fair value changes arising during the year	**–**	(2,603,111)
Amounts reclassified to profit or loss upon disposal	**–**	811,269
Amounts reclassified to profit or loss upon impairment	**–**	392,550
	–	(1,399,292)
Effective portion of changes in fair value of hedging instruments arising during the year	**–**	(43,249)
Exchange differences arising on translation of foreign operations	**297,234**	(1,222,837)
Share of other comprehensive income/(expense) of associates and joint ventures	**(31,503)**	88,510
Subtotal	**835,487**	(2,576,868)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	**(5,089)**	2,210
Fair value changes on equity instruments designated as at fair value through other comprehensive expense	**(1,247,794)**	–
	(1,252,883)	2,210
Other comprehensive expense for the year, net of income tax	**(417,396)**	(2,574,658)
Total comprehensive income for the year	**11,462,513**	16,183,168
Total comprehensive income attributable to:		
Equity holders of the Company	**11,564,480**	15,877,619
Non-controlling interests	**(101,967)**	305,549
	11,462,513	16,183,168

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at December 31, 2018

(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	As at December 31 2018	2017
Assets			
Cash and balances with central banks	23	**16,651,911**	21,511,080
Deposits with banks and financial institutions	24	**80,102,582**	54,429,215
Deposits with exchanges and others	25	**967,699**	1,124,895
Placements with banks and financial institutions	26	**18,470,497**	18,160,410
Financial assets at fair value through profit or loss	27	**428,791,036**	213,795,859
Financial assets held under resale agreements	28	**33,805,064**	60,109,388
Financial assets at fair value through other comprehensive income	29	**116,827,578**	–
Available-for-sale financial assets	30	**–**	273,182,692
Loans and advances to customers	31	**336,616,502**	312,117,520
Financial assets at amortized cost	32	**252,416,716**	–
Financial assets classified as receivables	33	**–**	234,226,871
Held-to-maturity investments	34	**–**	13,227,363
Accounts receivable	35	**4,893,602**	3,729,135
Properties held for sale	37	**61,724,050**	37,283,802
Investment properties	38	**4,267,513**	3,298,278
Interests in associates and joint ventures	42	**74,295,710**	69,851,065
Property and equipment	44	**11,794,234**	9,658,346
Goodwill	45	**23,038,817**	22,002,517
Other intangible assets	46	**4,242,718**	4,084,927
Deferred tax assets	47	**6,159,808**	5,150,810
Other assets	48	**20,693,172**	29,993,376
Total assets		**1,495,759,209**	1,386,937,549
Liabilities			
Borrowings from central bank	49	**986,058**	986,058
Accounts payable to brokerage clients	50	**10,315,842**	12,393,813
Financial liabilities at fair value through profit or loss	51	**4,523,349**	6,794,129
Financial assets sold under repurchase agreements	52	**12,970,207**	6,630,267
Placements from banks and financial institutions	53	**20,218,650**	16,431,551
Borrowings	54	**570,870,150**	580,352,070
Due to customers	55	**254,099,918**	226,220,786
Deposits from banks and financial institutions	56	**22,380,749**	19,259,266
Accounts payable	57	**5,313,813**	3,220,939
Investment contract liabilities for policyholders	58	**13,206,016**	19,961,369
Tax payable	59	**5,474,956**	3,397,502
Insurance contract liabilities	60	**37,606,574**	39,566,164
Bonds issued	61	**283,115,066**	206,482,644
Contract liabilities	62	**25,040,984**	–
Deferred tax liabilities	47	**2,387,044**	2,104,573
Other liabilities	63	**48,681,367**	74,871,756
Total liabilities		**1,317,190,743**	1,218,672,887

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at December 31, 2018

(Amounts in thousands of RMB, unless otherwise stated)

		As at December 31	
	Notes VI	**2018**	2017
Equity			
Share capital	64	**38,164,535**	38,164,535
Other equity instruments	65	**21,281,215**	21,281,215
Capital reserve	66	**21,257,033**	21,236,051
Other comprehensive income	67	**(1,152,132)**	(1,685,551)
Surplus reserve	68	**7,857,883**	6,942,226
General reserve	69	**15,043,296**	12,506,625
Retained earnings		**54,041,001**	50,949,383
Equity attributable to equity holders of the Company		**156,492,831**	149,394,484
Non-controlling interests		**22,075,635**	18,870,178
Total equity		**178,568,466**	168,264,662
Total equity and liabilities		**1,495,759,209**	1,386,937,549

The accompanying notes form an integral part of these consolidated financial statements.

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

CHAIRMAN

PRESIDENT

Consolidated Statement of Changes in Equity

For the year ended December 31, 2018
(Amounts in thousands of RMB, unless otherwise stated)

	Equity attributable to equity holders of the Company									
	Share capital (Note VI.64)	Other equity instruments (Note VI.65)	Capital reserve (Note VI.66)	Other comprehensive income (Note VI.67)	Surplus reserve (Note VI.68)	General reserve (Note VI.69)	Retained earnings	Subtotal	Non-controlling interests	Total
As at December 31, 2017	38,164,535	21,281,215	21,236,051	(1,685,551)	6,942,226	12,506,625	50,949,383	149,394,484	18,870,178	168,264,662
Changes in accounting policies	–	–	–	629,673	–	–	1,379,626	2,009,299	(21,181)	1,988,118
As at January 1, 2018	38,164,535	21,281,215	21,236,051	(1,055,878)	6,942,226	12,506,625	52,329,009	151,403,783	18,848,997	170,252,780
Profit for the year	–	–	–	–	–	–	12,036,131	12,036,131	(156,222)	11,879,909
Other comprehensive expense for the year	–	–	–	(471,651)	–	–	–	(471,651)	54,255	(417,396)
Total comprehensive income/(expense) for the year	–	–	–	(471,651)	–	–	12,036,131	11,564,480	(101,967)	11,462,513
Capital contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	316,111	316,111
Retained earnings transferred from other comprehensive income	–	–	–	375,397	–	–	(375,397)	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	3,714,234	3,714,234
Acquisition of additional interests in a subsidiary	–	–	25,882	–	–	–	–	25,882	(25,882)	–
Disposal of interests in a subsidiary	–	–	–	–	–	–	–	–	(5,646)	(5,646)
Appropriation to surplus reserve	–	–	–	–	915,657	–	(915,657)	–	–	–
Appropriation to general reserve	–	–	–	–	–	2,536,671	(2,536,671)	–	–	–
Dividends recognized as distribution	–	–	–	–	–	–	(6,496,414)	(6,496,414)	–	(6,496,414)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(670,212)	(670,212)
Others	–	–	(4,900)	–	–	–	–	(4,900)	–	(4,900)
As at December 31, 2018	38,164,535	21,281,215	21,257,033	(1,152,132)	7,857,883	15,043,296	54,041,001	156,492,831	22,075,635	178,568,466

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended December 31, 2018
(Amounts in thousands of RMB, unless otherwise stated)

	Equity attributable to equity holders of the Company									
	Share capital (Note VI.64)	Other equity instruments (Note VI.65)	Capital reserve (Note VI.66)	Other comprehensive income (Note VI.67)	Surplus reserve (Note VI.68)	General reserve (Note VI.69)	Retained earnings	Subtotal	Non-controlling interests	Total
As at January 1, 2017	38,164,535	21,281,215	21,230,931	559,220	5,548,247	9,744,133	42,688,440	139,216,721	8,753,300	147,970,021
Profit for the year	–	–	–	–	–	–	18,122,390	18,122,390	635,436	18,757,826
Other comprehensive expense for the year	–	–	–	(2,244,771)	–	–	–	(2,244,771)	(329,887)	(2,574,658)
Total comprehensive income/(expense) for the year	–	–	–	(2,244,771)	–	–	18,122,390	15,877,619	305,549	16,183,168
Issuance of capital securities	–	–	–	–	–	–	–	–	8,216,193	8,216,193
Capital contribution from non-controlling interests of subsidiaries	–	–	4,900	–	–	–	–	4,900	3,128,087	3,132,987
Acquisition of additional interests in subsidiaries	–	–	(286)	–	–	–	–	(286)	(25,487)	(25,773)
Disposal of interests in subsidiaries	–	–	–	–	–	–	–	–	(1,343,103)	(1,343,103)
Appropriation to surplus reserve	–	–	–	–	1,393,979	–	(1,393,979)	–	–	–
Appropriation to general reserve	–	–	–	–	–	2,762,492	(2,762,492)	–	–	–
Dividends recognized as distribution	–	–	–	–	–	–	(5,704,976)	(5,704,976)	–	(5,704,976)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(164,361)	(164,361)
Others	–	–	506	–	–	–	–	506	–	506
As at December 31, 2017	38,164,535	21,281,215	21,236,051	(1,685,551)	6,942,226	12,506,625	50,949,383	149,394,484	18,870,178	168,264,662

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2018

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2018	2017
OPERATING ACTIVITIES		
Profit before tax	**18,788,546**	26,130,816
Adjustments for:		
Impairment losses on assets	**8,158,977**	11,404,680
Depreciation of property and equipment, and investment properties	**693,937**	518,473
Amortization of intangible assets and other long-term assets	**308,993**	335,499
Share of results of associates and joint ventures	**(2,496,919)**	(1,617,671)
Net gains on disposal of property and equipment, and investment properties	**(193,758)**	(109,738)
Net gains on disposal of subsidiaries and associates and joint ventures	**(1,550,907)**	(3,659,160)
Fair value changes on financial assets	**(9,117,604)**	638,908
Investment income	**(121,478)**	(29,465,747)
Interest income	**(3,605,723)**	–
Borrowing costs	**16,379,338**	11,520,780
Change in reserves for insurance contracts	**(2,285,203)**	8,471,547
Operating cash flows before movements in working capital	**24,958,199**	24,168,387
(Increase)/decrease in balances with central banks and deposits with banks and financial institutions	**(5,379,578)**	4,829,445
Increase in financial assets at fair value through profit or loss	**(26,966,150)**	(65,884,897)
Net decrease in placements with financial institutions	**845,689**	–
Decrease/(increase) in financial assets held under resale agreements	**14,537,376**	(9,985,487)
Increase in financial assets measured at amortized cost	**(23,257,336)**	–
Increase in financial assets classified as receivables	**–**	(33,599,649)
Increase in loans and advances to customers	**(28,986,535)**	(19,055,739)
Increase in accounts receivable	**(2,430,880)**	(85,035)
(Increase)/decrease in properties held for sale	**(6,645,022)**	6,464,022
Increase in due to customers and deposits from banks and financial institutions	**31,000,615**	27,546,221
Decrease in accounts payable to brokerage clients	**(2,077,971)**	(3,878,282)
Increase/(decrease) in financial assets sold under repurchase agreements	**2,935,356**	(2,344,213)
(Decrease)/increase in borrowings	**(9,867,075)**	121,801,240
Increase/(decrease) in accounts payable	**666,735**	(29,389)
Increase in contract liabilities	**11,017,990**	–
Decrease in other operating assets	**6,995,989**	15,382,711
Decrease in other operating liabilities	**(7,970,443)**	(6,124,222)
Cash (outflow)/inflow from operations	**(20,623,041)**	59,205,113
Income taxes paid	**(6,969,113)**	(5,473,796)
NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES	**(27,592,154)**	53,731,317

The accompanying notes form an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended December 31, 2018
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2018	2017
INVESTING ACTIVITIES		
Cash receipts from disposals and recovery of investment securities	**178,116,015**	192,463,810
Dividends received from investment securities	**9,817,779**	9,778,224
Dividends received from associates and joint ventures	**371,422**	474,342
Interest received from investment securities	**3,676,913**	4,871,946
Cash receipts from disposals of property and equipment, investment properties and other intangible assets	**230,725**	443,504
Net cash flows from disposals of subsidiaries	**6,574**	279,202
Net cash flows from disposals of associates and joint ventures	**3,322,440**	3,079,865
Cash payments to acquire investment securities	**(203,763,800)**	(247,664,454)
Net cash outflows due to acquisition of subsidiaries	**(2,300,100)**	–
Net cash flows from consolidated structured entities	**(11,553,162)**	(10,565,179)
Cash payments for purchase of property and equipment, investment properties and other intangible assets	**(2,747,514)**	(1,272,634)
Cash payments for establishment and acquisition of interests in associates and joint ventures	**(4,455,562)**	(26,730,361)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(29,278,270)**	(74,841,735)
FINANCING ACTIVITIES		
Net proceeds from the capital securities of subsidiaries	**–**	8,216,193
Capital contribution from non-controlling interests of subsidiaries of the Company	**316,111**	3,132,987
Cash payments to acquire additional interests in subsidiaries	**–**	(25,773)
Cash receipts from borrowings raised	**27,427,269**	25,768,074
Cash receipts from bonds issued	**105,228,500**	75,127,202
Cash receipts from financial assets sold under repurchase agreements	**4,192,068**	1,123,267
Cash repayments on financial assets sold under repurchase agreements	**(1,083,389)**	(21,000)
Cash repayments of borrowings	**(35,666,281)**	(17,732,007)
Cash repayments of bonds	**(34,203,564)**	(20,492,989)
Interest expenses on borrowings paid	**(18,287,207)**	(10,407,288)
Dividends paid	**(6,506,343)**	(5,700,353)
Dividends paid to non-controlling interests of subsidiaries	**(670,415)**	(164,267)
Cash payments for transaction cost of bonds issued	**(189,075)**	(345,711)
NET CASH INFLOW FROM FINANCING ACTIVITIES	**40,557,674**	58,478,335

The accompanying notes form an integral part of these consolidated financial statements.

(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	Year ended December 31 2018	2017
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(16,312,750)**	37,367,917
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**119,930,341**	84,107,649
Effect of foreign exchange changes		**2,448,817**	(1,545,225)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	71	**106,066,408**	119,930,341
Net cash flows from operating activities include:			
Interest received		**22,149,452**	20,640,790
Interest paid		**30,622,464**	25,675,046

The accompanying notes form an integral part of these consolidated financial statements.

I. CORPORATE AND GROUP INFORMATION

China Cinda Asset Management Co., Ltd. (the "Company") was transformed from China Cinda Asset Management Corporation (the "Former Cinda"), which was a wholly state-owned financial enterprise established in the People's Republic of China (the "PRC") by the Ministry of Finance (the "MOF") on April 19, 1999 as approved by the State Council of the PRC (the "State Council"). On June 29, 2010, China Cinda Asset Management Co., Ltd. was established after the completion of the financial restructuring of the Former Cinda as approved by the State Council. As at December 31, 2018, the MOF directly owned 64.45% of the share capital of the Company.

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

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

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

II. BASIS OF PREPARATION

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

Financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments) and financial assets and financial liabilities at fair value through other comprehensive income are measured at their fair values in the consolidated financial statement. Assets that meet the criteria to be classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Other accounting items are measured at their historical costs. Impairment is recognized if there is objective evidence of impairment of assets.

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

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company, and all values are rounded to the nearest thousand, except when otherwise indicated.

(Amounts in thousands of RMB, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards, amendments and interpretations effective and have been early adopted by the Group in 2018

In current year, the Group has applied the following new standards, amendments and interpretations to IFRSs that are effective for the Group's annual period beginning on January 1, 2018.

IAS 40 Amendments	Transfers of Investment Property
IFRS 2 Amendments	Classification and Measurement of Share-based Payment Transactions
IFRS 4 Amendments	Insurance Contracts
IFRS 9	Financial Instruments
IFRS 9 Amendments	Prepayment Features with Negative Compensation
IFRS 15 and Amendments	Revenue from Contracts with Customers
IFRIC Interpretation 22	Foreign Currency Transactions and Advance Consideration
Annual Improvements 2014-2016 Cycle	Amendments to IAS 28

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

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

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

IFRS 15 was issued in May 2014, and amended in April 2016, and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The Group has adopted IFRS 15 from January 1, 2018.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (continued)

IFRS 15 does not apply to revenue associated with financial instruments, and therefore, will not impact the majority of the Group's revenue, including interest income, income from distressed debt assets at amortized cost, investment income, fair value changes on distressed debt assets and fair value changes on other financial instruments which are covered under IFRS 9. The Group adopted IFRS 15 using the modified retrospective method of adoption whereby the effects of adopting IFRS 15 for uncompleted contracts with customers as at December 31, 2017 are adjusted at the opening balance of equity as at January 1, 2018 and prior period comparative are not restated.

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

Annual Improvements to IFRSs 2014-2016 Cycle was issued in December 2016. The amendments to IAS 28 Investments in Associates and Joint Ventures clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity that is not itself an investment entity has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries.

Except for IFRS 9, the adoption of the above Standards, amendments and interpretations did not have a significant impact on the amounts reported and disclosures set out in these condensed consolidated financial statements.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (continued)

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 which reflects all phases of the financial instruments project. IFRS 9 replace IAS 39 – Financial Instruments ("IAS 39"), for annual periods on or after January 1, 2018.

In October 2017, the IASB issued amendments to IFRS 9. This allows financial assets with prepayment features that permit or require a party to a contract either to pay or receive reasonable compensation for the early termination of the contract to be measured at amortized cost or at fair value through other comprehensive income. The amendments are effective for annual reporting periods beginning on or after January 1, 2019, but earlier application is permitted. The Group has adopted amendments to IFRS 9 from January 1, 2018.

The Group has not restated comparative information for 2017 for financial instruments in the scope of IFRS 9 (refer to the 2017 annual report for the accounting policies related to financial instruments of the Group in 2017). Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018 on this consolidated financial statements. Differences arising from the adoption of IFRS 9 have been recognized directly in shareholders' equity as at January 1, 2018.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (continued)

IFRS 9 Financial Instruments (continued)

Classification and Measurement

In IFRS 9, investments in financial assets are classified into three categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss based on the entity's business model for managing the debt instruments and their contractual cash flow characteristics. In addition, investments in equity instruments are required to be measured at fair value through profit or loss, unless an option is irrevocably exercised at inception to present changes in fair value in other comprehensive income in which case the accumulated fair value changes in other comprehensive income will not be recycled to profit or loss in the future. The details are included in Note IV.7.3 Classification, recognition and measurement of financial assets.

Impairment

IFRS 9 requires that the measurement of impairment of a financial asset be changed from "incurred loss model" to "expected credit loss model" (the "ECL" model) and this way of measurement applies to financial assets measured at amortized cost, measured at fair value with changes taken to other comprehensive income, and loan commitments and financial guarantee contracts. The details are included in Note IV.7.4 Impairment of financial assets.

Hedge accounting

The new hedge accounting model aims to provide a better link among an entity's risk management strategy, the rationale for hedging and the impact of hedging on the financial statements. Greater flexibility has been introduced to the types of transactions eligible for hedge accounting. To remove the risk of any conflict between existing macro hedge accounting practice and the new general hedge accounting requirements, IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting. The Group chose to adopt the new hedge accounting requirements in IFRS 9 from January 1, 2018.

(Amounts in thousands of RMB, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (continued)

IFRS 9 Financial Instruments (continued)

Reconciliation of the statement of financial position balances from IAS 39 to IFRS 9

		IAS 39 measurement				IFRS 9	
	Note	Category	Amount	Reclassification	Remeasurement	Amount	Category
Assets							
Cash and balances with central banks		L&R[1]	21,511,080	–	–	21,511,080	AC[2]
Deposits with banks and financial institutions		L&R	54,429,215	–	(830)	54,428,385	AC
Deposits with exchanges and others		L&R	1,124,895	–	–	1,124,895	AC
Placements with banks and financial institutions		L&R	18,160,410	–	(27,977)	18,132,433	AC
Financial assets held under resale agreements		L&R	60,109,388	–	(246)	60,109,142	AC
Available-for-sale financial assets		**AFS[3]**	**273,182,692**	**(273,182,692)**		**N/A**	
Transfer to: Held-for-trading and other financial assets at FVPL	A			(170,214,661)			
Transfer to: Financial assets at FVOCI	B			(92,764,502)			
Transfer to: Financial assets at AC	C			(8,703,529)			
Transfer to: Loans and advances to customers				(1,500,000)			
Financial assets classified as receivables		**L&R**	**234,226,871**	**(234,226,871)**		**N/A**	
Transfer to: Financial assets at AC	C			(212,268,389)			
Transfer to: Held-for-trading and other financial assets at FVPL				(21,958,482)			
Loans and advances to customers	D	**L&R**	**312,117,520**	**2,221,181**	**(717,598)**	**313,621,103**	**AC/FVPL[4]**
Transfer from: Available-for-sale financial assets				1,500,000	(36,300)		
Transfer from: Other assets				721,181	(36,471)		
Held-to-maturity investments		**HTM[5]**	**13,227,363**	**(13,227,363)**		**N/A**	
Transfer to: Financial assets at AC	C			(13,227,363)			
Held-for-trading and other financial assets at FVPL		**FVPL**	**27,084,032**	**374,109,591**	**4,258,463**	**405,452,086**	**FVPL**
Transfer from: Financial assets at FVPL (designated)	E			181,663,401	–		
Transfer from: Available-for-sale financial assets	A			170,214,661	4,339,584		
Transfer from: Financial assets classified as receivables				21,958,482	(33,666)		
Transfer from: Other assets				273,047	(47,455)		

(Amounts in thousands of RMB, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (continued)

IFRS 9 Financial Instruments (continued)

Reconciliation of the statement of financial position balances from IAS 39 to IFRS 9 (continued)

Note: [1] L&R Loans and receivables
[2] AC Amortized cost
[3] AFS Available-for-sale financial assets
[4] FVPL Fair value through profit or loss
[5] HTM Held-to-maturity investments
N/A Not applicable

		IAS 39 measurement				IFRS 9	
	Note	Category	Amount	Reclassification	Remeasurement	Amount	Category
Assets							
Financial assets at FVPL (designated)		**FVPL**	**186,711,827**	**(186,711,827)**	**–**	**–**	**FVPL**
Transfer to: Held-for-trading and other financial assets at FVPL	E			(181,663,401)			
Transfer to: Financial assets at FVOCI	F			(5,048,426)			
Financial assets at FVOCI			**N/A**	**97,812,928**	**1,022**	**97,813,950**	**FVOCI[6]**
Transfer from: Available-for-sale financial assets	B			92,764,502	1,022		
Transfer from: Financial assets at FVPL (designated)	F			5,048,426	–		
Financial assets at AC			**N/A**	**234,699,325**	**(786,939)**	**233,912,386**	**AC**
Transfer from: Financial assets classified as receivables	C			212,268,389	(655,066)		
Transfer from: Held-to-maturity investments	C			13,227,363	(1,318)		
Transfer from: Available-for-sale financial assets	C			8,703,529	(130,555)		
Transfer from: Other assets				500,044	–		
Other assets			**185,052,256**	**(1,494,272)**	**(546,325)**	**183,011,659**	
Transfer to: Loans and advances to customers				(721,181)			
Transfer to: Financial assets at AC				(500,044)			
Transfer to: Financial assets at FVPL				(273,047)			
Including: Deferred tax assets			5,150,810	–	(546,325)	4,604,485	
Total assets			**1,386,937,549**	**–**	**2,179,570**	**1,389,117,119**	

Note: [6] FVOCI Fair value through other comprehensive income

(Amounts in thousands of RMB, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (continued)

IFRS 9 Financial Instruments (continued)

Reconciliation of the statement of financial position balances from IAS 39 to IFRS 9 (continued)

		IAS 39 measurement				IFRS 9	
	Note	Category	Amount	Reclassification	Remeasurement	Amount	Category
Liabilities							
Borrowings from the central bank		AC	986,058	–	–	986,058	AC
Accounts payable to brokerage clients		AC	12,393,813	–	–	12,393,813	AC
Financial liabilities at fair value through profit or loss		FVPL	6,794,129	–	–	6,794,129	FVPL
Financial assets sold under repurchase agreements		AC	6,630,267	–	–	6,630,267	AC
Placements from banks and financial institutions		AC	16,431,551	–	–	16,431,551	AC
Borrowings		AC	580,352,070	–	–	580,352,070	AC
Due to customers		AC	226,220,786	–	–	226,220,786	AC
Deposits from banks and financial institutions		AC	19,259,266	–	–	19,259,266	AC
Accounts payable		AC	3,220,939	–	–	3,220,939	AC
Bonds issued		AC	206,482,644	–	–	206,482,644	AC
Other liabilities	G		**139,901,364**	**–**	**195,432**	**140,096,796**	
Including: Deferred tax liabilities			2,104,573	–	–	2,104,573	
Total liabilities			**1,218,672,887**	**–**	**195,432**	**1,218,868,319**	

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (continued)

IFRS 9 Financial Instruments (continued)

Reconciliation of the statement of financial position balances from IAS 39 to IFRS 9 (continued)

A. Part of the debt instruments classified as available-for-sale financial assets under IAS 39 do not pass the requirements of solely collecting the payments of principal and interest on the principal amount outstanding ("contractual cash flow characteristics test"). Thus the Group measures these instruments at fair value under IFRS 9, and the fair value changes of these debt instruments will be recognized in profit or loss. Although equity instruments can be designated as at fair value through other comprehensive income on initial recognition, the Group didn't make the election for most equity instruments classified as available-for-sale under IAS 39 and measured these equity instruments as at fair value. The profit or loss resulted from fair value changes of these equity instruments will be recognized in the statement of profit or loss.

B. Part of the debt instruments classified as available-for-sale financial assets under IAS 39 pass the contractual cash flow characteristics test and are held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets. Thus, these financial assets will be classified as at fair value through other comprehensive income after the adoption of IFRS 9. When these debt instruments are derecognized, their accumulative fair value changes will be reclassified to profit or loss.

C. Part of the debt instruments which are originally classified as available-for-sale financial assets, financial assets classified as receivables and held-to-maturity investments pass the contractual cash flow characteristics tests, and are held within a business model whose objective is to hold assets in order to collect contractual cash flows. Thus, these financial assets are measured at amortized cost under IFRS 9. If the financial assets classified as available-for-sale under IAS 39 were not reclassified to financial assets at amortized cost under IFRS 9, the fair value changes over 2018, that would be recorded in other comprehensive income had these instruments continued to be revalued through other comprehensive income, would have been not significant.

D. Under IFRS 9, Loans and advances to customers include loans and advances to customers measured at amortized cost as well as loans and advances to customers measured at fair value through profit or loss.

E. Under IAS 39, the Group's designated financial assets as at fair value through profit or loss mainly include acquired distressed debt assets, equity investments, funds and etc. Under IFRS 9, these financial assets are classified as at fair value through profit or loss.

F. Part of the equity instruments which were classified as at fair value through profit or loss under IAS 39 were designated as at fair value through other comprehensive income under IFRS 9 at January 1, 2018. If the designation option was not exercised, the fair value changes over 2018, that would be recorded in profit or loss had these instruments continued to be revalued through profit or loss, would have been losses of RMB515 million.

G. The expected credit losses of the credit commitments is reported and remeasured in other liabilities – provisions, and the cumulative impact of credit losses related to the credit commitment under IFRS 9 is recorded into shareholders' equity as at January 1, 2018.

(Amounts in thousands of RMB, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations effective and have been early adopted by the Group in 2018 (continued)

IFRS 9 Financial Instruments (continued)

Reconciliation of the impairment allowance balance from IAS 39 to IFRS 9

The following table reconciles the aggregate opening impairment allowances under IAS 39 at 31 December 2017 to the impairment allowances under IFRS 9 at 1 January 2018:

Measurement category	Impairment allowances under IAS 39/IAS 37 at December 31, 2017	Reclassification	Remeasurement	ECL under IFRS 9 at 1 January, 2018
L&R per IAS 39/financial assets at AC under IFRS 9				
Distressed debt assets	8,409,977	–	571,745	8,981,722
Other debt instruments	55,224	–	83,321	138,545
Loans and advances to customers per IAS 39/loans and advances to customers under IFRS 9				
Loans and advances to customers	6,917,941	–	223,644	7,141,585
Available-for-sale financial assets per IAS 39/financial assets at AC under IFRS 9				
Debt investments	1,266,603	–	130,555	1,397,158
Available-for-sale financial assets per IAS 39/loans and advances to customers under IFRS 9				
Debt investments	–	–	36,300	36,300
Held-to-maturity investments per IAS 39/financial assets at AC under IFRS 9				
Security investments	–	–	1,318	1,318
Other financial assets per IAS 39/financial assets at AC under IFRS 9				
Other receivables	20	–	–	20
Other financial assets per IAS 39/loans and advances to customers under IFRS 9				
Other receivables	–	–	36,471	36,471
Available-for-sale financial assets per IAS 39/financial assets at FVOCI under IFRS 9				
Debt investments	67,951	–	61,543	129,494
Available-for-sale financial assets per IAS 39/financial assets at FVPL under IFRS 9				
Financial instruments	8,071,658	(8,071,658)	–	–
L&R per IAS 39/financial assets at FVPL under IFRS 9				
Distressed debt assets	383,798	(383,798)	–	–
Other debt instruments	16,800	(16,800)	–	–
Others (1)	1,905,708	–	224,485	2,130,193
Total	27,095,680	(8,472,256)	1,369,382	19,992,806

(1) Others major include impairment provision for financial assets held under resale agreements, credit commitments, accounts receivable, other receivables and etc.

(Amounts in thousands of RMB, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2018

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

		Effective for annual periods beginning on or after
IFRS 16	Leases	January 1, 2019
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments	January 1, 2019
IAS 19 Amendments	Plan amendment, curtailment or settlement	January 1, 2019
IAS 28 Amendments	Long-term Interests in Associates and Joint Ventures	January 1, 2019
IFRS 3 Amendments	Definition of a business	January 1, 2020
IAS 1 and IAS 8 Amendments	Definition of material	January 1, 2020
IFRS 17	Insurance Contracts	January 1, 2021
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Effective date has been deferred indefinitely
Annual Improvements to IFRSs 2015-2017 cycle (issued in December 2017)		January 1, 2019

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2018 (continued)

IFRS 16 Lease

In January 2016 the IASB issued IFRS 16 Leases, which replaces IAS 17 and IFRIC 4. IFRS 16 requires the cancellation of the classification of finance lease and operating lease, and lessees to recognize all the right-of-use assets and lease liabilities for all leases and recognize depreciation and interest expense respectively. IFRS 16 includes two elective recognition exemptions for lessees-short-term leases and leases of low-value assets. Lessor accounting is substantially unchanged from the accounting under IAS 17.

IFRS 16 is effective for annual periods beginning on or after January 1, 2019 on a retrospective basis and includes an exemption from the requirement to restate comparative information. The Group will choose to adopt IFRS 16 and include exemption of comparative information since January 1, 2019. For the lease contracts which are occurred before the effective day of January 1, 2019, the Group will not do the reassessments, instead, the Group will treat these contracts using the practical expedient. As a leasee, the Group will also use the practical expedient which will not recognize the right-of-use assets and lease liabilities and will recognize profit and loss using straight-line method during the lease term for short-term leases and leases for which the underlying asset is of low value.

IFRIC Interpretation 23 clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. The interpretation mainly addresses the following four areas: whether an entity separately considers the uncertainty of tax treatments; assumptions adopted by an entity to address the examination of tax treatments by taxation authorities; how an entity determines taxable profit/(tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances.

IAS 19 Amendments require entities to use the updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after such an event. The amendments also clarify how the requirements for accounting for a plan amendment, curtailment or settlement affect the asset ceiling requirements. The amendments do not address the accounting for “significant market fluctuations” in the absence of a plan amendment, curtailment or settlement.

IAS 28 Amendments clarify that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). Entities must apply the amendments retrospectively, with certain exceptions.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2018 (continued)

IFRS 3 Amendments clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to IAS 1 and IAS 8 provide a new definition of materiality. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions made by the primary users of general purpose financial statements. The amendments clarify that materiality depends on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

IFRS 17 Insurance Contracts replaced IFRS 4 Insurance Contracts. The standard provides a general model for insurance contracts and two additional approaches: the variable fee approach and the premium allocation approach. IFRS 17 covers the recognition, measurement, presentation and disclosure of insurance contracts and applies to all types of insurance contracts.

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

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations that are not yet effective and have not been early adopted by the Group in 2018 (continued)

Annual Improvements to IFRSs 2015-2017 Cycle was issued in December 2017. Those amendments affect IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs. The amendments are effective from annual period beginning on or after January 1, 2019. No amendment was early adopted by the Group and no material changes to accounting policies were made in 2018.

The Group is considering the impact of these standards, amendments and interpretations on the consolidated financial statements.

IV. SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

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

2. Basis of consolidation

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of consolidation (continued)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting and potential voting rights; and
- any additional facts and circumstances that indicate that the Company has, or does not have the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The carrying amount of the non-controlling interests is adjusted at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognizes the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognizes the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognized as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 *Financial Instruments: Classification, recognition and measurement of financial assets* or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Business combinations

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

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

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

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

4. Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill arising on a business combination is measured at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statements of financial position. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Goodwill (continued)

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

5. Cash and cash equivalents

Cash and cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6. Foreign currency transactions

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Foreign currency transactions (continued)

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (effective on and after January 1, 2018)

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

7.1 Determination of fair value

Fair value is determined in the manner described in Note VI.78 Fair values of financial instruments.

7.2 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or expense over the period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

7.3 Classification, recognition and measurement of financial assets

The Group classifies financial assets as subsequently measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (effective on and after January 1, 2018) (continued)

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

Business model

An entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If financial assets are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the business model of the financial assets is "other". The entity's assessment of the business model is performed on a financial assets portfolio basis, and determined on a reasonable expected scenario, taking into account: how cash flows were generated in the past, how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and how managers of the business are compensated.

The contractual cash flow characteristics

The assessment of contractual cash flow characteristics is to identity whether the cash flows are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However the principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (effective on and after January 1, 2018) (continued)

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

Financial assets at amortized cost

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets that the Group holds are subsequently measured at amortized cost, which mainly include distressed debt assets, loans and advances to customers as well as other debt investment.

The amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

Financial assets at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (effective on and after January 1, 2018) (continued)

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

Financial assets at fair value through other comprehensive income (continued)

Such financial assets that the Group hold mainly include debt securities, and are subsequently measured at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Expected credit losses of such financial assets shall be recognized in other comprehensive income. The impairment gain or loss shall not adjust the carrying amount of such financial assets item and be recognized in profit or loss.

Financial assets at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income, which mainly include distressed debt assets, equity investments as well as fund.

Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on a financial asset that is measured at fair value shall be recognized in profit or loss unless it is part of a hedging relationship. Qualified dividends generated by such equity instruments, which the Group is entitled to collect, shall be recognized in the statement of profit or loss.

Equity instruments

The Group may, at initial recognition, irrevocably designate an equity instrument, except a trading equity instrument as a financial asset measured at fair value through other comprehensive income when it meets the definition of equity instruments under IAS 32 Financial Instruments: Presentation. When the equity instrument is derecognized the cumulative gain or loss previously recognized in other comprehensive income shall be reclassified from other comprehensive income to retained earnings under equity. Qualified dividends generated by such equity instruments, which the Group is entitled to collect, shall be recognized in the statement of profit or loss. Such equity instruments do not recognise impairment losses.

Only if the Group changes the business model for financial assets, the Group shall reclassify the affected financial assets. The reclassification shall be effective from the first day of the first reporting period after the change of its business model under the perspective method.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (effective on and after January 1, 2018) (continued)

7.4 Impairment of financial assets

On the financial reporting date, the Group evaluates and confirms the relevant impairment allowances to financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, and loan commitments and financial guarantee contracts on the basis of expected credit losses.

The ECL is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage I: The financial instruments without significant increases in credit risk after initial recognition are included in Stage I to calculate their impairment allowance at an amount equivalent to the ECL of the financial instruments for the next 12 months;

- Stage II: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage II, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;

- Stage III: Financial assets with objective evidence of impairment at the financial reporting date are included in Stage III, with their impairment allowance measured at the amount equivalent to the ECL over the lifetime of the financial instruments.

For the previous accounting period, the impairment provision has been measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the financial reporting date, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance of the financial instruments on the financial reporting date according to the ECL in the next 12 months.

For purchased or originated credit-impaired financial assets, the Group only recognises the lifetime cumulative change in expected credit losses after initial recognition on the financial reporting date as impairment allowance. On each financial reporting date, the Group recognises the amount of the changes in expected credit losses as an impairment loss or gain in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (effective on and after January 1, 2018) (continued)

7.4 Impairment of financial assets (continued)

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used complex models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by borrowers and the corresponding losses). The Group adopts judgement, assumption and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters of the ECL measurement
- Forward-looking information
- Modification of contractual cash flows.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (effective on and after January 1, 2018) (continued)

7.4 Impairment of financial assets (continued)

(i) Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each financial reporting date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on reporting date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments. The main criteria considered are as follows:

- Significant adverse change in the issuer or the debtor's operation or financial status;
- Significant downgrade in debtor's actual or expected internal and external credit ratings;
- The creditor offers the debtor a grace period or an extension period or debt restructuring;
- Significant increase in credit spread; and
- Overdue information.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (effective on and after January 1, 2018) (continued)

7.4 Impairment of financial assets (continued)

(ii) Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument. When the Group assesses whether the credit impairment of debtors occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses; and
- Overdue information.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event. For credit-impaired financial assets, the Group evaluate the future cash flow (including the recoverable value of the collateral held), mainly based on individual financial instruments, in different circumstances and accrue the differences between the present value and the book value determined at the original effective interest rate as impairment loss or gain in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (effective on and after January 1, 2018) (continued)

7.4 Impairment of financial assets (continued)

(iii) Parameters of the ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of the ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the requirement of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties) and forward-looking information in order to establish the models of PD, LGD and EAD.

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfil its obligations of repayment in the next 12 months or throughout the entire remaining lifetime;

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure, and is the percentage of loss of risk exposure at the time of default. LGD is calculated over the next 12 months or over the entire remaining lifetime;

- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

(iv) Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

The impact of these economic indicators on the ECL measurement varies according to different types of business. The Group applies experts' judgement in this process, and predicts these economic indicators on a regular basis and determines the impacts on these economic indicators on the ECL measurement by conducting regression analysis.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (effective on and after January 1, 2018) (continued)

7.4 Impairment of financial assets (continued)

(iv) Forward-looking information (continued)

In addition to providing a baseline economic scenario, the Group combines statistical analysis with experts' judgement to determine the weight of other possible scenarios. The Group measures the weighted average ECL of 12 months (Stage I) or life time (Stage II and Stage III). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

(v) Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset and the book value of the financial asset is recalculated and the related gain or loss is included in current profit or loss. The recalculated book value of the financial asset is determined based on the present value of the contractual cash flows following the renegotiation or modification, as calculated using the original effective interest rate of the financial asset.

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage III or Stage II to Stage I, the impairment allowance is changed to measure at an amount equivalent to the ECL of the financial instruments for the next 12 months from the ECL over the lifetime of the financial instruments.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (effective on and after January 1, 2018) (continued)

7.5 Transfer of financial assets

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

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between (i) the carrying amount allocated to the part derecognized; and (ii) the sum of the consideration received and receivable for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

7.6 Classification, recognition and measurement of financial liabilities

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (effective on and after January 1, 2018) (continued)

7.6 Classification, recognition and measurement of financial liabilities (continued)

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Other financial liabilities

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (effective on and after January 1, 2018) (continued)

7.7 Derecognition of financial liabilities

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

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

7.8 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment; or

- hedges of a net investment in a foreign operation.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (effective on and after January 1, 2018) (continued)

7.8 Derivative financial instruments and hedge accounting (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.

- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.

- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss.

The amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (effective on and after January 1, 2018) (continued)

7.8 Derivative financial instruments and hedge accounting (continued)

Fair value hedge

The change in the fair value of a hedging instrument is recognized in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognized in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognized, the unamortized fair value is recognized immediately in the statement of profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognized in the statement of profit or loss.

Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

7.9 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when both of the following conditions are satisfied: (i) the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable; and (ii) the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Inventories

Properties under development and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realizable value on an individual basis. Cost comprises the acquisition cost and other costs directly attributable to such properties as well as borrowing costs capitalized in accordance with the Group's accounting policy.

Others

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

9. Contract assets and contract liabilities (effective on and after January 1, 2018)

The Group presents contract assets or contract liabilities in the statement of financial position based on the relationship between performance obligations and customer payments.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Contract assets and contract liabilities (effective on and after January 1, 2018) (continued)

Incremental costs of obtaining a contract

Other than the costs which are capitalized as inventories, property, plant and equipment and intangible assets, costs incurred to obtain a contract with a customer are capitalized as an asset, unless the amortization period of the asset is one year or less, if all of the following criteria are met:

- The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- The costs are expected to be recovered.

The capitalized contract costs are amortized and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognized.

10. Interests in associates and joint ventures

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Interests in associates and joint ventures (continued)

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

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

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Interests in associates and joint ventures (continued)

When the Group can no longer exercise joint control of or significant influence over an investee due to partial disposal of equity investment or other reasons, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition of a financial asset in accordance with IFRS 9. The difference between the previous carrying amount of the associate and joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of associates and joint ventures. In addition, the Group accounts for all amount previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required if that associate and joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate and joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it can no longer exercise joint control of or significant influence over an investee. When a group entity transacts with its associate or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

11. Investment properties

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

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

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

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

Investment properties are depreciated or amortized in accordance with the same policies of buildings and land use rights.

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

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

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

Aircrafts are used in the Group's aircraft operating leasing business. Aircrafts are depreciated using the straight-line method over the expected useful life of 25 years, less the years in service at the time of purchase to an estimated residual value rate of 5%.

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally. Capitalization is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

14. Intangible assets

Intangible assets include trading seat fee, computer software systems and others, trade names, core deposits intangible and credit card customer relationships, etc.

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Intangible assets (continued)

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

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

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

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

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

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

16. Resale and repurchase agreements

16.1 Financial assets held under resale agreements

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

16.2 Financial assets sold under repurchase agreements

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

17. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency such as action at law, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the provision.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

18. Insurance contracts and significant insurance risk testing

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts held by the Group are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as determined by the Group is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Some insurance contracts contain both an insurance component and a deposit component. The Group should unbundle the insurance component and the deposit component.

The unbundled insurance component is accounted for according to IFRS 4 and the unbundled deposit component is accounted for as investment contract liabilities according to relevant accounting policies. If the insurance component and the deposit component are not distinct and separately measurable, the whole contract is accounted for as an insurance contract.

For contracts issued by the Group which require testing the significance of insurance risk, it will be performed at the initial recognition of such contracts, and based on a group of contracts with similar nature. When performing the insurance risk significance test, the Group makes judgements in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

19. Insurance contracts liabilities

Insurance contract liabilities of the Group include long-term life insurance contract liabilities, unearned premium reserves and claim reserves.

When measuring the long-term life insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of a similar nature as a measurement unit and mainly considers the characteristics of policies, including product type, gender, age, and durations of policies, when determining the measurement unit, etc.

The Group's short-term insurance contracts, which include non-life and short-term accident and health insurance policies, are grouped into certain measurement units by business line.

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contracts liabilities (continued)

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

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

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

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

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

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

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

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

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

For long-term life insurance contracts, the Group amortizes the residual margin on the basis of the effective sum of insured amount or numbers of insurance contracts during the whole insurance coverage period. For short-term insurance contracts, the Group amortizes the residual margin on a time basis during the whole insurance coverage period and records it in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contracts liabilities (continued)

When measuring insurance contract liabilities, time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short-term insurance contracts which duration is within one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money are determined with reference to information available at the end of each reporting period.

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

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

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

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

Unearned premium reserves

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contracts liabilities (continued)

Claim reserves

Claim reserves are provided for insurance claims of short-term insurance contracts and include incurred and reported reserves, Incurred but not reported reserves ("IBNR") and claim expense reserves.

Incurred and reported reserves are measured at amounts not higher than the sum insured of the insurance contracts, using methods such as the case-by-case estimate method or average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

IBNR are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using methods such as the chain ladder method, average claim per case method, expected loss ratio method or Bornhuetter-Ferguson method, based on a reasonable estimate of ultimate claim amounts as well as margins.

Claim expense reserves are measured based on the best estimates of the future payments for claim expenses.

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

Liability adequacy test

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contracts liabilities (continued)

Investment contracts

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

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

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

Universal life contracts

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

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contracts liabilities (continued)

Reinsurance

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

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

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

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

20. Assets and liabilities classified as held for sale

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

21. Preference shares

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

22. Revenue recognition

22.1 Income from distressed assets

Income from distressed assets is mainly generated from distressed debt assets included in financial assets at amortized cost and financial assets at fair value through profit or loss, equity instruments relating to distressed asset business included in financial assets at fair value through profit or loss and assets in satisfaction of debts.

Income from distressed debt assets includes interest income arising on distressed debt assets classified as financial assets at amortized cost, gains or losses from disposal of distressed debt assets at fair value through profit or loss and unrealized fair value changes on such assets, both of which are accounted for as fair value changes on distressed debt assets. Any interest income arising from distressed debt assets at fair value through profit or loss is also included in fair value changes of such assets. Income is also generated from the disposal of assets in satisfaction of debts. The accounting policy for interest income arising on distressed debt assets classified as financial assets at amortized cost is detailed in Note IV.22.5 Interest income and expense.

Income from equity instruments relating to distressed asset business classified as financial assets at fair value through profit or loss includes dividend income, Unrealized fair value changes and gains or losses from disposal of these instruments and are presented under fair value changes of other financial instruments. The accounting policy for dividend income is detailed in Note IV.22.7 Dividend income.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

22. Revenue recognition (continued)

22.2 Commission and fee income (effective on and after January 1, 2018)

The Group earns commission and fee income from securities and futures brokerage business, securities underwriting business, fund and asset management business, consultancy and financial advisory business, trustee services business, banking business, agency business services and etc. which the Group provides to the customers. For those services that are provided over a period of time, commission and fee income are accrued in accordance with the actual progress. For other services, commission and fee income are recognized when the transactions are completed.

22.3 Premium income

Premium income and reinsurance premium income are recognized when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that related economic benefits will flow to the Group and related income can be reliably measured.

Premiums from long-term life insurance contracts are recognized as revenue when due from the policyholders. Premiums from direct short-term insurance contracts are recognized as revenue based on the amount of total premium stated in the contracts.

Reinsurance premiums are recognized as revenue in accordance with the terms stated in the reinsurance contracts.

22.4 Revenue from sale of goods (effective on and after January 1, 2018)

Revenue from sale of goods of the Group is recognized when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

When the contract contains a financing component which provides the customer or the Group a significant benefit of financing the transfer of goods to the customer, either explicitly or implicitly, the transaction price for such contracts is discounted to take into consideration the significant financing component.

Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

22. Revenue recognition (continued)

22.5 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for interest income from distressed debt assets, are recognized within "interest income" and "interest expense" in profit or loss using the effective interest method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

22.6 Investment income

Investment income includes dividend income from the equity instruments at fair value through other comprehensive income, and gain/loss from disposal of financial assets other than financial assets at fair value through profit or loss, equity investment at fair value through other comprehensive income and distressed debt assets at amortized cost.

22.7 Dividend income

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

22.8 Other income

Property rental income

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

Property management fee

The Group earns property management fee income from property management services which the Group provides to the customers. For those services that are provided over a period of time, property management fee income is accrued in accordance with the actual progress. For other property management services, property management fee income is recognized when the services are completed.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

23. Taxation

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

23.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

23.2 Deferred tax

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

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

23. Taxation (continued)

23.2 Deferred tax (continued)

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

24. Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

24.1 The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized as an expense on a straight-line basis over the lease term.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

24. Leasing (continued)

24.2 The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis.

24.3 Leasehold land and building

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

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

25. Fiduciary activities

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

26. Employee benefits

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

Social welfare

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

Annuity scheme

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

Defined benefit plans

The Group's subsidiary Nanyang Commercial Bank, Limited (the "NCB") operates a defined benefit plan for all its retired employees.

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

27. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

The following are the critical judgements and key estimation uncertainties that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements and/or in the next financial year in 2018.

Please refer to the 2017 annual report for critical accounting judgements and key sources of estimation made by the Group in the applying of accounting policies in 2017.

1. Classification of financial assets

The Group's critical judgements on determining the classification of financial assets include business model and analysis of contractual cash flow characteristics. The Group's assessment of the business model is performed on a financial assets portfolio basis, taking into consideration of how to generate cash flows of the assets in the past, how the performance of the financial assets are evaluated and reported to the Group's key management personnel, how the risks are evaluated and managed, and how managers of are compensated. The Group's critical judgements on whether the cash flows are solely payments of principal and interest on the principal amount outstanding include whether principal amount may change over the life of the financial asset (for example, if there are repayments of principal) and whether interest only consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

2. Fair value of financial instruments

The Group uses valuation techniques for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, comparable listed company method, option pricing models or other valuation methods as appropriate. In practical applications, only observable data are used in the models. However, areas such as credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of the financial instruments.

3. Impairment of financial assets

The models and assumptions used by the Group in assessing the expected credit losses on financial assets are highly dependent on management's judgement. When determining whether the credit risk of an asset has increased significantly or not, the Group needs to consider internal and external historical information, current conditions and future economic forecasts. The criteria for a significant increase in credit risk will be used to determine whether an asset needs to accrue lifetime expected credit losses, rather than expected credit losses for the subsequent 12 months. The parameters used by the Group to measure the ECL model, including PD, LGD and EAD, each involve numerous judgements and assumptions. The Group applies expert judgements to predict macroeconomic indicators, analyses the correlations with model parameters such as PD, and makes forward-looking adjustments. At the same time, the Group also needs to judge the probability of occurrence of multiple different macroeconomic scenarios and calculate probability-weighted expected credit losses. The estimation of future cash flows is critical for an impaired asset that uses a single assessment method to measure expected credit losses. Factors that may affect this estimate include, but are not limited to: the level of detail of the financial information of a particular debtor, the relationship between industry trends and the future performance of a particular debtor and cash flows which can be recovered from realising collateral and so on.

4. Transfer of financial assets

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

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

5. Measurement method of insurance contract reserve

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

6. Control on structured entities

The Group's management needs to assess whether the Group has the power over a structured entity and is exposed to significant variable return of the structured entities. If such power and exposure exist, the Group should consolidate such structured entities. The judgments the Group used in determining if it has control over the structured entities are detailed in Note VI.41 Interests in consolidated structured entities.

The Group reassess whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control as listed in Note IV.2 Basis of consolidation.

7. Judgment on joint control

The joint control over the investees is determined by the Group's assessment of the existence of sharing of control. The assessment involves judgment on whether decisions about the relevant activities require the unanimous consent of the parties sharing control.

8. Judgment on significant influence

The significant influence over the investees is determined by the Group's assessment of its power to participate in the investees' financial and operating policy decisions. The assessment involves significant judgment based on factors such as the investees' policy-making process, composition of board of directors or other governing body, change in ownership and existence of contractual arrangements.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

9. Recognition and allocation of properties under development

The construction cost is accumulated in properties under development during the construction period and recognized as purchases and changes in inventories in the statement of profit or loss when they are sold. The construction cost is estimated by the management of the Group in accordance with budget and the progress of development. The cost directly related to development in current period is accumulated in properties under development and the common cost among construction periods cost is allocated among each period on the basis of saleable area.

10. Taxes

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

VI. EXPLANATORY NOTES

1. Income from distressed debt assets at amortized cost (For the year ended December 31, 2017: Income from distressed debt assets classified as receivables)

For the year ended December 31, 2018, the amounts mainly represent interest income arising from distressed debt assets at amortized cost, which acquired from financial institutions and non-financial institutions (see Note VI.32 Financial assets at amortized cost).

For the year ended December 31, 2017, the amounts mainly represent interest income arising from distressed debt assets classified as receivables, which include loans acquired from financial institutions and accounts receivable acquired from non-financial institutions (see Note VI.33 Financial assets classified as receivables).

2. Fair value changes on distressed debt assets

The amounts represent fair value changes on distressed debt assets at fair value through profit or loss during the year (see Note VI.27 Financial assets at fair value through profit or loss).

The fair value changes comprise both realized gains or losses from disposal of distressed debt assets at fair value through profit or loss and unrealized fair value changes on such assets. Any interest income arising from such assets is included in fair value changes.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

3. Fair value changes on other financial instruments

The amounts represent fair value changes on both financial assets at fair value through profit or loss (excluding distressed debt assets at fair value through profit or loss) and financial liabilities at fair value through profit or loss during the period (see Note VI.27 Financial assets at fair value through profit or loss and Note VI.51 Financial liabilities at fair value through profit or loss).

The fair value changes comprise realized gains and losses on disposal and unrealized fair value changes, from financial assets at fair value through profit or loss (excluding distressed debt assets at fair value through profit or loss), loans and advances to customers at fair value through profit or loss and financial liabilities at fair value through profit or loss. Any interest or dividend income arising from such instruments is included in fair value changes.

For the year ended December 31, 2018 and 2017, the fair value changes on financial liabilities at fair value through profit or loss were insignificant.

	Year ended December 31	
	2018	2017
Financial instruments at fair value through profit or loss	**15,068,927**	1,519,282
Financial instruments designated as at fair value through profit or loss	**–**	1,062,941
Total	**15,068,927**	2,582,223

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

4. Investment income

	Year ended December 31	
	2018	2017
Net realized gain from disposal of		
– financial assets at fair value through other comprehensive income	**64,445**	–
– available-for-sale financial assets	**–**	14,401,308
– other debt investments at amortized cost (1)	**32,929**	–
Interest income from		
– available-for-sale financial assets	**–**	3,691,300
– debt instruments classified as receivables	**–**	1,294,224
– held-to-maturity financial assets	**–**	601,968
Dividend income from		
– financial assets at fair value through other comprehensive income	**12,155**	–
– available-for-sale financial assets	**–**	8,879,917
Others	**44,878**	597,030
Total	**154,407**	29,465,747

(1) All the net gains recognized from derecognition of other debt investments at amortized cost are resulting from disposing collaterals of debt.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

5. Net insurance premiums earned

	Year ended December 31	
	2018	2017
Gross written premiums	**9,165,684**	19,311,778
Less: Premiums ceded to reinsurers	**20,666**	51,051
Change of unearned premium reserves	**16,375**	(6,201)
Total	**9,128,643**	19,266,928

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

	Year ended December 31	
	2018	2017
Life insurance	**9,165,684**	18,474,609
Property and casualty insurance	**–**	837,169
Total	**9,165,684**	19,311,778

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

6. Interest income

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

	Year ended December 31	
	2018	2017
Loans and advances to customers		
– Corporate and personal loans and advances	**13,500,603**	12,180,325
– Finance lease receivables	**2,795,319**	2,381,954
– Loans to margin clients	**537,123**	554,105
Financial assets at fair value through other comprehensive income	**3,108,891**	–
Other debt investments at amortised cost	**1,815,068**	–
Financial assets held under resale agreements	**1,580,932**	2,596,101
Placements with banks and financial institutions	**1,081,370**	587,440
Deposits with banks and financial institutions	**1,016,338**	1,981,507
Balance with central banks	**169,491**	172,112
Accounts receivable	**40,503**	9,658
Others	**109,537**	177,588
Total	**25,755,175**	20,640,790

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

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

	Year ended December 31	
	2018	2017
Revenue from sales of inventories	**17,446,425**	14,425,517
Purchases and changes in inventories	**(11,382,225)**	(10,355,808)
Including:		
Revenue from sales of properties held for sale	**17,438,487**	14,358,246
Purchases and changes in properties held for sale	**(11,376,575)**	(10,310,858)
Gross profit from sales of properties	**6,061,912**	4,047,388
Revenue from other trading operations	**7,938**	67,271
Purchases and changes in inventories of other trading operations	**(5,650)**	(44,950)
Gross profit from other trading operations	**2,288**	22,321

Recognition time of revenue from sales of properties held for sale

	Year ended December 31 2018
Recognized revenue at a point in time	
Sales of properties held for sale	**17,438,487**

Information relating to the estimated recognition of revenue for the remaining contract performance obligations for which consideration has been obtained as follows:

	Year ended December 31 2019	**Year ended December 31 2020**	**Year ended December 31 2021 and after**	**Total**
Sales of properties held for sale	**20,494,994**	**3,842,895**	**27,140**	**24,365,029**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

8. Commission and fee income

	Year ended December 31	
	2018	2017
Banking business	**993,197**	999,161
Fund and asset management business	**938,804**	703,765
Securities and futures brokerage	**811,153**	1,094,356
Agency business	**363,092**	377,052
Trustee services	**342,965**	507,645
Consultancy and financial advisory	**157,819**	331,888
Securities underwriting	**65,833**	86,284
Others	**44,782**	118,773
Total	**3,717,645**	4,218,924

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

	Year ended December 31	
	2018	2017
Net gains on disposal of subsidiaries	**(32)**	3,647,591
Net gains on disposal of associates and joint ventures	**1,550,939**	11,569
Total	**1,550,907**	3,659,160

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

10. Other income and other net gains or losses

	Year ended December 31	
	2018	2017
Net gains/(losses) on exchange differences	**1,148,936**	(1,843,890)
Rental income	**472,071**	352,776
Revenue from hotel operation	**471,902**	468,267
Revenue from property management business	**265,164**	262,856
Revenue from project supervision	**262,198**	95,823
Government grants and compensation (1)	**192,565**	38,348
Net gains on disposal of other assets	**175,775**	107,958
Net gains on disposal of investment properties	**19,468**	–
Others	**436,049**	253,819
Total	**3,444,128**	(264,043)

(1) For the year ended December 31, 2018, the government grant and compensation from operating activities, as part of other income and other net gains or losses amounted to RMB153.89 million.

11. Interest expense

	Year ended December 31	
	2018	2017
Accounts payable to brokerage clients	**(37,362)**	(48,378)
Financial assets sold under repurchase agreements	**(263,966)**	(273,434)
Borrowings		
– wholly repayable within five years	**(28,822,304)**	(22,186,808)
– not wholly repayable within five years	**(1,670,423)**	(1,520,502)
Amount due to the MOF	**–**	(14,215)
Bonds issued	**(10,974,743)**	(7,626,343)
Due to customers	**(3,431,290)**	(2,579,193)
Placements from banks and financial institutions	**(242,729)**	(314,662)
Others	**(1,032,154)**	(1,347,543)
Total	**(46,474,971)**	(35,911,078)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

12. Insurance costs

	Year ended December 31	
	2018	2017
Reserves/(reverses) for insurance contracts	**2,301,578**	(8,477,748)
Interest credited and policyholder dividends	**(1,112,969)**	(1,229,061)
Refund of reinsurance premiums	**9,034**	9,233
Other insurance expenses	**(11,741,187)**	(11,216,083)
Total	**(10,543,544)**	(20,913,659)

13. Employee benefits

	Year ended December 31	
	2018	2017
Wages or salaries, bonuses, allowances and subsidies	**(4,704,816)**	(5,933,818)
Social insurance	**(276,261)**	(260,259)
Defined contribution plans	**(536,266)**	(399,442)
Defined benefit plans	**(3,860)**	(3,901)
Housing funds	**(228,210)**	(234,306)
Labor union fees and staff education expenses	**(143,279)**	(192,289)
Others	**(254,411)**	(387,323)
Total	**(6,147,103)**	(7,411,338)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

14. Commission and fee expense

	Year ended December 31	
	2018	2017
Insurance sales	**(896,597)**	(1,392,833)
Securities and futures brokerage	**(248,054)**	(298,713)
Custody fee	**(58,574)**	(216,020)
Others	**(568,264)**	(497,295)
Total	**(1,771,489)**	(2,404,861)

15. Impairment losses on assets

	Year ended December 31	
	2018	2017
Allowances of impairment losses on assets		
– Financial assets at amortized cost		
– Distressed debt assets	**(4,380,136)**	–
– Other debt investments	**(370,899)**	–
– Loans and advances to customers	**(2,075,415)**	(1,874,810)
– Accounts receivable	**(949,968)**	(31,094)
– Dividends receivable	**(115,605)**	(209,940)
– Financial assets at fair value through other comprehensive income	**(104,721)**	–
– Goodwill	**(9,763)**	–
– Properties held for sale	**(6,356)**	(337,564)
– Available-for-sale financial assets	**–**	(5,229,521)
– Distressed debt assets classified as receivables	**–**	(3,133,159)
– Other financial assets classified as receivables	**–**	(15,041)
– Other assets	**(146,114)**	(573,551)
Total	**(8,158,977)**	(11,404,680)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

16. Profit before tax

	Year ended December 31	
	2018	2017
Profit before tax for the year has been arrived at after charging:		
Operating lease expenses	**(580,268)**	(307,964)
Depreciation of property and equipment	**(500,635)**	(438,796)
Depreciation of investment properties	**(167,955)**	(109,818)
Amortization	**(334,340)**	(305,358)

Principal auditors' remuneration for the year ended December 31, 2018 was RMB39.60 million (2017: RMB35.51 million).

17. Income tax expense

	Year ended December 31	
	2018	2017
Current income tax:		
– PRC Enterprise Income Tax	**(6,529,218)**	(5,451,465)
– PRC Land Appreciation Tax ("LAT")	**(1,851,627)**	(719,735)
– Hong Kong Profits Tax	**(465,056)**	(402,538)
– Overseas taxation	**(400)**	–
Overprovision in prior years	**98,103**	93,652
Subtotal	**(8,748,198)**	(6,480,086)
Deferred income tax (Note VI.47)	**1,839,561**	(892,904)
Total	**(6,908,637)**	(7,372,990)

The statutory income tax rate applicable to PRC enterprise is 25% for the year (2017: 25%). A subsidiary of the Company set up in the Western Region (as defined in Note VI.77.1 Credit Risk) of the PRC is taxed at 15% (2017: 15%) subject to an annual special approval by the tax bureau.

Hong Kong Profits Tax is calculated at 16.5% (2017: 16.5%) of the estimated assessable profit for the year.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

17. Income tax expense (continued)

Reconciliation of profit before tax to income tax expense is as follows:

	Year ended December 31	
	2018	2017
Profit before tax	**18,788,546**	26,130,816
Income tax calculated at the tax rate of 25%	**(4,697,137)**	(6,532,704)
Tax effect of expenses not deductible for tax purpose (1)	**(500,483)**	(151,797)
Tax effect of income not taxable for tax purpose (2)	**493,858**	1,000,715
Tax effect of share of results of associates and joint ventures	**182,733**	302,125
Effect of tax losses and deductible temporary differences not recognized	**(1,534,815)**	(1,392,889)
Effect of utilization of tax losses not previously recognized	**67,268**	44,582
LAT	**(1,851,627)**	(719,735)
Tax effect of LAT	**462,907**	179,934
Overprovision in prior years	**98,103**	93,652
Effect of different tax rates of subsidiaries	**304,900**	(196,873)
Adjustment in respect of cost and distribution payment for additional equity instruments	**65,656**	–
Income tax expense	**(6,908,637)**	(7,372,990)

(1) Expenses not deductible for tax purpose mainly include commission and fee expense, employee benefits and entertainment expenses in excess of the tax deduction limits according to the PRC tax regulations.

(2) Income not taxable for tax purpose mainly includes interest income on treasury bonds and dividend income.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

18. Earnings per share

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

	Year ended December 31	
	2018	2017
Earnings:		
Profit attributable to equity holders of the Company	**12,036,131**	18,122,390
Less: Dividends on preference shares declared and distributed	**1,077,050**	1,048,903
Profit attributable to ordinary shareholders of the Company	**10,959,081**	17,073,487
Number of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	**38,164,535**	38,164,535
Weighted average number of shares in issue for the purpose of diluted earnings per share (in thousand)	**38,164,535**	38,164,535
Basic earnings per share (RMB Yuan)	**0.29**	0.45
Diluted earnings per share (RMB Yuan)	**0.29**	0.45

19. Dividends

	Year ended December 31	
	2018	2017
Final dividend of 2017	**5,419,364**	–
Final dividend of 2016	**–**	4,656,073
Dividends recognized as distribution during the period	**5,419,364**	4,656,073

The resolution on the profit distribution plan for 2017 was duly approved by the shareholders at the Annual General Meeting held on June 29, 2018. In accordance with the plan, the dividend of RMB5,419.36 million was distributed during the year.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

20. Emoluments of directors and supervisors

	Year ended December 31, 2018			
	Fees	Paid remuneration	All kinds of social insurance, housing funds and annuity schemes	Total (before tax)
Executive directors				
HOU Jianhang (1)	–	364	128	492
ZHANG Zi'ai (2)	–	302	107	409
CHEN Xiaozhou	–	546	173	719
Non-executive directors				
LI Honghui (3)(4)	–	–	–	–
SONG Lizhong (3)(5)	–	–	–	–
XIAO Yuping (3)(6)	–	–	–	–
HE Jieping (3)(7)	–	–	–	–
XU Long (3)(8)	–	–	–	–
YUAN Hong (3)	–	–	–	–
ZHANG Guoqing (3)	–	–	–	–
LIU Chong (3)	–	–	–	–
Independent non-executive directors				
CHANG Tso Tung Stephen	250	–	–	250
XU Dingbo	250	–	–	250
ZHU Wuxiang	250	–	–	250
SUN Baowen	250	–	–	250
Supervisors				
GONG Jiande	–	546	173	719
LIU Yanfen	200	–	–	200
LI Chun	200	–	–	200
ZHANG Zheng	200	–	–	200
GONG Hongbing (9)	20	–	–	20
LIN Dongyuan (9)	20	–	–	20
JIA Xiuhua (9)	20	–	–	20
Total	1,660	1,758	581	3,999

VI. EXPLANATORY NOTES (continued)

20. Emoluments of directors and supervisors (continued)

(1) Hou Jianhang ceased to be the Chairman of the Board and executive director in August 2018, and his emoluments disclosed above include those for services rendered by him as the Chairman of the Board and executive director during the year.

(2) Zhang Zi'ai was elected as the Chairman of the Board and executive director in August 2018, and his emoluments disclosed above include those for services rendered by him as the Chairman of the Board and executive director during the year.

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

(4) Li Honghui ceased to be non-executive director in July 2018.

(5) Song Lizhong ceased to be non-executive director in July 2018.

(6) Xiao Yuping ceased to be non-executive director in July 2018.

(7) He Jieping was elected as the non-executive director in July 2018.

(8) Xu Long was elected as the non-executive director in July 2018.

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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

20. Emoluments of directors and supervisors (continued)

	Year ended December 31, 2017				
	Fees	Paid remuneration	All kinds of social insurance, housing funds and annuity schemes	Incentive income for 2015-2017	Total (before tax)
Executive directors					
HOU Jianhang	–	680	457	173	1,310
CHEN Xiaozhou	–	682	435	169	1,285
Non-executive directors					
LI Honghui (1)	–	–	–	–	–
SONG Lizhong (1)	–	–	–	–	–
XIAO Yuping (1)	–	–	–	–	–
YUAN Hong (1)	–	–	–	–	–
ZHANG Guoqing (1)(2)	–	–	–	–	–
LIU Chong (1)(3)	–	–	–	–	–
Independent non-executive directors					
CHANG Tso Tung Stephen	250	–	–	–	250
XU Dingbo	250	–	–	–	250
ZHU Wuxiang	250	–	–	–	250
SUN Baowen	250	–	–	–	250
Supervisors					
GONG Jiande	–	682	458	170	1,309
LIU Yanfen	200	–	–	–	200
LI Chun	200	–	–	–	200
ZHANG Zheng	200	–	–	–	200
GONG Hongbing (4)	20	–	–	–	20
LIN Dongyuan (4)	20	–	–	–	20
JIA Xiuhua (4)	20	–	–	–	20
Total	1,660	2,043	1,350	511	5,564

VI. EXPLANATORY NOTES (continued)

20. Emoluments of directors and supervisors (continued)

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

(2) Zhang Guoqing was elected as the non-executive director in April 2017.

(3) Liu Chong was elected as the non-executive director in August 2017.

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

The total compensation packages for the above executive directors and supervisors for the year ended December 31, 2018 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed in a separate announcement when determined.

During the year, no emolument was paid by the Group to any of the directors, supervisors, key management personnel or the five highest paid individuals as set out in Note VI.21 Key Management Personnel and Five Highest Paid Individuals below as an inducement to join or upon joining the Group or as a compensation for loss of office. None of them waived any emoluments during the year. Bonus was determined based on the performance of individuals by the Group on a discretionary basis.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

21. Key management personnel and five highest paid individuals

(1) Key management personnel

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

	Year ended December 31	
	2018	2017
Emoluments of key management personnel		
Paid emoluments	**8,946**	5,194
All kinds of social insurance, housing funds and annuity schemes	**1,167**	1,563
Total (before tax)	**10,113**	6,757

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

	Year ended December 31	
	2018	2017
RMB100,001 to RMB500,000	**1**	2
RMB500,001 to RMB1,000,000	**2**	3
RMB1,000,001 to RMB1,500,000	**–**	4
RMB1,500,001 to RMB2,000,000	**4**	–
Total	**7**	9

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

21. Key management personnel and five highest paid individuals (continued)

(2) Five highest paid individuals

The emoluments of the five highest paid individuals whose emoluments were the highest in the Group for the year ended December 31, 2018 were as follows:

	Year ended December 31	
	2018	2017
Remuneration	**15,820**	17,326
All kinds of social insurance, housing funds and annuity schemes	**1,697**	1,235
Total (before tax)	**17,517**	18,561

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

	Year ended December 31	
	2018	2017
RMB3,000,001 to RMB3,500,000	**4**	3
RMB3,500,001 to RMB4,000,000	**–**	1
RMB4,000,001 to RMB4,500,000	**–**	–
RMB4,500,001 to RMB5,000,000	**1**	1
Total	**5**	5

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

22. Statement of financial position

	Notes VI	As at December 31	
		2018	2017
Assets			
Cash and balances with central banks	23	**2,892**	2,972
Deposits with banks and financial institutions	24	**11,466,189**	11,568,824
Financial assets at fair value through profit or loss	27	**312,663,768**	157,271,136
Financial assets held under resale agreements	28	**21,091,389**	33,869,540
Financial assets at fair value through other comprehensive income	29	**3,379,133**	–
Available-for-sale financial assets	30	**–**	118,373,224
Financial assets at amortized cost	32	**216,392,215**	–
Financial assets classified as receivables	33	**–**	216,046,632
Accounts receivable	35	**1,218,654**	2,073,315
Amounts due from subsidiaries	36	**36,794,063**	34,068,270
Investment properties	38	**312,414**	319,414
Interests in subsidiaries	39	**50,415,410**	46,934,396
Interests in consolidated structured entities	41	**36,849,179**	34,056,166
Interests in associates and joint ventures	42	**47,507,801**	43,814,029
Property and equipment	44	**1,183,930**	1,212,926
Other intangible assets	46	**32,018**	15,557
Deferred tax assets	47	**2,416,834**	1,499,498
Other assets	48	**9,175,965**	11,070,131
Total assets		**750,901,854**	712,196,030

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

22. Statement of financial position (continued)

	Notes VI	As at December 31 2018	2017
Liabilities			
Borrowings from central bank	49	**986,058**	986,058
Financial liabilities at fair value through profit or loss	51	**739,392**	3,296,750
Borrowings	54	**456,462,235**	468,799,900
Accounts payable	57	**168,760**	198,820
Tax payable	59	**1,700,450**	660,863
Bonds issued	61	**145,255,843**	92,309,594
Other liabilities	63	**10,965,545**	15,374,872
Total liabilities		**616,278,283**	581,626,857
Equity			
Share capital	64	**38,164,535**	38,164,535
Other equity instruments	65	**21,281,215**	21,281,215
Capital reserve	66	**20,025,375**	20,025,375
Other comprehensive income	67	**(849,991)**	892,805
Surplus reserve	68	**7,847,305**	6,931,648
General reserve	69	**10,080,764**	7,695,921
Retained earnings	70	**38,074,368**	35,577,674
Total equity		**134,623,571**	130,569,173
Total equity and liabilities		**750,901,854**	712,196,030

The financial statements are authorized for issue by the Board of Directors and signed on its behalf by:

CHAIRMAN

PRESIDENT

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

23. Cash and balances with central banks

Group

	As at December 31	
	2018	2017
Cash	**540,490**	507,808
Mandatory reserve deposits with central banks (1)	**10,045,805**	11,550,592
Surplus reserve deposits with central banks	**4,322,828**	9,383,640
Other deposits with central banks	**1,742,788**	69,040
Total	**16,651,911**	21,511,080
Including:		
Restricted		
– Balances with central banks	**10,243,576**	11,617,268

Company

	As at December 31	
	2018	2017
Cash	**511**	608
Other deposits with central banks	**2,381**	2,364
Total	**2,892**	2,972

(1) In accordance with relevant regulations, NCB, subsidiary of bank operations, is required to place mandatory reserve deposits with the People's Bank of China (the "PBOC") for customer deposits in both RMB and foreign currencies. As at December 31, 2018, the mandatory deposits were calculated at 12.5% (As at December 31, 2017: 14.5%) of customer deposits denominated in RMB and 5% (As at December 31, 2017: 5%) of customer deposits denominated in foreign currencies. Mandatory reserve deposits are not available for use by the Group in its daily operations.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

24. Deposits with banks and financial institutions

Group

	As at December 31	
	2018	2017
Deposits with banks		
– House accounts	**68,434,427**	41,593,165
– Cash held on behalf of clients	**7,907,350**	8,624,028
Clearing settlement funds		
– House accounts	**694,075**	541,539
– Clients	**2,177,804**	3,358,825
Deposits with other financial institutions		
– House accounts	**702,227**	311,658
Interest receivable	**188,864**	–
Subtotal	**80,104,747**	54,429,215
Less: Allowance for impairment losses	**2,165**	–
Total	**80,102,582**	54,429,215
Including:		
Restricted funds	**30,286,755**	17,667,090

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

24. Deposits with banks and financial institutions (continued)

Company

	As at December 31	
	2018	2017
Deposits with banks	**11,452,665**	11,568,824
Interest receivable	**13,524**	–
Subtotal	**11,466,189**	11,568,824
Less: Allowance for impairment losses	**–**	–
Total	**11,466,189**	11,568,824

Pledged bank deposits represent deposits that have been pledged to secure bank borrowings. As at December 31, 2018, the Group's pledged bank deposits amounted to RMB630.10 million (As at December 31, 2017: RMB12.61 million).

The Group's clearing settlement funds were interest-bearing at prevailing market interest rates and mainly deposited in the China Securities Depository and Clearing Corporation Limited. As at December 31, 2018, the Group's restricted clearing settlement funds amounted to RMB2,177.80 million (As at December 31, 2017: RMB3,358.83 million).

As at December 31, 2018, the carrying amount of deposits with banks and financial institutions was in Stage I, amounting to RMB80,102.58 million (As at January 1, 2018: RMB54,428.39 million). The allowance for impairment losses amounted to RMB2.17 million (As at January 1, 2018: RMB0.83 million).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

25. Deposits with exchanges and others

Group

	As at December 31	
	2018	2017
Shanghai Stock Exchange	**50,061**	96,498
Shenzhen Stock Exchange	**19,678**	24,991
The Stock Exchange of Hong Kong Limited	**3,860**	735
National Equities Exchange and Quotations	**1,004**	1,497
Hong Kong Securities Clearing Company Limited	**532**	–
China Securities Finance Corporation Limited	**1,024**	1,006
Shanghai Futures Exchange	**291,965**	407,471
China Financial Futures Exchange	**138,649**	150,452
Hong Kong Futures Exchange	**–**	1,600
Dalian Commodity Exchange	**272,425**	359,235
Zhengzhou Commodity Exchange	**134,961**	81,410
Shanghai International Energy Exchange	**1,756**	–
The SEHK Options Clearing House Limited	**1,314**	–
Others	**50,470**	–
Total	**967,699**	1,124,895

The Company had no deposits with any exchanges or financial institutions at the end of 2018 and 2017.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

26. Placements with banks and financial institutions

Group

	As at December 31	
	2018	2017
Banks	**16,926,311**	15,098,410
Other financial institutions	**1,530,000**	3,062,000
Interest receivable	**25,287**	–
Subtotal	**18,481,598**	18,160,410
Less: Allowance for impairment losses	**11,101**	–
Total	**18,470,497**	18,160,410

As at December 31, 2018, the carrying amount of placements with banks and financial institutions was in Stage I, amounting to RMB18,470.50 million. The allowance for impairment losses amounted to RMB11.10 million.

As at December 31, 2018 and December 31, 2017, the Company had no placements with banks and financial institutions.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

27. Financial assets at fair value through profit or loss

Group

	As at December 31	
	2018	2017
Held-for-trading financial assets and other financial assets at fair value through profit or loss		
Listed investments:		
Equity investments	**9,262,107**	6,546,153
Debt securities		
– Government bonds	**4,826,641**	3,302,452
– Public sector and quasi-government bonds	**280,475**	395,232
– Corporate bonds	**5,484,535**	9,005,301
Funds	**2,694,955**	873,740
Corporate convertible bonds	**107,788**	–
	22,656,501	20,122,878
Unlisted investments:		
Distressed debt assets	**189,113,890**	–
Funds	**101,548,345**	5,242,614
Equity investments	**56,426,584**	–
Trust products and asset management plans	**35,776,180**	–
Debt instruments	**17,458,309**	–
Security investments	**2,044,751**	1,337,269
Wealth management products	**3,072,818**	–
Derivative financial assets (1)	**620,429**	381,271
Others	**73,229**	–
	406,134,535	6,961,154
Subtotal	**428,791,036**	27,084,032

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

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

Group (continued)

	As at December 31	
	2018	2017
Financial assets designated as at fair value through profit or loss		
Listed investments:		
Corporate convertible bonds	–	309,224
Unlisted investments:		
Distressed debt assets	–	148,790,133
Equity investments	–	28,933,536
Funds	–	4,339,492
Wealth management products	–	1,878,340
Asset management plans	–	411,074
Embedded derivatives debts	–	404,298
Corporate convertible bonds	–	386,478
Asset-backed securities	–	54,636
Others	–	1,204,616
Subtotal	–	186,711,827
Total	**428,791,036**	213,795,859

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

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

Group (continued)

(1) Derivative financial instruments

	As at December 31, 2018			As at December 31, 2017		
	Contractual/ Notional amount	Fair value Assets	Fair value Liabilities	Contractual/ Notional amount	Fair value Assets	Fair value Liabilities
Exchange rate derivatives						
Currency forwards and swaps, and cross-currency interest rate swaps	**30,659,252**	**553,874**	**(268,965)**	19,909,636	325,568	(262,551)
Currency options	**2,472,512**	**21,842**	**(22,068)**	18,501	65	(65)
Subtotal	**33,131,764**	**575,716**	**(291,033)**	19,928,137	325,633	(262,616)
Interest rate derivatives						
Interest rate futures	**99,542**	**–**	**–**	–	–	–
Interest rate swaps	**48,008,610**	**18,904**	**(19,103)**	61,232,355	51,468	(59,905)
Subtotal	**48,108,152**	**18,904**	**(19,103)**	61,232,355	51,468	(59,905)
Equity derivatives	**73,413**	**2,679**	**–**	–	–	–
Commodity derivatives and others	**513,255**	**23,130**	**(4,582)**	1,994,317	4,170	(64,126)
Total	**81,826,584**	**620,429**	**(314,718)**	83,154,809	381,271	(386,647)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

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

Company

	As at December 31,	
	2018	2017
Held-for-trading financial assets and other financial assets classified as at fair value through profit or loss		
Distressed debt assets	**189,458,426**	–
Funds	**62,986,962**	–
Equity investments	**30,375,503**	1,501,829
Trust products and asset management plans	**12,287,606**	–
Debt instruments	**16,352,022**	–
Security investments	**1,203,249**	–
Financial assets designated as at fair value through profit or loss		
Distressed debt assets	**–**	148,801,960
Equity instruments	**–**	5,548,426
Investment funds (1)	**–**	732,928
Corporate convertible bonds	**–**	250,000
Others	**–**	435,993
Total	**312,663,768**	157,271,136
Analysed as:		
Listed	**6,825,021**	1,501,829
Unlisted	**305,838,747**	155,769,307

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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

28. Financial assets held under resale agreements

Group

	As at December 31	
	2018	2017
By collateral type:		
Bonds	**31,371,483**	53,801,726
Stocks	**2,397,079**	6,332,982
Interest receivable	**50,468**	–
Subtotal	**33,819,030**	60,134,708
Less: Allowance for impairment losses	**13,966**	25,320
Total	**33,805,064**	60,109,388

Company

	As at December 31	
	2018	2017
By collateral type:		
Bonds	**21,073,824**	33,869,540
Interest receivable	**19,461**	–
Subtotal	**21,093,285**	33,869,540
Less: Allowance for impairment losses	**1,896**	–
Total	**21,091,389**	33,869,540

As at December 31, 2018, the Group's and Company's financial assets held under resale agreements (all in Stage I) amounted to RMB33,805.06 million and RMB21,091.39 million respectively (As at January 1, 2018: RMB60,109.14 million and RMB33,869.54 million), the allowance for impairment losses amounted to RMB13.97 million and RMB1.90 million respectively (As at January 1, 2018: RMB25.57 million and nil).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at fair value through other comprehensive income

Group

	As at December 31	
	2018	2017
Debt investments at fair value through other comprehensive income		
Debt securities		
– Government bonds	**40,803,900**	–
– Public sector and quasi-government bonds	**12,286,782**	–
– Financial institution bonds	**41,043,939**	–
– Corporate bonds	**18,014,096**	–
Interest receivable	**1,271,835**	–
Subtotal	**113,420,552**	–
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	**3,407,026**	–
Subtotal	**3,407,026**	–
Total	**116,827,578**	–

As at December 31, 2018, the Group's debt investments at fair value through other comprehensive income in Stage I, II and III amounted to RMB113,406.04 million, nil, and RMB14.51 million, respectively (As at January 1, 2018: RMB92,737.57 million, nil, and RMB15.29 million, respectively). The allowance for impairment losses amounted to RMB54.87 million, nil and RMB185.80 million, respectively (As at January 1, 2018: RMB62.57 million, nil and RMB66.92 million respectively).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at fair value through other comprehensive income (continued)

Company

	As at December 31	
	2018	2017
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	**3,379,133**	–
Total	**3,379,133**	–

As at December 31, 2018, the Company has no debt investments at fair value through other comprehensive income.

The above equity investments were irrevocably designated as at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended December 31, 2018, the Group received dividends in the amounts of RMB12.16 million from equity investments designated as at fair value through other comprehensive income.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

30. Available-for-sale financial assets

Group

	As at December 31	
	2018	2017
Debt securities		
– Government bonds	–	29,257,893
– Public sector and quasi-government bonds	–	8,212,728
– Financial institution bonds	–	18,783,457
– Corporate bonds	–	9,520,682
Subtotal	–	65,774,760
Equity instruments	–	29,602,415
Certificates of deposit	–	27,929,436
Funds	–	101,151,577
Trust products and rights to trust assets	–	20,612,962
Asset management plans	–	14,304,585
Wealth management products	–	11,820,000
Asset-backed securities	–	1,031,176
Others	–	955,781
Total	–	273,182,692
Analysed as:		
Listed	–	30,734,653
Unlisted	–	242,448,039
Total	–	273,182,692
Including:		
Debt securities analysed as:		
Listed	–	15,194,337
Unlisted	–	50,580,423
Total	–	65,774,760
Equity instruments analysed as:		
Listed	–	4,741,139
Unlisted	–	24,861,276
Total	–	29,602,415
Including:		
Debt securities pledged for borrowings	–	1,292,009

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

30. Available-for-sale financial assets (continued)

Company

	As at December 31,	
	2018	2017
Debt securities		
– Public sector and quasi-government bonds	–	131,831
– Financial institution bonds	–	369,073
Subtotal	–	500,904
Equity instruments	–	23,928,969
Certificates of deposit	–	13,236,083
Funds	–	63,800,287
Trust products and rights to trust assets	–	11,360,881
Asset management plans	–	2,758,738
Wealth management products	–	2,000,000
Asset-backed securities	–	787,362
Total	–	118,373,224
Analysed as:		
Listed	–	12,297,736
Unlisted	–	106,075,488
Total	–	118,373,224
Including:		
Equity instruments analysed as:		
Listed	–	2,109,399
Unlisted	–	21,819,570
Total	–	23,928,969

The Company had no available-for-sale financial assets pledged as securities for borrowings at December 31, 2017.

Included in the balances are amounts of unlisted equity instruments, funds and other financial assets of RMB40,061.73 million and RMB29,614.33 million of the Group and the Company as at December 31, 2017, respectively, that were measured at cost because their fair values cannot be reliably measured.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

31. Loans and advances to customers

Group

	As at December 31, 2018
At amortized cost	
Corporate loans and advances	
– Loans and advances	238,020,434
– Discounted bills	1,222,268
Personal loans and advances	
– Mortgages	25,305,237
– Personal consumption loans	13,572,686
Loans to margin clients	5,803,632
Finance lease receivables	47,830,493
Subtotal	331,754,750
Interest accrued	1,908,181
Total loans and advances to customers at amortized cost	333,662,931
At fair value through profit or loss	
Corporate loans and advances	10,615,171
Total loans and advances to customers	344,278,102
Less: Allowance for impairment losses of loans and advances to customers at amortized cost	7,661,600
Net loans and advances to customers	336,616,502

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

31. Loans and advances to customers (continued)

Group (continued)

Loans and advances at amortized cost are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2018				
Gross loans and advances	319,792,397	6,796,096	7,074,438	333,662,931
Less: Allowances for impairment losses	3,668,159	959,304	3,034,137	7,661,600
Net loans and advances to customers	316,124,238	5,836,792	4,040,301	326,001,331

The movements of allowance for loans and advances to customers in the year of 2018:

	2018			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	3,711,043	577,369	2,925,944	7,214,356
Convert to Stage I	186,119	(186,119)	–	–
Convert to Stage II	(541,138)	587,910	(46,772)	–
Convert to Stage III	(2,557)	(194,360)	196,917	–
Impairment losses recognized	2,061,807	481,459	2,091,477	4,634,743
Impairment losses reversed	(1,623,370)	(314,025)	(765,635)	(2,703,030)
Stage conversion	(115,709)	25,684	233,727	143,702
Write-off and transfer out	–	–	(1,593,905)	(1,593,905)
Recovery of loans and advances written off in previous years	–	–	6,450	6,450
Unwinding of discount on allowance	–	–	(1,593)	(1,593)
Exchange differences	(8,036)	(18,614)	(12,473)	(39,123)
As at December 31	3,668,159	959,304	3,034,137	7,661,600

The gross carrying amount of loans and advances to customers transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flows in the year of 2018 was not significant.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

31. Loans and advances to customers (continued)

Group (continued)

	As at December 31 2017
Corporate loans and advances	
– Loans and advances	230,037,644
– Discounted bills	949,230
Subtotal	230,986,874
Personal loans and advances	
– Mortgages	24,699,191
– Personal consumption loans	10,069,065
Subtotal	34,768,256
Loans to margin clients	7,708,387
Finance lease receivables	45,571,944
Gross loans and advances	319,035,461
Less: Allowance for impairment losses	
– Individually assessed	3,291,803
– Collectively assessed	3,626,138
Subtotal	6,917,941
Net loans and advances to customers	312,117,520

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

31. Loans and advances to customers (continued)

Group (continued)

Loans and advances analyzed by collective and individual assessment method as follows:

	Loans and advances for which allowance is collectively assessed	Identified impaired loans and advances				Identified impaired loans and advances to customers as a % of total loans and advances
		For which allowance is collectively assessed	For which allowance is individually assessed	Subtotal	Total	
At December 31, 2017						
Gross loans and advances	312,482,035	109,647	6,443,779	6,553,426	319,035,461	2.05%
Less: Allowances for impairment losses	3,545,961	80,177	3,291,803	3,371,980	6,917,941	
Net loans and advances to customers	308,936,074	29,470	3,151,976	3,181,446	312,117,520	

The movements of allowance for loans and advances to customers in the year of 2017:

	2017		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	2,066,194	3,464,573	5,530,767
Impairment losses recognized	1,990,866	821,417	2,812,283
Impairment losses reversed	(343,601)	(593,872)	(937,473)
Write-off and transfer out	(418,685)	(3,160)	(421,845)
Recovery of loans and advances written off in previous years	18,836	483	19,319
Unwinding of discount on allowance	(4,634)	–	(4,634)
Exchange differences	(17,173)	(63,303)	(80,476)
As at December 31	3,291,803	3,626,138	6,917,941

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

31. Loans and advances to customers (continued)

Group (continued)

Finance lease receivables are analyzed as follows:

	As at December 31	
	2018	2017
Minimum finance lease receivables:		
Within 1 year (inclusive)	**23,134,980**	22,354,602
1 year to 5 years (inclusive)	**27,453,858**	26,187,211
Over 5 years	**2,415,066**	1,228,223
Gross amount of finance lease receivables	**53,003,904**	49,770,036
Less: Unearned finance income	**5,173,411**	4,198,092
Subtotal	**47,830,493**	45,571,944
Interest accrued	**281,650**	–
Net amount of finance lease receivables	**48,112,143**	45,571,944
Less: Allowance for impairment losses	**1,851,469**	1,373,148
Carrying amount of finance lease receivables	**46,260,674**	44,198,796
Present value of minimum lease receivables:		
Within 1 year (inclusive)	**21,059,345**	20,194,676
1 year to 5 years (inclusive)	**24,953,462**	24,228,402
Over 5 years	**2,099,336**	1,148,866
Total	**48,112,143**	45,571,944
Including:		
Finance lease receivables pledged for borrowings	**881,110**	982,109

The Company had no loans and advances to customers as at December 31, 2018 and 2017.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

32. Financial assets at amortized cost

Group

	As at December 31	
	2018	2017
Distressed debt assets		
– Acquired from financial institutions	**14,294,061**	–
– Acquired from non-financial institutions	**211,064,002**	–
Subtotal	**225,358,063**	–
Interest accrued	**2,382,607**	–
Gross of distressed debt assets	**227,740,670**	–
Less: Allowance for impairment losses	**12,887,465**	–
Net of distressed debt assets	**214,853,205**	–
Other debt investments		
– Trust products and asset management plans	**19,559,219**	–
– Securities investments	**12,727,687**	–
– Others	**6,792,730**	–
Subtotal	**39,079,636**	–
Interest accrued	**361,231**	–
Gross of other debt investments	**39,440,867**	–
Less: Allowance for impairment losses	**1,877,356**	–
Net of other debt investments	**37,563,511**	–
Total	**252,416,716**	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

32. Financial assets at amortized cost (continued)

Group (continued)

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2018				
Gross distressed debt assets	**204,908,974**	**15,556,542**	**7,275,154**	**227,740,670**
Less: Allowance for impairment losses	**6,774,824**	**1,811,341**	**4,301,300**	**12,887,465**
Net distressed debt assets	**198,134,150**	**13,745,201**	**2,973,854**	**214,853,205**

The changes of gross carrying amounts of Group were mainly due to the following:

The Group adjusted the five tier classification and customer internal rating of distressed debt assets, and the distressed debt assets with a gross carrying amount of RMB13,851 million was transferred from Stage I to Stage II and Stage III, and the corresponding impairment allowance was increased by RMB1,213 million. The gross carrying amount of debt assets transferred from Stage II to Stage III was RMB2,039 million, with a corresponding increase in impairment allowance of RMB1,113 million. No distressed debt assets were transferred from Stage II to Stage I or Stage III to Stage II and Stage I.

The Group transferred out impaired distressed debt assets with a gross carrying amount of RMB701 million, resulting in a corresponding reduction of RMB321 million in impairment allowance for Stage III debt assets.

The gross carrying amount of the distressed debt assets transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flow in the year of 2018 was not significant.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

32. Financial assets at amortized cost (continued)

Group (continued)

The movements of allowance for distressed debt assets in the year of 2018:

	2018			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	5,832,741	1,212,040	1,936,941	8,981,722
Convert to Stage II	(285,773)	285,773	–	–
Convert to Stage III	(54,225)	(120,325)	174,550	–
Impairment losses recognized	3,711,883	329,416	795,786	4,837,085
Impairment losses reversed	(2,429,802)	(352,599)	(731)	(2,783,132)
Stage conversion	–	457,036	1,869,147	2,326,183
Write-off and transfer out	–	–	(321,372)	(321,372)
Unwinding of discount on allowance	–	–	(153,021)	(153,021)
As at December 31	6,774,824	1,811,341	4,301,300	12,887,465

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

32. Financial assets at amortized cost (continued)

Company

	As at December 31	
	2018	2017
Distressed debt assets		
– Acquired from financial institutions	**14,294,061**	–
– Acquired from non-financial institutions	**211,967,441**	–
Subtotal	**226,261,502**	–
Interest accrued	**2,432,763**	–
Gross of distressed debt assets	**228,694,265**	–
Less: Allowance for impairment losses	**12,904,752**	–
Net of distressed debt assets	**215,789,513**	–
Other debt investments		
– Securities investments	**678,131**	–
– Others	**46,843**	–
Subtotal	**724,974**	–
Interest accrued	**12,603**	–
Gross of other debt investments	**737,577**	–
Less: Allowance for impairment losses	**134,875**	–
Net of other debt investments	**602,702**	–
Total	**216,392,215**	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

32. Financial assets at amortized cost (continued)

Company (continued)

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2018				
Gross distressed debt assets	**206,029,130**	**15,556,542**	**7,108,593**	**228,694,265**
Less: Allowance for impairment losses	**6,910,134**	**1,811,341**	**4,183,277**	**12,904,752**
Net distressed debt assets	**199,118,996**	**13,745,201**	**2,925,316**	**215,789,513**

Refer to the Group for the changes of gross carrying amounts of the Company.

The movements of allowance for distressed debt assets in the year of 2018:

	2018			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	**5,832,741**	**1,212,040**	**1,945,186**	**8,989,967**
Convert to Stage II	**(285,773)**	**285,773**	**–**	**–**
Convert to Stage III	**(54,225)**	**(120,325)**	**174,550**	**–**
Impairment losses recognized	**3,847,193**	**329,416**	**804,030**	**4,980,639**
Impairment losses reversed	**(2,429,802)**	**(352,599)**	**(731)**	**(2,783,132)**
Stage conversion	**–**	**457,036**	**1,869,147**	**2,326,183**
Write-off and transfer out	**–**	**–**	**(455,884)**	**(455,884)**
Unwinding of discount on allowance	**–**	**–**	**(153,021)**	**(153,021)**
As at December 31	**6,910,134**	**1,811,341**	**4,183,277**	**12,904,752**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

33. Financial assets classified as receivables

Group

	As at December 31, 2018	As at December 31, 2017
Distressed debt assets		
– Loans acquired from financial institutions	–	26,552,577
– Accounts receivable acquired from non-financial institutions	–	197,404,902
	–	223,957,479
Less: Allowance for impairment losses		
– Individually assessed	–	1,987,170
– Collectively assessed	–	6,806,605
	–	8,793,775
Subtotal	–	215,163,704
Other financial assets classified as receivables		
– Trust products	–	15,275,202
– Asset management plans	–	2,942,500
– Structured debt arrangements (1)	–	385,951
– Other debt instruments	–	531,538
	–	19,135,191
Less: Allowance for impairment losses		
– Individually assessed	–	49,005
– Collectively assessed	–	23,019
	–	72,024
Subtotal	–	19,063,167
Total	–	234,226,871

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

33. Financial assets classified as receivables (continued)

Company

	As at December 31,	
	2018	2017
Distressed debt assets		
– Loans acquired from financial institutions	–	26,552,577
– Accounts receivable acquired from non-financial institutions	–	197,432,384
	–	223,984,961
Less: Allowance for impairment losses		
– Individually assessed	–	1,995,414
– Collectively assessed	–	6,806,605
	–	8,802,019
Subtotal	–	215,182,942
Other financial assets classified as receivables		
– Structured debt arrangements (1)	–	385,951
– Other debt instruments	–	531,538
	–	917,489
Less: Allowance for impairment losses		
– Individually assessed	–	37,000
– Collectively assessed	–	16,799
	–	53,799
Subtotal	–	863,690
Total	–	216,046,632

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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

33. Financial assets classified as receivables (continued)

The movements of allowance for impairment losses during 2017:

Group

	2017		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	1,943,457	5,401,957	7,345,414
Impairment losses recognized	2,104,038	1,427,667	3,531,705
Impairment losses reversed	(383,505)	–	(383,505)
Impairment losses written off and transferred out	(1,510,585)	–	(1,510,585)
Unwinding of discount on allowance	(117,230)	–	(117,230)
As at December 31	2,036,175	6,829,624	8,865,799

Company

	2017		
	Individually assessed allowance	Collectively assessed allowance	Total
As at January 1	1,752,244	5,402,619	7,154,863
Impairment losses recognized	2,110,344	1,420,785	3,531,129
Impairment losses reversed	(185,854)	–	(185,854)
Impairment losses written off and transferred out	(1,527,090)	–	(1,527,090)
Unwinding of discount on allowance	(117,230)	–	(117,230)
As at December 31	2,032,414	6,823,404	8,855,818

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

34. Held-to-maturity investments

Group

	As at December 31	
	2018	2017
Debt securities		
– Government bonds	**–**	5,775,745
– Public sector and quasi-government bonds	**–**	3,386,079
– Financial institution bonds	**–**	3,087,182
– Corporate bonds	**–**	978,357
Total	**–**	13,227,363

The Company had no held-to-maturity investments as at December 31, 2017. Most held-to-maturity investments held by the Group are traded in interbank market and stock exchange. The fair values disclosed in Note VI.78.1 Fair values of financial assets and financial liabilities that are not measured on a recurring basis are derived from quoted market prices.

35. Accounts receivable

Group

	As at December 31	
	2018	2017
Agreed repurchase trading receivables (1)	**2,534,873**	–
Accounts receivable relating to equity assets (2)	**1,507,524**	1,182,830
Notes receivable	**741,668**	–
Accounts receivable from sales of properties	**479,165**	155,103
Commission and fee receivables	**190,669**	382,702
Accounts receivable relating to distressed debt assets	**175,229**	1,677,236
Insurance premium and reinsurance refund receivables	**133,801**	117,140
Others	**177,656**	372,586
Interest accrued	**13,349**	–
Gross of accounts receivable	**5,953,934**	3,887,597
Less: Allowance for impairment losses	**1,060,332**	158,462
Net of accounts receivable	**4,893,602**	3,729,135

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

35. Accounts receivable (continued)

Company

	As at December 31	
	2018	2017
Notes receivable	**683,081**	–
Accounts receivable relating to equity assets (2)	**445,524**	484,049
Accounts receivable relating to distressed debt assets	**175,229**	1,677,236
Others	**106,270**	101,923
Gross of accounts receivable	**1,410,104**	2,263,208
Less: Allowance for impairment losses	**191,450**	189,893
Net of accounts receivable	**1,218,654**	2,073,315

(1) Agreed repurchase trading receivables show the overdue receivables of financial assets held under resale agreements.

(2) As at December 31, 2018, the major component comprised an outstanding amount of RMB445.52 million (As at December 31, 2017: RMB484.05 million) mainly arising from disposals of several debt-to-equity assets. These receivables bear interest at nil to 7.5% per annum (As at December 31, 2017: Nil to 7.5%).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

35. Accounts receivable (continued)

Distressed assets consist of distressed debt assets and debt-to-equity swap assets. The ageing analysis of accounts receivable relating to distressed assets is as follows:

Group and Company

	As at December 31							
	2018				2017			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	27,857	4	–	27,857	1,548,389	71	–	1,548,389
1 year to 2 years (inclusive)	–	–	–	–	–	–	–	–
2 years to 3 years (inclusive)	–	–	–	–	13,500	1	–	13,500
Over 3 years	592,896	96	(91,450)	501,446	599,396	28	(89,893)	509,503
Total	620,753	100	(91,450)	529,303	2,161,285	100	(89,893)	2,071,392

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

Group

	Year ended December 31	
	2018	2017
At beginning of the year	158,462	128,100
Impairment losses recognized	951,661	53,812
Impairment losses reversed	(1,693)	(22,718)
Amounts written off and transfer out	(48,098)	(732)
At end of the year	1,060,332	158,462

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

35. Accounts receivable (continued)

Company

	Year ended December 31	
	2018	2017
At beginning of the year	**189,893**	89,893
Impairment losses recognized	**1,557**	100,000
At end of the year	**191,450**	189,893

36. Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured. The Company expected to recover a majority portion of the amounts due from subsidiaries within one year from the end of 2018.

37. Properties held for sale

Group

	As at December 31	
	2018	2017
Completed properties	**7,542,289**	5,593,278
Properties under development	**54,662,458**	32,208,932
Others	**16,209**	18,354
Subtotal	**62,220,956**	37,820,564
Less: Allowance for impairment losses	**496,906**	536,762
Total	**61,724,050**	37,283,802
Including:		
Pledged for borrowings	**20,761,098**	14,257,483

As at December 31, 2018 and 2017, included in the properties held for sale were amounts of RMB21,317 million and RMB21,010 million which represented the carrying amounts of the properties not expected to be completed and sold within twelve months from the end of each reporting period.

The Company had no properties held for sale at the end of 2018 and 2017.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

38. Investment properties

Group

	Year ended December 31	
	2018	2017
Cost		
At beginning of the year	**3,997,869**	2,167,637
Acquisition of subsidiaries	**749,706**	453,114
Additions during the year	**80,875**	970,112
Transfer in	**370,880**	430,648
Disposals	**(22,777)**	–
Transfer to assets held for distribution	**(31,266)**	–
Disposal of subsidiaries	**–**	(23,642)
At end of the year	**5,145,287**	3,997,869
Accumulated depreciation		
At beginning of the year	**(689,433)**	(549,498)
Acquisition of subsidiaries	**–**	(19,585)
Change for the year	**(196,865)**	(122,496)
Disposals	**5,992**	–
Transfer to assets held for distribution	**21,635**	–
Disposal of subsidiaries	**–**	2,146
At end of the year	**(858,671)**	(689,433)
Allowance for impairment losses		
At beginning of the year	**(10,158)**	(1,235)
Change for the year	**(8,945)**	(8,923)
At end of the year	**(19,103)**	(10,158)
Net book value		
At beginning of the year	**3,298,278**	1,616,904
At end of the year	**4,267,513**	3,298,278
Net book value of investment properties pledged for borrowings	**639,901**	140,235

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

38. Investment properties (continued)

Group (continued)

The net book value of investment properties is analyzed based on the remaining terms of the leases as follows:

	As at December 31	
	2018	2017
Net book value:		
– on long-term lease (over 50 years)	**30,296**	38,896
– on medium-term lease (10 to 50 years)	**4,120,345**	3,143,817
– on short-term lease (less than 10 years)	**116,872**	115,565
Total	**4,267,513**	3,298,278

As at December 31, 2018 and 2017, the Group's investment properties for which the Group has not obtained certificate of land use right or certificate of property ownership amounted to RMB0.09 million and RMB0.15 million, respectively.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

38. Investment properties (continued)

Company

	Year ended December 31	
	2018	2017
Cost		
At beginning of the year	**438,758**	438,758
Transfers in	**9,768**	–
At end of the year	**448,526**	438,758
Accumulated depreciation		
At beginning of the year	**(119,344)**	(103,209)
Change for the year	**(16,293)**	(16,135)
Transfers in	**(475)**	–
At end of the year	**(136,112)**	(119,344)
Net book value		
At beginning of the year	**319,414**	335,549
At end of the year	**312,414**	319,414

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

38. Investment properties (continued)

Company (continued)

The net book value of investment properties is analyzed based on the remaining terms of the leases as follows:

	As at December 31	
	2018	2017
Net book value:		
– on medium-term lease (10 to 50 years)	**312,414**	319,414

39. Interests in subsidiaries

Company

	As at December 31	
	2018	2017
At cost	**50,415,410**	46,934,396
Total	**50,415,410**	46,934,396

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

39. Interests in subsidiaries (Continued)

Company (continued)

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2018 (In'000)	Proportion of ownership held by the Group As at December 31 2018 % (1)	2017 % (1)	Proportion of voting rights held by the Group As at December 31 2018 % (1)	2017 % (1)	Principal activities
China Cinda (HK) Holdings Co., Ltd.*	Hong Kong, PRC	December 16, 1998	HKD24,975,487	**100.00**	100.00	**100.00**	100.00	Investment holding
Zhongrun Economic Development Co., Ltd.*	Beijing, PRC	May 8, 2000	RMB30,000	**100.00**	100.00	**100.00**	100.00	Investment management
Cinda Securities Co., Ltd.*	Beijing, PRC	September 4, 2007	RMB2,568,700	**99.33**	99.33	**99.33**	99.33	Securities brokerage
Cinda Investment Co., Ltd.*	Beijing, PRC	August 1, 2000	RMB2,000,000	**100.00**	100.00	**100.00**	100.00	Business investment
Happy Life Insurance Co., Ltd.*	Beijing, PRC	November 5, 2007	RMB10,130,376	**51.00**	51.00	**51.00**	51.00	Life insurance
China Jingu International Trust Co., Ltd.*	Beijing, PRC	April 21, 1993	RMB2,200,000	**92.29**	92.29	**92.29**	92.29	Trust service
Cinda Financial Leasing Co., Ltd.*	Lanzhou, PRC	December 28, 1996	RMB3,505,249	**99.92**	99.92	**99.92**	99.92	Financial leasing
Nanyang Commercial Bank, Limited	Hong Kong, PRC	February 2, 1948	HKD3,144,517	**100.00**	100.00	**100.00**	100.00	Commercial Bank
China Cinda (HK) Asset Management Co., Ltd.	Hong Kong, PRC	April 21, 1999	HKD0.002	**100.00**	100.00	**100.00**	100.00	Asset management
China Cinda Fund Management Co., Ltd.	Hong Kong, PRC	June 23, 1999	HKD0.002	**100.00**	100.00	**100.00**	100.00	Fund management
China Cinda (HK) Investment Management Co., Ltd.	Hong Kong, PRC	November 22, 2006	HKD0.001	**100.00**	100.00	**100.00**	100.00	Investment holding
Cinda (China) Investment Co., Ltd.	Hong Kong, PRC	March 24, 1994	HKD10	**100.00**	100.00	**100.00**	100.00	Investment holding
China Cinda (Macau) Asset Management Co., Ltd.	Macao, PRC	May 28, 1999	MOP100	**100.00**	100.00	**100.00**	100.00	Asset management
Well Kent International Group Co., Ltd.	Hong Kong, PRC	May 27, 1993	HKD100	**100.00**	100.00	**100.00**	100.00	Investment holding
Cinda Financial Holdings Co., Limited	Hong Kong, PRC	August 11, 2015	HKD68,000,001	**100.00**	100.00	**100.00**	100.00	Investment holding
Cinda Futures Co., Ltd.	Hangzhou, PRC	October 5, 1995	RMB500,000	**99.33**	99.33	**100.00**	100.00	Futures and brokerage

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

39. Interests in subsidiaries (Continued)

Company (continued)

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2018 (In'000)	Proportion of ownership held by the Group As at December 31		Proportion of voting rights held by the Group As at December 31		Principal activities
				2018 % (1)	2017 % (1)	**2018 % (1)**	2017 % (1)	
Xinfeng Investment Management Co., Ltd.	Beijing, PRC	April 9, 2012	RMB400,000	**99.33**	99.33	**100.00**	100.00	Investment management
Cinda Innovation Investment Co., Ltd.	Beijing, PRC	August 20, 2013	RMB100,000	**99.33**	99.33	**100.00**	100.00	Investment management
First State Cinda Fund Management Co., Ltd.	Shenzhen, PRC	June 5, 2006	RMB100,000	**53.64**	53.64	**54.00**	54.00	Fund management
Hainan Jianxin Investment Management Co., Ltd.	Haikou, PRC	April 10, 1993	RMB412,500	**100.00**	100.00	**100.00**	100.00	Investment management
Sanya Horizon Industry Co., Ltd.	Sanya, PRC	December 19, 1992	RMB60,000	**51.00**	51.00	**51.00**	51.00	Real estate development
Shanghai Tongda Venture Capital Co., Ltd.(I) (2)	Shanghai, PRC	July 27, 1991	RMB139,144	**40.68**	40.68	**40.68**	40.68	Investment management
Shenzhen Jianxin Investment Development Co., Ltd.	Shenzhen, PRC	April 21, 1993	RMB400,000	**100.00**	100.00	**100.00**	100.00	Business investment
Hebei Cinda Jinjian Investment Co., Ltd.	Langfang, PRC	November 24, 1998	RMB76,000	**100.00**	100.00	**100.00**	100.00	Business investment
Henan Jinboda Investment Co., Ltd.	Zhengzhou, PRC	February 23, 1993	RMB400,000	**100.00**	100.00	**100.00**	100.00	Property leasing
Cinda Capital Management Co., Ltd.	Tianjin, PRC	December 16, 2008	RMB200,000	**100.00**	100.00	**100.00**	100.00	Investment holding
Wuhan Oriental Jianguo Hotel Co., Ltd.	Wuhan, PRC	December 15, 1995	RMB282,000	**90.25**	90.25	**90.25**	90.25	Hotel management
Cinda Real Estate Co., Ltd. (I)(3)	Beijing, PRC	July 20, 1984	RMB2,851,879	**55.45**	51.49	**55.45**	51.49	Real estate development
Huaikuang Real Estate Co., Ltd. (III)	Anhui, PRC	June 8, 2006	RMB5,136,643	**55.45**	–	**100.00**	–	Real estate development
Cinda Jianrun Real Estate Co., Ltd.	Beijing, PRC	December 28, 2007	RMB200,000	**70.00**	70.00	**70.00**	70.00	Real estate development

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

39. Interests in subsidiaries (Continued)

Company (continued)

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid-in capital as at December 31, 2018 (In'000)	Proportion of ownership held by the Group As at December 31		Proportion of voting rights held by the Group As at December 31		Principal activities
				2018 % (1)	2017 % (1)	2018 % (1)	2017 % (1)	
Dalian Cinda Zhonglian Investment Co., Ltd.	Dalian, PRC	March 3, 2010	RMB51,110	**55.00**	55.00	**55.00**	55.00	Project investment
Cinda International Holdings Limited (II)	Bermuda	December 31, 2008	HKD64,121	**63.00**	63.00	**63.00**	63.00	Investment holding
Beijing Cinda Shiyuxin Investment Management Co., Ltd.	Beijing, PRC	May 11, 2015	RMB10,000	**55.45**	51.49	**100.00**	100.00	Asset management
Cinda Equity Investment (Tianjin) Co., Ltd. (4)	Tianjin, PRC	December 29, 2011	RMB170,000	**36.71**	36.71	**36.71**	36.71	Private fund
Hefei Asia-Pacific Science and Technology Development Co., Ltd.	Hefei, PRC	September 30, 1999	RMB23,000	**55.45**	51.49	**100.00**	100.00	Real estate development
Ningbo Meishan Tax-protected Zone Runzhe Asset Management Co., Ltd.	Ningbo, PRC	February 13, 2017	RMB60,000	**100.00**	100.00	**100.00**	100.00	Investment management
Beijing Cinda Real Estate Development Co., Ltd.	Beijing, PRC	September 14, 2015	RMB10,000	**55.45**	51.49	**100.00**	100.00	Real estate development
Hefei Zhonghuan Rongcheng Real Estate Co., Ltd. (III)	Anhui, PRC	June 15, 2006	RMB150,000	**68.82**	–	**100.00**	–	Real estate development
Hefei Zhonghuan Yicheng Real Estate Co., Ltd. (III)	Anhui, PRC	December 23, 2016	RMB100,000	**68.82**	–	**100.00**	–	Real estate development
Jade Aviation LLC (III)	Cayman Islands	January 11, 2018	USD87,440	**80.00**	–	**80.00**	–	Aircraft leasing

The above table lists the principal subsidiaries of the Company. To give details of other subsidiaries would, in the opinion of the management, result in particulars of excessive length.

VI. EXPLANATORY NOTES (continued)

39. Interests in subsidiaries (continued)

Company (continued)

* These subsidiaries are directly held by the Company.

(I) The shares of these subsidiaries are listed in Mainland China.

(II) The shares of these subsidiaries are listed in Hong Kong.

(III) These subsidiaries were established in 2018.

(1) The percentage of voting rights is combined by direct holding percentage and indirect controlling percentage of the subsidiaries. The percentage of ownership is the multiple of holding percentages of different control level.

(2) The Group's shareholding in Shanghai Tongda Venture Capital Co., Ltd. ("Shanghai Tongda") is less than 50%, but the shareholding percentage of other shareholders is widely dispersed. Moreover, according to the corporate charter, the Board resolutions must be approved by more than half of all the directors, and the Group take three of the four seats of Shanghai Tongda's Board, with the exception of two independent directors. Therefore, Shanghai Tongda is accounted for as a subsidiary of the Company.

(3) On July 27, 2018, Cinda Real Estate Co., Ltd., a subsidiary of the Company privately issued shares to the Company and Huainan Mining Industry (Group) Co., Ltd. ("Huainan Mining Group") to acquire 60% and 40% of the issued shares of Huaikuang Real Estate Co., Ltd. ("Huaikuang Real Estate") respectively. After the private placement, the proportion of ownership and voting rights held by the Group increased to 55.45% and 55.45%.

(4) The Group's shareholding in Cinda Equity Investment (Tianjin) Co., Ltd. ("Cinda Equity") is less than 50%. According to the corporate charter, the key persons in the Investment Committee, which is the operating decision-making institution of Cinda Equity, are all from the Group. Thus, the Group can direct Cinda Equity's relevant activities, and it is therefore accounted for as a subsidiary of the Company.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

40. Non-controlling interests in the subsidiaries of the Group

Cinda Real Estate Co., Ltd. and Happy Life Insurance Co., Ltd. are the subsidiaries which have significant influence on non-controlling interests in consolidated financial statements of the Group.

General information about these subsidiaries have been set out in Note VI.39 Interests in subsidiaries. Summarized financial information about the subsidiaries before intra-group eliminations are as follows:

Cinda Real Estate Co., Ltd.

	As at December 31	
	2018	2017
Current assets	**91,434,964**	62,404,712
Non-current assets	**10,048,508**	9,548,043
Current liabilities	**55,045,319**	32,384,756
Non-current liabilities	**25,563,188**	29,500,857
Total equity	**20,874,965**	10,067,142
Non-controlling interests of the subsidiary	**9,842,152**	4,997,396

	Year ended December 31	
	2018	2017
Total revenue	**18,754,067**	15,216,049
Profit before tax	**3,364,012**	1,775,144
Total comprehensive income	**2,509,315**	1,065,187
Profit attributable to non-controlling interests of the subsidiary during the year	**1,316,602**	544,475
Dividend distribution to non-controlling interests	**179,619**	154,235

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

40. Non-controlling interests in the subsidiaries of the Group (continued)

Cinda Real Estate Co., Ltd. (continued)

	Year ended December 31	
	2018	2017
Net cash flow from operating activities	**7,061,357**	14,412,331
Net cash flow from investing activities	**4,473,504**	(4,460,848)
Net cash flow from financing activities	**(8,425,069)**	(2,135,433)
Net increase in cash and cash equivalents	**3,109,792**	7,816,050

Happy Life Insurance Co., Ltd.

	As at December 31	
	2018	2017
Total assets	**67,840,950**	72,853,908
Total liabilities	**63,174,857**	64,620,343
Total equity	**4,666,093**	8,233,565
Non-controlling interests of the subsidiary	**2,286,619**	4,034,447

	Year ended December 31	
	2018	2017
Total revenue	**10,513,306**	23,573,396
Profit before tax	**(6,878,982)**	48,913
Total comprehensive income	**(3,567,472)**	(670,703)
Profit attributable to non-controlling interests of the subsidiary during the year	**(3,332,955)**	24,196
Dividend distribution to non-controlling interests	**–**	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

40. Non-controlling interests in the subsidiaries of the Group (continued)

Happy Life Insurance Co., Ltd. (continued)

	Year ended December 31	
	2018	2017
Net cash flow from operating activities	**(12,370,017)**	(4,248,477)
Net cash flow from investing activities	**3,132,569**	(154,405)
Net cash flow from financing activities	**7,014,005**	5,229,490
Net increase/(decrease) in cash and cash equivalents	**(2,223,443)**	826,608

41. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts, and asset management plans. To determine whether control exists, the Group uses the following judgements:

(1) For the private equity funds, trusts and asset management plans, to which the Group provides financial guarantees, the Group has an obligation to fund the losses beyond its investments, if any, in accordance with the guarantee agreements. The Group concludes that its exposure to variability of returns is of such significance that these structured entities shall be consolidated.

(2) For the private equity funds where the Group involves as both general partner and limited partner, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the funds that is of such significance that it indicates that the Group is a principal. The funds shall be consolidated if the Group acts in the role of principal.

(3) For the trusts or asset management plans where the Group involves as manager or trustee and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of such trusts or asset management plans that is of such significance that it indicates that the Group is a principal. The trusts or asset management plans shall be consolidated if the Group acts in the role of principal.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

41. Interests in consolidated structured entities (continued)

Details of the Group's significant consolidated structured entities are as follows:

Name of structured entity	Paid-in capital/size of Trust plan As at December 31 2018 (In RMB'000)	Proportion of interests held By the Group As at December 31 2018 (%)	2017 (%)	Principal activities
Ningbo Meishan Bonded Port Area Jusheng Jiada Investment Partnership (Limited Partnership)	**8,002,000**	**86.25**	87.78	Investment management
Cinda Sino-Rock Investment (Cayman) Limited Partnership	**6,812,730**	**100.00**	100.00	Investment management
Shenzhen Xinting Investment Partnership No.[1] (Limited Partnership)	**6,010,000**	**99.83**	99.82	Investment management
Wuhu Xinshi Heli Investment Management Partnership (Limited Partnership)	**4,059,290**	**100.00**	100.00	Investment management
Beijing Xinghuo Single Capital Trust [2014] No.[009]	**3,894,071**	**100.00**	100.00	Trust
Ningbo Datai Investment Partnership (Limited Partnership)	**3,752,439**	**18.75**	18.73	Investment management
Ningbo Meishan Bonded Port Area Xinyukang Investment Partnership (Limited Partnership)	**2,750,000**	**72.55**	72.55	Investment management
Ningbo Meishan Bonded Port Area Cinda Xinheng Investment Partnership (Limited Partnership)	**2,651,000**	**94.34**	94.34	Investment management
Ningbo Juxin Xizhao Investment Management Partnership (Limited Partnership)	**2,400,000**	**64.58**	52.54	Investment management
Bohai Trust·Hangzhou Chengmao Capital Trust	**2,315,000**	**100.00**	–	Trust
Ningbo Meishan Bonded Port Area Cinda Yingxin Investment Partnership (Limited Partnership)	**2,032,404**	**100.00**	–	Investment management
Ningbo Meishan Bonded Port Area Xinjinyang Investment Partnership (Limited Partnership)	**2,000,000**	**100.00**	100.00	Investment management
Wuhu Xinshi Xinye Investment Management Partnership (Limited Partnership)	**1,977,100**	**100.00**	100.00	Investment management
Shenzhen Cinda City Development Investment Partnership (Limited Partnership)	**1,926,000**	**100.00**	100.00	Investment management

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

41. Interests in consolidated structured entities (continued)

Name of structured entity	Paid-in capital/size of Trust plan As at December 31 2018 (In RMB'000)	Proportion of interests held By the Group As at December 31 2018 (%)	2017 (%)	Principal activities
Changxing Sangde Investment Partnership (Limited Partnership)	**1,901,000**	**73.65**	73.61	Investment management
Ningbo Dongdaxin Investment Partnership (Limited Partnership)	**1,800,000**	**100.00**	100.00	Investment management
Shanghai Qixin Investment Partnership (Limited Partnership)	**1,800,000**	**99.69**	99.94	Investment management
Ningbo Xintai Kaiyuan Equity Investment Partnership (Limited Partnership)	**1,500,100**	**99.99**	99.99	Investment management
Shanghai Yuxin Equity Investment Partnership (Limited Partnership)	**1,490,665**	**99.87**	99.87	Investment management
Ningbo Meishan Bonded Port Area Huashi Investment Partnership (Limited Partnership)	**1,150,000**	**100.00**	100.00	Investment management
Ningbo Huajian Dingsheng Equity Investment Partnership (Limited Partnership)	**1,001,000**	**89.91**	89.91	Investment management
Ningbo Meishan Bonded Port Area Wanfang Jialong Investment Partnership (Limited Partnership)	**1,000,000**	**90.00**	90.00	Investment management
Guotong Trust·Cinda Single Capital Trust No.[1]	**981,000**	**100.00**	–	Trust
Wuhu Xindongzhen Investment Center (Limited Partnership)	**953,500**	**96.54**	48.30	Investment management
Ningbo Meishan Bonded Port Area Xinji Investment Partnership (Limited Partnership)	**929,360**	**100.00**	100.00	Investment management
Ningbo Meishan Bonded Port Area Cinda Huadi Investment Partnership (Limited Partnership)	**924,500**	**97.35**	97.35	Investment management
Ningbo Meishan Bonded Port Area Yijie Investment Partnership (Limited Partnership)	**901,000**	**99.89**	99.89	Investment management
Wuhu Xinxin Investment management Partnership (Limited Partnership)	**900,000**	**100.00**	100.00	Investment management
Cinda Longxin Real Estate Assets Management Plan	**900,000**	**100.00**	100.00	Asset management plan

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

41. Interests in consolidated structured entities (continued)

The financial impact of each of the private equity funds, trusts, asset management plans on the Group's financial position as at December 31, 2018 and 2017, and results and cash flows for the years ended December 31, 2018 and 2017, though consolidated, are not significant and therefore not disclosed separately.

Interests in all consolidated structured entities directly held by the Company amounted to RMB36,849.18 million and RMB34,056.17 million, as at December 31, 2018 and 2017, respectively.

Interests held by other interest holders are presented as changes in net assets attributable to other holders of consolidated structured entities in the consolidated statement of profit or loss and included in other liabilities in the consolidated statement of financial position as set out in Note VI.63 Other liabilities.

42. Interests in associates and joint ventures

Group

	As at December 31	
	2018	2017
Interests in associates		
Carrying amount of unlisted companies	**29,939,097**	27,673,372
Carrying amount of listed companies	**22,015,159**	19,457,304
Allowance for impairment losses	**(63,539)**	(60,413)
Net carrying amounts of associates	**51,890,717**	47,070,263
Interests in joint ventures		
Carrying amount of unlisted companies	**22,404,993**	22,780,802
Net carrying amounts of joint ventures	**22,404,993**	22,780,802
Net carrying amounts	**74,295,710**	69,851,065

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

42. Interests in associates and joint ventures (continued)

Company

	As at December 31	
	2018	2017
Interests in associates		
Carrying amount of unlisted companies	**20,279,713**	15,796,473
Carrying amount of listed companies	**13,490,696**	13,593,392
Net carrying amounts of associates	**33,770,409**	29,389,865
Interests in joint ventures		
Carrying amount of unlisted companies	**13,737,392**	14,424,164
Net carrying amounts of joint ventures	**13,737,392**	14,424,164
Net carrying amounts	**47,507,801**	43,814,029

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

42. Interests in associates and joint ventures (continued)

Name of entity	Place of incorporation/ establishment principal activities	Authorized/ paid-in capital As at December 31	Book value As at December 31		Proportion of equity interests held by the Group As at December 31		Proportion of voting power held by the Group As at December 31		Principal activities
		2018 (In'000)	2018 (In'000)	2017 (In'000)	2018 %	2017 %	2018 %	2017 %	
Shenhua Group Zhungeer Energy Co., Ltd.	Ordos, PRC	RMB7,102,343	14,516,427	13,148,386	42.24	42.24	42.24	42.24	Coal mining
Yancoal Australia Ltd. (1)	Australia	AUD5,023,000	5,249,817	5,062,495	16.70	16.70	16.70	16.70	Coal mining
Wuhu Xinyunhanshi Investment Partnership (Limited Partnership) (2)	Wuhu, PRC	RMB5,379,050	4,646,229	4,276,614	79.89	79.55	33.33	33.33	Investment holding
Shenzhen Tencent Cinda Limited Partnership (Limited Partnership) (2)	Shenzhen, PRC	RMB11,007,330	4,012,142	4,035,570	36.35	36.35	50.00	50.00	Investment holding
Zhongxin Boda (Wuhu) Investment Partnership (Limited Partnership) (2)	Wuhu, PRC	RMB4,803,340	3,706,971	3,476,670	74.50	74.50	33.33	33.33	Investment holding
China Nuclear Engineering Co., Ltd. (3)	Beijing, PRC	RMB2,625,000	3,574,618	3,468,630	11.78	11.78	11.78	11.78	Construction
Xishan Coal Electricity Group Co., Ltd.	Taiyuan, PRC	RMB9,250,327	3,449,727	4,181,320	41.14	41.14	41.14	41.14	Coal mining
Huainan Mining (Group) Co., Ltd. (7)	Huainan, PRC	RMB16,813,889	3,000,000	–	8.96	–	8.96	–	Coal mining
Qinghai Salt Lake Industry Co., Ltd. (4)	Ge'ermu, PRC	RMB1,857,394	2,791,482	3,197,278	6.23	6.23	6.23	6.23	Chemical materials and products
Xinjiang Chang Yuan Water Group Co., Ltd.	Urumqi, PRC	RMB800,000	2,556,920	2,556,920	51.00	51.00	51.00	51.00	Hydraulic generation
Kailuan Energy Chemical Co., Ltd.	Tangshan, PRC	RMB1,587,800	2,555,035	2,286,850	22.24	22.24	22.24	22.24	Coal mining
Baiyin Nonferrous Group Co., Ltd. (5)	Baiyin, PRC	RMB6,972,966	2,420,062	2,516,845	5.38	5.38	5.38	5.38	Mining
BAIC BluePark New Energy Technology Co., Ltd. (6)	Beijing, PRC	RMB5,297,726	2,014,890	1,969,922	5.58	6.98	5.58	6.98	Manufacturing
Prometeon Tyre Group S.r.l.	Milan, Italy	EUR100,000	1,903,418	1,879,721	38.00	38.00	38.00	38.00	Manufacturing
Shandong Lutai Holding Group Co., Ltd.	Jining, PRC	RMB272,200	1,300,961	1,211,565	53.54	53.54	53.54	53.54	Coal mining

VI. EXPLANATORY NOTES (continued)

42. Interests in associates and joint ventures (continued)

The above table lists the principal associates and joint ventures of the Group. To give details of other associates and joint ventures would, in the opinion of the management, result in particulars of excessive length. The directors, therefore do not disclose them separately.

(1) The Group has a 16.70% interest in Yancoal Australia Ltd. ("YAL"), thus the Group can exercise significant influence on the financial and operating policy decision of YAL by nominating a director to its board of directors. The Group accounts for this investment by equity method as an associate.

(2) The Group holds part of interests in the partnership, and has joint control on the financial and operating policy decision of the partnership with other parties under the contractual agreement. The Group accounts for this investment by equity method as a joint venture.

(3) The Company has a 11.78% interest in China Nuclear Engineering Co., Ltd. ("CNE"). The Company has significant influence over CNE, as it is the second largest shareholder and can nominate a director to its board of directors. The Group accounts for this investment by equity method as an associate.

(4) The Company has a 6.23% interest in Qinghai Salt Lake Industry Co., Ltd. ("Qinghai Salt Lake"), thus the Company can exercise significant influence on the financial and operating policy decision of Qinghai Salt Lake by nominating a director to its board of directors. The Group accounts for this investment by equity method as an associate.

(5) The Company has a 5.38% interest in Baiyin Nonferrous Group Co., Ltd. ("Baiyin Nonferrous"), thus the Company can exercise significant influence on financial and operating policy decision of Baiyin Nonferrous by nominating one director to its board of directors. The Group accounts for this investment by equity method as an associate.

(6) The Group has a 5.58% interest in BAIC BluePark New Energy Technology Co., Ltd. ("BAICBP"), thus the Group can exercise significant influence on the financial and operating policy decision of BAICBP by nominating a director to its board of directors. The Group accounts for this investment by equity method as an associate.

(7) The Group has an 8.96% interest in Huainan Mining (group) Co., Ltd ("Huainan Mining"), thus the Group can exercise significant influence on the financial and operating policy decision of Huainan Mining by nominating two directors to its board of directors. The Group accounts for this investment by equity method as an associate.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

43. Interests in unconsolidated structured entities

The Group is principally involved with structured entities through financial investments. These structured entities generally purchase assets through financing. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them. Whether control exists is determined by the manner described in Note VI.41 Interests in consolidated structured entities. The unconsolidated structured entities include private equity funds, trust products, asset management plans and mutual funds, etc. The interests held by the Group in the unconsolidated structured entities are set out as below.

As at December 31, 2018, the maximum exposure to risk and the book value of relevant investments of the Group rising from the interests held in directly invested structured entities that are sponsored by the Group or the third party financial institutions are set out as below:

	December 31, 2018		December 31, 2017	
	Carrying amount	**Maximum exposure to risk**	Carrying amount	Maximum exposure to risk
Financial assets at fair value through profit or loss	**148,311,436**	**148,311,436**	19,398,489	19,398,489
Financial assets at amortized cost	**17,741,198**	**17,741,198**	–	–
Interests in associates and joint ventures	**11,687,910**	**11,687,910**	13,709,125	13,709,125
Financial assets classified as receivables	**–**	**–**	18,145,147	18,145,147
Available-for-sale financial assets	**–**	**–**	141,974,354	141,974,354

In 2018, the Group obtained management fee, commission and performance fee amounting to RMB458.05 million (2017: RMB598.65 million) from unconsolidated structured entities sponsored by the Group, in which the Group held no interest as at the year end.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

44. Property and equipment

Group

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Aircrafts	Total
Cost							
As at January 1, 2018	10,363,465	536,427	799,483	278,821	171,144	–	12,149,340
Acquisition of subsidiaries	1,429	3,147	115	3,799	–	–	8,490
Additions	1,571	42,493	115,620	14,018	37,398	2,212,753	2,423,853
Assets classified as held for sale	(1,530)	–	(107)	–	–	–	(1,637)
Disposals	(6,724)	(11,681)	(54,198)	(13,241)	(4,916)	–	(90,760)
Construction in progress transfer in/(out)	3,762	600	241	–	(5,051)	–	(448)
Transfer in/(out)	8,102	(122,489)	(522)	–	–	–	(114,909)
Exchange differences	259,649	2,314	1,548	501	5,912	66,910	336,834
As at December 31, 2018	10,629,724	450,811	862,180	283,898	204,487	2,279,663	14,710,763
Accumulated depreciation							
As at January 1, 2018	(1,477,078)	(231,815)	(563,368)	(216,274)	–	–	(2,488,535)
Change for the year	(307,382)	(46,389)	(104,570)	(16,741)	–	(21,990)	(497,072)
Assets classified as held for sale	1,234	–	100	–	–	–	1,334
Disposals	932	10,665	47,332	11,285	–	–	70,214
As at December 31, 2018	(1,782,294)	(267,539)	(620,506)	(221,730)	–	(21,990)	(2,914,059)
Allowance for impairment losses							
As at January 1, 2018	(1,613)	(16)	–	(346)	(484)	–	(2,459)
Exchange difference	(11)	–	–	–	–	–	(11)
As at December 31, 2018	(1,624)	(16)	–	(346)	(484)	–	(2,470)
Net book value							
As at January 1, 2018	8,884,774	304,596	236,115	62,201	170,660	–	9,658,346
As at December 31, 2018	8,845,806	183,256	241,674	61,822	204,003	2,257,673	11,794,234
Including:							
Net book value of assets pledged as at December 31, 2018	205,028	–	–	–	–	–	205,028

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

44. Property and equipment (continued)

Group (continued)

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost						
As at January 1, 2017	10,778,063	505,071	752,203	304,806	184,525	12,524,668
Acquisition of subsidiaries	–	–	48	–	–	48
Additions	7,597	44,891	102,127	8,278	19,089	181,982
Disposal of subsidiaries	–	(144)	(2,799)	(4,972)	–	(7,915)
Disposals	(590)	(10,456)	(46,138)	(28,541)	(14,555)	(100,280)
Construction in progress transfer in/(out)	10,361	633	–	–	(15,714)	(4,720)
Transfer in/(out)	(60,434)	(2,282)	(254)	13	–	(62,957)
Exchange differences	(371,532)	(1,286)	(5,704)	(763)	(2,201)	(381,486)
As at December 31, 2017	10,363,465	536,427	799,483	278,821	171,144	12,149,340
Accumulated depreciation						
As at January 1, 2017	(1,214,684)	(192,810)	(537,643)	(224,277)	–	(2,169,414)
Acquisition of subsidiaries	–	–	(23)	–	–	(23)
Change for the year	(262,842)	(48,348)	(62,786)	(22,001)	–	(395,977)
Disposal of subsidiaries	–	221	2,173	3,867	–	6,261
Disposals	448	9,122	34,911	26,137	–	70,618
As at December 31, 2017	(1,477,078)	(231,815)	(563,368)	(216,274)	–	(2,488,535)
Allowance for impairment losses						
As at January 1, 2017	(1,613)	(16)	–	(346)	(484)	(2,459)
As at December 31, 2017	(1,613)	(16)	–	(346)	(484)	(2,459)
Net book value						
As at January 1, 2017	9,561,766	312,245	214,560	80,183	184,041	10,352,795
As at December 31, 2017	8,884,774	304,596	236,115	62,201	170,660	9,658,346
Including:						
Net book value of assets pledged as at December 31, 2017	–	–	–	–	–	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

44. Property and equipment (continued)

Group (continued)

As at December 31, 2018 and 2017, the original cost of the fully depreciated property and equipment that were still in use amounted to RMB578.24 million and RMB651.58 million, respectively.

As at December 31, 2018 and 2017, the Group's property and equipment which the Group has not obtained certificate of property ownership amounted to RMB658.12 million and RMB1,282.29 million, respectively.

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31	
	2018	2017
Net book value:		
– on long-term lease (over 50 years)	**3,323,412**	3,283,094
– on medium-term lease (10 to 50 years)	**5,333,807**	5,394,175
– on short-term lease (less than 10 years)	**188,587**	207,505
Total	**8,845,806**	8,884,774

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

44. Property and equipment (continued)

Company

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Total
Cost					
As at January 1, 2018	942,130	226,940	281,536	99,692	1,550,298
Additions	–	12	68,036	8,077	76,125
Transfer in/(out)	115,479	(122,489)	(522)	–	(7,532)
Disposals	–	–	(22,424)	(8,032)	(30,456)
As at December 31, 2018	1,057,609	104,463	326,626	99,737	1,588,435
Accumulated depreciation					
As at January 1, 2018	(51,491)	(22,371)	(182,040)	(81,470)	(337,372)
Change for the year	(29,744)	(17,258)	(43,112)	(6,198)	(96,312)
Transfer in/(out)	465	(6,961)	6,961	–	465
Disposals	–	–	21,403	7,311	28,714
As at December 31, 2018	(80,770)	(46,590)	(196,788)	(80,357)	(404,505)
Net book value					
As at January 1, 2018	890,639	204,569	99,496	18,222	1,212,926
As at December 31, 2018	976,839	57,873	129,838	19,380	1,183,930

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

44. Property and equipment (continued)

Company (continued)

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Total
Cost					
As at January 1, 2017	949,143	229,121	244,029	108,832	1,531,125
Additions	–	149	51,580	1,790	53,519
Transfer out	(7,013)	(2,282)	(254)	–	(9,549)
Disposals	–	(48)	(13,819)	(10,930)	(24,797)
As at December 31, 2017	942,130	226,940	281,536	99,692	1,550,298
Accumulated depreciation					
As at January 1, 2017	(20,680)	(507)	(167,405)	(81,926)	(270,518)
Change for the year	(30,811)	(21,907)	(27,355)	(8,813)	(88,886)
Disposals	–	43	12,720	9,269	22,032
As at December 31, 2017	(51,491)	(22,371)	(182,040)	(81,470)	(337,372)
Net book value					
As at January 1, 2017	928,463	228,614	76,624	26,906	1,260,607
As at December 31, 2017	890,639	204,569	99,496	18,222	1,212,926

As at December 31, 2018 and 2017, the original cost of the fully depreciated property and equipment that were still in use amounted to RMB215.38 million and RMB209.64 million, respectively.

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31	
	2018	2017
Net book value:		
– on medium-term lease (10 to 50 years)	**976,839**	890,639

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

45. Goodwill

Group

	As at December 31	
	2018	2017
Carrying amount		
At beginning of the year	**23,123,316**	24,644,818
Disposal of subsidiaries	**(35)**	–
Exchange differences	**1,046,098**	(1,521,502)
At end of the year	**24,169,379**	23,123,316
Allowance for impairment losses		
At beginning of the year	**(1,120,799)**	(1,120,799)
Change for the year	**(9,763)**	–
At end of the year	**(1,130,562)**	(1,120,799)
Net book value		
At beginning of the year	**22,002,517**	23,524,019
At end of the year	**23,038,817**	22,002,517

Goodwill acquired through the business combination of NCB which was accounted for the majority portion of the Group's goodwill as at December 31, 2018, it is allocated to NCB cash-generating units for impairment testing. The recoverable amount of the NCB cash-generating units has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a 5-year period approved by senior management. The growth rate used to extrapolate the cash flows of NCB cash-generating units beyond the 5-year period does not exceed the long-term average growth rate of the banking industry. The pre-tax discount rates applied to the cash flow projections are 10.34% (Hong Kong) and 11.47% (Mainland China).

Assumptions were used in the value in use calculation of the NCB cash-generating units for December 31, 2018, including budgeted gross margins and discount rates. The values of the key assumptions on market development of banking industry and discount rates are consistent with external information sources.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

46. Other intangible assets

Group

	Trading rights	Computer software systems and others	Trade names	Core deposits intangible	Credit card customer relationships	Total
Cost						
As at January 1, 2018	23,926	551,997	577,562	3,525,009	7,523	4,686,017
Increase resulting from subsidiaries purchased	–	1,233	–	–	–	1,233
Additions	–	227,371	–	–	102	227,473
Disposals	(132)	(1,862)	–	–	–	(1,994)
Exchange differences	–	6,883	27,838	169,902	366	204,989
As at December 31, 2018	23,794	785,622	605,400	3,694,911	7,991	5,117,718
Accumulated amortization						
As at January 1, 2018	–	(320,836)	–	(279,063)	(1,191)	(601,090)
Change for the year	–	(75,373)	–	(178,464)	(762)	(254,599)
Disposals	–	1,096	–	–	–	1,096
Exchange differences	–	(591)	–	(19,732)	(84)	(20,407)
As at December 31, 2018	–	(395,704)	–	(477,259)	(2,037)	(875,000)
Net book value						
As at January 1, 2018	23,926	231,161	577,562	3,245,946	6,332	4,084,927
As at December 31, 2018	23,794	389,918	605,400	3,217,652	5,954	4,242,718

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

46. Other intangible assets (continued)

Group (continued)

	Trading rights	Computer software systems and others	Trade names	Core deposits intangible	Credit card customer relationships	Total
Cost						
As at January 1, 2017	23,926	456,056	618,051	3,772,124	8,050	4,878,207
Additions	–	118,043	–	–	–	118,043
Written off	–	(4,286)	–	–	–	(4,286)
Exchange differences	–	(22,061)	(40,489)	(247,115)	(527)	(310,192)
Transfer in	–	4,245	–	–	–	4,245
As at December 31, 2017	23,926	551,997	577,562	3,525,009	7,523	4,686,017
Accumulated amortization						
As at January 1, 2017	–	(256,633)	–	(110,020)	(470)	(367,123)
Change for the year	–	(67,460)	–	(182,385)	(778)	(250,623)
Written off	–	2,777	–	–	–	2,777
Exchange differences	–	480	–	13,342	57	13,879
As at December 31, 2017	–	(320,836)	–	(279,063)	(1,191)	(601,090)
Net book value						
As at January 1, 2017	23,926	199,423	618,051	3,662,104	7,580	4,511,084
As at December 31, 2017	23,926	231,161	577,562	3,245,946	6,332	4,084,927

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

46. Other intangible assets (continued)

Company

	Computer software systems and others	Total
Cost		
As at January 1, 2018	**66,631**	**66,631**
Additions	**29,437**	**29,437**
As at December 31, 2018	**96,068**	**96,068**
Accumulated amortization		
As at January 1, 2018	**(51,074)**	**(51,074)**
Change for the year	**(12,976)**	**(12,976)**
As at December 31, 2018	**(64,050)**	**(64,050)**
Net book value		
As at January 1, 2018	**15,557**	**15,557**
As at December 31, 2018	**32,018**	**32,018**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

46. Other intangible assets (continued)

Company (continued)

	Computer software systems and others	Total
Cost		
As at January 1, 2017	57,474	57,474
Additions	9,157	9,157
As at December 31, 2017	66,631	66,631
Accumulated amortization		
As at January 1, 2017	(43,586)	(43,586)
Change for the year	(7,488)	(7,488)
As at December 31, 2017	(51,074)	(51,074)
Net book value		
As at January 1, 2017	13,888	13,888
As at December 31, 2017	15,557	15,557

47. Deferred taxation

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

Group

	As at December 31	
	2018	2017
Deferred tax assets	**6,159,808**	5,150,810
Deferred tax liabilities	**(2,387,044)**	(2,104,573)
Deferred taxation	**3,772,764**	3,046,237

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

47. Deferred taxation (continued)

Group (continued)

(1) The movements of deferred tax assets and deferred tax liabilities are set out below:

	Allowance for impairment losses	Withholding land appreciation tax	Advance from sale of real estate	Asset revaluation	Fair value adjustments in business combination	Accrued but not paid staff costs	Interest capitalized on properties held for sale	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value of available-for-sale financial assets	Temporary differences related the cost of associates and joint ventures (i)	Changes in fair value and impairment Losses of financial assets at FVOCI	Others	Total
As at December 31, 2017	6,168,351	111,261	449,227	(1,002,345)	(678,904)	1,092,742	500,229	31,631	128,137	246,678	(92,721)	(3,909,179)	–	1,130	3,046,237
Changes in accounting policy	(1,764,232)	–	–	–	–	–	(5,226)	–	48,858	983,050	92,721	–	93,278	–	(551,551)
As at January 1, 2018	4,404,119	111,261	449,227	(1,002,345)	(678,904)	1,092,742	495,003	31,631	176,995	1,229,728	–	(3,909,179)	93,278	1,130	2,494,686
Credit/(charge) to profit or loss	963,372	238,690	–	70,430	25,661	(67,761)	(18,140)	268,279	25,558	476,089	–	(288,220)	4	145,599	1,839,561
Charge to other comprehensive income/(expense)	–	–	–	–	–	1,006	–	–	–	–	–	(41,437)	87,700	564	47,833
Acquisitions of subsidiaries	89,420	8,575	–	–	(335,905)	–	10,135	81,623	–	–	–	–	–	1,815	(144,337)
Others	41,616	–	(449,227)	(38,932)	6,579	(6,694)	8,523	(662)	652	30,234	–	(28,779)	(4,052)	(24,237)	(464,979)
As at December 31, 2018	5,498,527	358,526	–	(970,847)	(982,569)	1,019,293	495,521	380,871	203,205	1,736,051	–	(4,267,615)	176,930	124,871	3,772,764

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

47. Deferred taxation (continued)

Group (continued)

(1) The movements of deferred tax assets and deferred tax liabilities are set out below: (continued)

	Allowance for impairment losses	Withholding land appreciation tax	Advance from sale of real estate	Asset revaluation	Fair value adjustments in business combination	Accrued but not paid staff costs	Interest capitalized on properties held for sale	Tax losses	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value of available–for-sale financial assets	Temporary differences related the cost of associates and joint ventures (i)	Temporary differences associated with a subsidiary held for sale	Others	Total
As at January 1, 2017	4,550,364	70,534	383,286	(1,052,150)	(718,690)	681,020	480,316	23,819	117,979	117,404	(290,236)	(1,000,070)	107,533	134,352	3,605,461
Credit/(charge) to profit or loss	1,575,744	40,727	65,941	45,773	36,633	386,306	19,913	7,812	10,158	120,383	–	(2,904,008)	(107,533)	(190,753)	(892,904)
Charge to other comprehensive income/(expense)	55,818	–	–	–	–	–	–	–	–	–	173,798	(5,101)	–	13,979	238,494
Others	(13,575)	–	–	4,032	3,153	25,416	–	–	–	8,891	23,717	–	–	43,552	95,186
As at December 31, 2017	6,168,351	111,261	449,227	(1,002,345)	(678,904)	1,092,742	500,229	31,631	128,137	246,678	(92,721)	(3,909,179)	–	1,130	3,046,237

(i) The temporary differences related to the costs of associates and joint ventures are temporary differences arising from the difference between the book values and the tax bases for the associates and joint ventures not holding for long-term by the Group.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

47. Deferred taxation (continued)

Group (continued)

Tax losses and temporary differences that are not recognized as deferred income tax assets are as follows:

	As at December 31	
	2018	2017
Unused tax losses	**7,055,579**	6,257,442
Deductible temporary differences	**5,484,964**	5,606,370
	12,540,543	11,863,812

As at December 31, 2018, the above unused tax loses would expire from 2019 to 2023 (As at December 31, 2017: from 2018 to 2022).

Company

	As at December 31	
	2018	2017
Deferred tax assets	**2,416,834**	1,499,498
Deferred tax liabilities	**–**	–
Deferred taxation	**2,416,834**	1,499,498

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

47. Deferred taxation (continued)

Company (continued)

(1) The movements of deferred tax assets and deferred tax liabilities are set out below:

	Allowance for impairment losses	Accrued but not paid staff costs	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value of available-for-sale financial assets	Changes in fair value and impairment Losses of financial assets at FVOCI	Temporary differences related the cost of associates and joint ventures (i)	Others	Total
As at December 31, 2017	**4,552,701**	**695,847**	**114,215**	**264,607**	**(225,827)**	**–**	**(3,892,717)**	**(9,328)**	**1,499,498**
Changes in accounting policy	**(2,059,530)**	**–**	**–**	**996,681**	**225,827**	**(3,681)**	**–**	**–**	**(840,703)**
As at January 1, 2018	**2,493,171**	**695,847**	**114,215**	**1,261,288**	**–**	**(3,681)**	**(3,892,717)**	**(9,328)**	**658,795**
Credit/(charge) to profit or loss	**1,233,714**	**(31,657)**	**32,128**	**566,393**	**–**	**4**	**(288,285)**	**(5,082)**	**1,507,215**
Charge to other comprehensive income/ (expense)	**–**	**–**	**–**	**–**	**–**	**292,261**	**(41,437)**	**–**	**250,824**
As at December 31, 2018	**3,726,885**	**664,190**	**146,343**	**1,827,681**	**–**	**288,584**	**(4,222,439)**	**(14,410)**	**2,416,834**
As at January 1, 2017	3,056,997	384,445	106,715	228,106	(185,652)	–	(838,207)	–	2,752,404
Credit/(charge) to profit or loss	1,440,266	311,402	7,500	36,501	–	–	(3,049,409)	(9,328)	(1,263,068)
Charge to other comprehensive income/ (expense)	55,438	–	–	–	(40,175)	–	(5,101)	–	10,162
As at December 31, 2017	4,552,701	695,847	114,215	264,607	(225,827)	–	(3,892,717)	(9,328)	1,499,498

(i) The temporary differences related to the costs of associates and joint ventures are temporary differences arising from the difference between the book values and the tax bases for the associates and joint ventures not holding for long-term by the Company.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

48. Other assets

Group

	As at December 31,	
	2018	2017
Other receivables (1)	**6,623,815**	9,471,816
Assets in satisfaction of debts (2)	**3,895,221**	3,457,524
Prepaid taxes	**2,709,262**	1,077,288
Statutory deposits (3)	**2,142,147**	2,026,075
Dividends receivable	**1,458,337**	1,284,122
Assets with continuing involvement (Note VI.74)	**1,399,434**	2,573,671
Prepayments	**1,245,776**	3,712,671
Interest receivable	**357,992**	4,307,800
Long-term prepaid expenses	**263,141**	264,275
Precious metals	**193,572**	197,911
Land use rights (4)	**77,275**	78,515
Notes receivable	**–**	499,715
Others	**327,200**	1,041,993
Total	**20,693,172**	29,993,376

Company

	As at December 31,	
	2018	2017
Assets in satisfaction of debts (2)	**3,694,779**	3,223,288
Dividends receivable	**2,538,988**	1,214,171
Assets with continuing involvement (Note VI.74)	**1,399,434**	2,573,671
Other receivables (1)	**1,212,885**	575,494
Interest receivable	**199,130**	493,354
Prepayments	**58,675**	2,519,625
Land use rights (4)	**42,828**	43,157
Long-term prepaid expenses	**28,619**	21,832
Notes receivable	**–**	404,665
Others	**627**	874
Total	**9,175,965**	11,070,131

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

48. Other assets (continued)

(1) Other receivables

Group

	As at December 31,	
	2018	2017
Other receivables	**7,697,688**	10,538,379
Less: Allowance for impairment losses	**1,073,873**	1,066,563
Net book value	**6,623,815**	9,471,816

Company

	As at December 31,	
	2018	2017
Other receivables	**2,163,375**	864,116
Less: Allowance for impairment losses	**950,490**	288,622
Net book value	**1,212,885**	575,494

Other receivables mainly include guarantee deposits and accounts receivable relating to assets disposal within one year.

As at December 31, 2018, the carrying amount of other receivables was RMB6,623.82 million, in which the allowance for impairment losses was RMB1,073.87 million. The principal in Stage III amounted to RMB1,741.44 million, with the allowance for impairment losses amounting to RMB1,004.98 million.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

48. Other assets (continued)

(2) Assets in satisfaction of debts

Assets in satisfaction of debts include those obtained from the Group's debtors to settle their defaulted debts and those acquired directly from financial institutions, which came into their possession through similar arrangements.

Group

	As at December 31,	
	2018	2017
Buildings	**3,661,897**	3,146,363
Land use rights	**167,087**	187,908
Others	**368,369**	261,572
Subtotal	**4,197,353**	3,595,843
Less: Allowance for impairment losses	**302,132**	138,319
Net book value	**3,895,221**	3,457,524

Company

	As at December 31,	
	2018	2017
Buildings	**3,587,321**	3,039,642
Land use rights	**167,087**	187,908
Others	**227,055**	120,260
Subtotal	**3,981,463**	3,347,810
Less: Allowance for impairment losses	**286,684**	124,522
Net book value	**3,694,779**	3,223,288

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

48. Other assets (continued)

(3) Statutory deposits

In accordance with the Insurance Law of the PRC and the Interim Measures for the Administration of the Capital Guarantee Funds of Insurance Companies (Baojianfa [2007] No.66) issued by the China Insurance Regulatory Commission, the Group's subsidiaries engaging in insurance business shall deposit at least 20% of their registered capital as statutory deposits in designated banks. Statutory deposits outlined above are only allowed to be used in paying off debts during the liquidation by insurance companies.

(4) Land use rights

The carrying amounts of land use rights analyzed by remaining lease term are as follows:

Group

	As at December 31,	
	2018	2017
The carrying amounts:		
– on medium-term lease (10 to 50 years)	**77,275**	78,515

Company

	As at December 31,	
	2018	2017
The carrying amounts:		
– on medium-term lease (10 to 50 years)	**42,828**	43,157

49. Borrowings from central bank

Group and Company

	As at December 31,	
	2018	2017
Borrowings from central bank	**986,058**	986,058

The borrowings from central bank were used to finance the purchase of distressed assets from commercial banks and bear interest rate at 2.25% per annum. As at December 31, 2018, the loans principal has been repaid in full, and the outstanding balance represents interest payable to central bank.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

50. Accounts payable to brokerage clients

Group

	As at December 31,	
	2018	2017
Personal customers	**9,076,718**	10,405,850
Corporate customers	**1,239,124**	1,987,963
Total	**10,315,842**	12,393,813

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group, and the portion relating to securities brokerage clients amounting to RMB7,866.87 million at December 31, 2018 (As at December 31, 2017: RMB9,528.23 million) is interest-bearing at the prevailing market interest rate.

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, as the ageing analysis does not give additional value to the readers of this report in view of the nature of this business.

As at December 31, 2018 and 2017, included in the Group's accounts payable to brokerage clients were cash collateral of approximately RMB906.06 million and RMB1,251.96 million received from clients for margin financing and securities lending arrangement.

As at December 31, 2018 and 2017, the Company had no accounts payable to brokerage clients.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

51. Financial liabilities at fair value through profit or loss

Group

	As at December 31,	
	2018	2017
Derivative financial liabilities (Note VI.27.(1))	**314,718**	386,647
Short positions in exchange fund bills and notes	**4,208,631**	3,632,482
Forward payment plan	**–**	2,775,000
Total	**4,523,349**	6,794,129

Company

	As at December 31,	
	2018	2017
Forward payment plan	**–**	2,775,000
Income guarantee and repurchase commitment	**739,392**	521,750
Total	**739,392**	3,296,750

52. Financial assets sold under repurchase agreements

Group

	As at December 31,	
	2018	2017
By collateral type:		
Debt securities	**11,956,611**	5,630,267
Loans to margin clients	**1,001,658**	1,000,000
Subtotal	**12,958,269**	6,630,267
Interest payable	**11,938**	–
Total	**12,970,207**	6,630,267

The Company had no financial assets sold under repurchase agreements as at December 31, 2018 and 2017.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

53. Placements from banks and financial institutions

Group

	As at December 31,	
	2018	2017
Placements from banks	**19,799,625**	14,888,282
Placements from financial institutions	**325,204**	1,543,269
Subtotal	**20,124,829**	16,431,551
Interest payable	**93,821**	–
Total	**20,218,650**	16,431,551

The Company had no placements from banks and financial institutions as at December 31, 2018 and 2017.

54. Borrowings

Group

	As at December 31,	
	2018	2017
Banks and other financial institutions borrowings		
Unsecured loans	**535,913,172**	546,982,562
Loans secured by properties	**4,659,428**	8,296,700
Other secured loans	**26,857,385**	25,072,808
Subtotal	**567,429,985**	580,352,070
Interest payable	**3,440,165**	–
Total	**570,870,150**	580,352,070

Loans secured by properties were collateralized by investment properties, properties held for sale, property and equipment at an aggregate carrying amount of RMB21,606 million as at December 31, 2018 (As at December 31, 2017: RMB14,398 million).

Other secured loans were collateralized by deposits with banks and financial institutions, interests in associates and joint ventures, and finance lease receivables at an aggregate carrying amount of RMB3,636 million as at December 31, 2018 (As at December 31, 2017: RMB6,350 million).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

54. Borrowings (continued)

Group (continued)

	As at December 31,	
	2018	2017
Carrying amount repayable*:		
Within one year	**372,697,707**	314,099,061
More than one year, but not exceeding two years	**127,131,897**	129,243,893
More than two years, but not exceeding five years	**32,005,373**	99,644,798
More than five years	**713,896**	521,835
Interest payable	**3,234,174**	–
Subtotal	**535,783,047**	543,509,587
Carrying amount of borrowings that contain a repayment on demand clause repayable*:		
Within one year	**696,138**	4,672,597
More than one year, but not exceeding two years	**–**	–
More than two years, but not exceeding five years	**17,029,758**	14,220,207
More than five years	**17,155,216**	17,949,679
Interest payable	**205,991**	–
Subtotal	**35,087,103**	36,842,483
Total	**570,870,150**	580,352,070

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

54. Borrowings (continued)

Group (continued)

The exposure of the Group's fixed-rate borrowings by the remaining contractual maturity period is as follows:

	As at December 31,	
	2018	2017
Fixed-rate borrowings:		
Within one year	**370,836,456**	302,258,151
More than one year, but not exceeding two years	**126,588,166**	128,320,726
More than two years, but not exceeding five years	**48,587,841**	111,194,599
More than five years	**17,589,112**	18,471,514
Subtotal	**563,601,575**	560,244,990
Interest payable	**3,432,788**	–
Total	**567,034,363**	560,244,990

In addition, the Group has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC, Shanghai Inter-bank Offered Rate ("SHIBOR"), Hong Kong Inter-bank Offered Rate ("HIBOR"), London Inter-bank Offered Rate ("LIBOR") or the prime rate.

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

	As at December 31,	
	2018	2017
Effective interest rate		
Fixed-rate borrowings	**1.40%-8.40%**	1.22%-8.00%
Variable-rate borrowings	**1.85%-7.83%**	2.23%-6.00%

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

54. Borrowings (continued)

Company

	As at December 31,	
	2018	2017
Bank borrowings		
Unsecured loans	**453,654,700**	468,799,900
Interest payable	**2,807,535**	–
Total	**456,462,235**	468,799,900
Carrying amount repayable*:		
Within one year	**314,954,700**	266,800,000
More than one year, but not exceeding two years	**114,700,000**	118,699,900
More than two years, but not exceeding five years	**24,000,000**	83,300,000
Subtotal	**453,654,700**	468,799,900
Interest payable	**2,807,535**	–
Total	**456,462,235**	468,799,900

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

54. Borrowings (continued)

Company (continued)

The exposure of the Company's fixed-rate borrowings by the remaining contractual maturity period is as follows:

	As at December 31,	
	2018	2017
Fixed-rate borrowings:		
Within one year	**314,954,700**	245,800,000
More than one year, but not exceeding two years	**114,700,000**	118,699,900
More than two years, but not exceeding five years	**24,000,000**	83,300,000
Subtotal	**453,654,700**	447,799,900
Interest payable	**2,807,535**	–
Total	**456,462,235**	447,799,900

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

	As at December 31,	
	2018	2017
Effective interest rate		
Fixed-rate borrowings	**3.85%-7.06%**	3.60%-7.06%
Variable-rate borrowings	**–**	4.75%-4.85%

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

55. Due to customers

Group

	As at December 31,	
	2018	2017
Demand deposits		
Corporate	**47,376,723**	48,909,270
Personal	**39,407,741**	38,896,599
Time deposits		
Corporate	**86,118,498**	78,804,610
Personal	**70,787,827**	49,522,828
Guarantee deposits	**9,265,403**	10,087,479
Subtotal	**252,956,192**	226,220,786
Interest payable	**1,143,726**	–
Total	**254,099,918**	226,220,786

The Company had no due to customers at the end of 2018 and 2017.

56. Deposits from banks and financial institutions

Group

	As at December 31,	
	2018	2017
Banks	**2,872,080**	6,234,821
Other financial institutions	**19,241,357**	13,024,445
Subtotal	**22,113,437**	19,259,266
Interest payable	**267,312**	–
Total	**22,380,749**	19,259,266

The Company had no deposits from banks and financial institutions at the end of 2018 and 2017.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

57. Accounts payable

Group

	As at December 31,	
	2018	2017
Accounts payable associated with real estate business (1)	**4,206,861**	2,446,994
Asset purchase payable	**171,126**	199,149
Reinsurance premium payable	**17,333**	10,401
Notes payable	**10,000**	–
Others	**908,493**	564,395
Total	**5,313,813**	3,220,939

Company

	As at December 31,	
	2018	2017
Asset purchase payable	**168,760**	198,820
Total	**168,760**	198,820

(1) Accounts payable associated with real estate business mainly comprised construction costs payable to contractors.

No ageing analysis is disclosed as in the opinion of the directors of the Company, as the ageing analysis on these items does not give additional value to the readers of this report in view of the nature of these items.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

58. Investment contract liabilities for policyholders

Group

	Year ended December 31,	
	2018	2017
At beginning of the year	**19,961,369**	27,193,179
Deposits received	**4,118,398**	2,041,977
Deposits withdrawn	**(10,873,577)**	(9,273,564)
Others	**(174)**	(223)
At end of the year	**13,206,016**	19,961,369

The Company had no investment contract liabilities for policyholders at the end of 2018 and 2017.

59. Tax payable

Group

	As at December 31,	
	2018	2017
PRC Enterprise income tax	**3,750,025**	2,182,358
PRC Land appreciation tax	**1,721,947**	975,459
Hong Kong profits tax	**2,984**	239,685
Total	**5,474,956**	3,397,502

Company

	As at December 31,	
	2018	2017
PRC Enterprise income tax	**1,700,450**	660,863
Total	**1,700,450**	660,863

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

60. Insurance contract liabilities

Group

	January 1, 2018	Increase	Decrease	December 31, 2018
Short-term insurance contracts				
– Unearned premium reserves	**101,185**	**202,473**	**(180,367)**	**123,291**
– Outstanding claim reserves	**84,838**	**138,133**	**(77,202)**	**145,769**
Long-term life insurance contracts	**39,380,141**	**10,627,331**	**(12,669,958)**	**37,337,514**
Total	**39,566,164**	**10,967,937**	**(12,927,527)**	**37,606,574**

	January 1, 2017	Increase	Decrease	December 31, 2017
Short-term insurance contracts				
– Unearned premium reserves	86,124	162,243	(147,182)	101,185
– Outstanding claim reserves	99,891	92,887	(107,940)	84,838
Long-term life insurance contracts	31,000,012	18,157,216	(9,777,087)	39,380,141
Total	31,186,027	18,412,346	(10,032,209)	39,566,164

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

	As at December 31, 2018			As at December 31, 2017		
	Within 1 year	**Over 1 year**	**Total**	Within 1 year	Over 1 year	Total
Short-term insurance contracts						
– Unearned premium reserves	**112,824**	**10,467**	**123,291**	90,673	10,512	101,185
– Outstanding claim reserves	**138,810**	**6,959**	**145,769**	83,071	1,767	84,838
Long-term life insurance contracts	**13,916**	**37,323,598**	**37,337,514**	9,354	39,370,787	39,380,141
Total	**265,550**	**34,341,024**	**37,606,574**	183,098	39,383,066	39,566,164

The Company had no insurance contract liabilities at the end of 2018 and 2017.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

61. Bonds issued

Group

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at December 31, 2018	As at December 31, 2017
2014 Financial bonds (5-year)	(1)	10,000,000	RMB	2014/5	2019/5	5.35%	**10,308,577**	10,293,011
2015 Financial bonds (3-year)	(1)	10,000,000	RMB	2015/5	2018/5	4.10%	**–**	10,243,183
2015 Financial bonds (5-year)	(1)	10,000,000	RMB	2015/5	2020/5	4.30%	**10,249,017**	10,240,103
2015-II Financial bonds (3-year)	(1)	2,000,000	RMB	2015/9	2018/9	3.50%	**–**	2,017,914
2015-II Financial bonds (5-year)	(1)	4,000,000	RMB	2015/9	2020/9	3.75%	**4,038,254**	4,037,162
2015-II Financial bonds (10-year)	(1)	10,000,000	RMB	2015/9	2025/9	4.60%	**10,114,314**	10,112,435
2016 Tier-II Capital bonds (10-year)	(2)	10,000,000	RMB	2016/6	2026/6	3.70%	**10,183,114**	10,176,138
2017 Financial bonds (3-year)	(1)	2,000,000	RMB	2017/4	2020/4	4.30%	**2,060,684**	2,059,992
2017 Financial bonds (5-year)	(1)	4,000,000	RMB	2017/4	2022/4	4.40%	**4,123,232**	4,122,430
2017 Financial bonds (10-year)	(1)	24,000,000	RMB	2017/4	2027/4	4.75%	**24,793,825**	24,791,952
2017 Cinda Ningyuan-I ABS	(18)	4,530,943	RMB	2017/11	2018/3-2019/3	4.80%-5.15%	**1,013,626**	4,468,427
2018-I Financial bonds (10-year)	(1)	15,000,000	RMB	2018/1	2028/1	5.50%	**15,762,217**	–
2018-II Financial bonds (10-year)	(1)	11,000,000	RMB	2018/3	2028/3	5.50%	**11,477,707**	–
2018 Cinda Ningyuan-II-1 ABS	(18)	9,517,000	RMB	2018/5	2018/9-2019/7	4.70%-5.05%	**4,732,416**	–
2018 Cinda Ningyuan-II-2 ABS	(18)	10,318,000	RMB	2018/6	2019/3-2019/12	5.00%-5.15%	**10,618,367**	–
2018 Cinda Ningyuan-II-3 ABS	(18)	9,818,000	RMB	2018/7	2018/12-2021/6	4.20%-5.15%	**8,600,459**	–
2018 Cinda Ningyuan-II-4 ABS	(18)	9,650,000	RMB	2018/9	2018/12-2021/6	3.20%-4.80%	**7,625,188**	–
2018 Cinda Ningyuan-II-5 ABS	(18)	9,920,000	RMB	2018/11	2019/3-2020/10	3.55%-4.35%	**9,962,690**	–
2015 Capital supplement bonds	(3)	3,000,000	RMB	2015/12	2025/12	4.00%	**3,001,055**	3,000,995
2018 Capital supplement bonds	(3)	3,000,000	RMB	2018/11	2023/11	5.20%	**3,014,616**	–
2015-I Subordinate bonds	(4)	3,000,000	RMB	2015/2	2018/2	5.90%	**–**	3,156,148
2015-II Subordinate bonds	(4)	3,000,000	RMB	2015/4	2018/4	6.00%	**–**	3,124,274
2017-I Subordinate bonds	(4)	3,000,000	RMB	2017/2	2020/2	4.99%	**3,127,963**	3,127,963
2017-II Subordinate bonds	(4)	3,000,000	RMB	2017/3	2020/3	5.12%	**3,122,038**	3,122,038
2017-I Corporation bonds (3-year)	(19)	2,500,000	RMB	2017/7	2020/7	5.05%	**2,554,997**	2,554,997
Beneficiary certificates-VII	(4)	1,000,000	RMB	2017/5	2019/5	5.50%	**1,033,151**	1,033,151

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

61. Bonds issued (continued)

Group (continued)

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at December 31, 2018	2017
Beneficiary certificates-VIII	(4)	500,000	RMB	2017/6	2019/5	5.48%	**500,826**	500,826
Beneficiary certificates-IX	(4)	380,000	RMB	2017/6	2019/6	5.35%	**380,613**	380,613
Beneficiary certificates-X	(4)	120,000	RMB	2017/6	2019/6	5.35%	**120,193**	120,193
Beneficiary certificates-XII	(4)	600,000	RMB	2018/3	2020/3	6.27%	**105,256**	–
2015 Corporation bonds	(5)	3,000,000	RMB	2015/12	2023/12	3.80%	**2,993,197**	2,991,049
2016-I Corporation bonds (8-year)	(5)	2,000,000	RMB	2016/1	2024/1	3.70%	**2,063,238**	2,061,818
2016-I Corporation bonds (5-year)	(6)	3,000,000	RMB	2016/5	2021/5	4.70%	**3,081,846**	3,080,792
2016-II Corporation bonds (5-year)	(6)	5,000,000	RMB	2016/8	2021/8	4.00%	**5,062,935**	5,061,178
2015-I Mid-term notes	(7)	1,500,000	RMB	2015/6	2020/6	5.80%	**1,550,152**	1,558,412
2015-II Mid-term notes	(7)	1,400,000	RMB	2015/8	2020/8	5.50%	**1,427,513**	1,409,199
2015-III Mid-term notes	(7)	100,000	RMB	2015/12	2020/12	5.50%	**100,804**	100,256
2016-I Corporation bonds (5-year)	(8)	2,500,000	RMB	2016/3	2021/2	3.80%	**2,578,144**	2,573,407
2016-II Corporation bonds (5-year)	(8)	500,000	RMB	2016/3	2021/3	3.50%	**513,711**	512,424
2016-I Corporation bonds (3-year)	(9)	3,000,000	RMB	2016/5	2019/5	6.70%	**3,028,521**	3,103,229
2016-II Corporation bonds (3-year)	(9)	3,000,000	RMB	2016/8	2019/8	6.99%	**1,550,233**	3,043,716
2018-I Debt financing plans	(20)	900,000	RMB	2018/11	2020/11	6.80%	**906,213**	–
2018-I Mid-term notes	(21)	2,000,000	RMB	2018/12	2021/12	4.56%	**1,994,602**	–
2018-I Debt financing instruments	(22)	1,000,000	RMB	2018/12	2021/12	5.68%	**1,002,801**	–
2018-II Debt financing instruments	(22)	1,000,000	RMB	2018/12	2021/12	5.97%	**1,001,145**	–
2016-I Financial bonds (3-year)	(10)	2,000,000	RMB	2016/6	2019/6	3.81%	**2,042,946**	2,041,854
2016-II Financial bonds (3-year)	(10)	3,000,000	RMB	2016/8	2019/8	3.15%	**3,034,083**	3,033,940
HKD bonds	(11)	20,000	HKD	2013/9	2018/9	4.00%	**–**	17,386
HKD bonds	(11)	4,000	HKD	2013/10	2018/10	4.00%	**–**	3,477
HKD bonds	(11)	10,000	HKD	2013/12	2020/9	4.00%	**8,875**	8,693
HKD bonds	(11)	20,000	HKD	2014/7	2019/7	4.00%	**17,843**	17,386
HKD bonds	(11)	12,000	HKD	2014/9	2019/9	4.00%	**8,870**	10,432
HKD bonds	(11)	10,000	HKD	2014/10	2019/9	4.00%	**10,595**	8,693
HKD bonds	(11)	10,000	HKD	2016/3	2021/3	4.00%	**8,861**	8,693
USD Guaranteed senior notes	(12)	1,000,000	USD	2014/5	2019/5	4.00%	**6,863,911**	6,525,229
USD Guaranteed senior notes	(12)	500,000	USD	2014/5	2024/5	5.625%	**3,412,609**	3,252,003
USD Guaranteed senior notes	(13)	230,000	USD	2014/12	2029/12	5.20%	**1,564,951**	1,492,269
USD Guaranteed senior notes	(13)	90,000	USD	2015/2	2029/12	5.20%	**615,751**	593,020
USD Guaranteed senior notes	(13)	1,300,000	USD	2015/4	2020/4	3.125%	**8,995,150**	8,533,369

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

61. Bonds issued (continued)

Group (continued)

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at December 31, 2018	2017
USD Guaranteed senior notes	(13)	1,700,000	USD	2015/4	2025/4	4.25%	**11,659,361**	11,175,005
USD Guaranteed senior notes	(13)	100,000	USD	2015/2	2030/2	5.20%	**694,304**	661,525
USD Guaranteed senior notes	(13)	80,000	USD	2015/3	2022/3	4.45%	**554,547**	527,913
USD Guaranteed senior notes	(13)	300,000	USD	2017/3	2020/3	3.00%	**2,138,490**	1,968,144
USD Guaranteed senior notes	(13)	1,300,000	USD	2017/3	2022/3	3.65%	**8,905,821**	8,548,978
USD Guaranteed senior notes	(13)	700,000	USD	2017/3	2024/3	4.10%	**4,846,346**	4,606,429
USD Guaranteed senior notes	(13)	700,000	USD	2017/3	2027/3	4.40%	**4,787,676**	4,602,851
USD Guaranteed senior notes	(12)	545,000	USD	2017/12	2037/12	4.75%	**3,733,677**	3,551,575
USD Guaranteed senior notes	(13)	800,000	USD	2018/2	2023/2	3.88%	**5,511,730**	–
USD Guaranteed senior notes	(13)	300,000	USD	2018/2	2025/2	4.38%	**2,202,149**	–
USD Guaranteed senior notes	(13)	1,200,000	USD	2018/2	2028/2	4.75%	**8,279,761**	–
USD Guaranteed senior notes	(13)	200,000	USD	2018/2	2048/2	5.00%	**1,381,762**	–
2016 Corporation bonds (5-year)	(14)	600,000	RMB	2016/4	2021/4	4.60%	**618,111**	617,828
2016 Corporation bonds (4-year)	(15)	800,000	RMB	2016/4	2020/4	4.98%	**322,836**	826,985
2016-I Financial bonds	(16)	500,000	RMB	2016/12	2021/12	4.67%	**500,766**	500,767
2017-I Financial bonds	(16)	2,500,000	RMB	2017/3	2022/3	5.03%	**2,600,929**	2,601,709
17 NCB China CD004	(17)	100,000	RMB	2017/9	2018/9	4.55%	**–**	97,067
17 NCB China CD006	(17)	500,000	RMB	2017/9	2018/3	5.65%	**–**	495,632
17 NCB China CD007	(17)	2,000,000	RMB	2017/12	2018/3	5.45%	**–**	1,974,367
18 NCB China CD010	(17)	150,000	RMB	2018/4	2019/1	4.20%	**149,681**	–
18 NCB China CD018	(17)	300,000	RMB	2018/5	2019/5	4.55%	**295,493**	–
18 NCB China CD020	(17)	50,000	RMB	2018/6	2019/4	4.55%	**49,452**	–
18 NCB China CD023	(17)	300,000	RMB	2018/7	2019/7	4.30%	**293,664**	–
18 NCB China CD024	(17)	400,000	RMB	2018/7	2019/7	4.30%	**391,461**	–
18 NCB China CD025	(17)	100,000	RMB	2018/10	2019/4	3.30%	**98,986**	–
2018-I Financial bonds	(16)	2,500,000	RMB	2018/10	2021/10	4.15%	**2,519,722**	–
2018-II Financial bonds	(16)	500,000	RMB	2018/10	2023/10	4.40%	**504,493**	–
2018-III Financial bonds	(16)	2,000,000	RMB	2018/11	2023/11	4.35%	**2,009,953**	–
Total							**283,115,066**	206,482,644

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

61. Bonds issued (continued)

Company (continued)

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at December 31, 2018	2017
2014 Financial bonds (5-year)	(1)	10,000,000	RMB	2014/5	2019/5	5.35%	**10,308,577**	10,293,010
2015 Financial bonds (3-year)	(1)	10,000,000	RMB	2015/5	2018/5	4.10%	**–**	10,239,488
2015 Financial bonds (5-year)	(1)	10,000,000	RMB	2015/5	2020/5	4.30%	**10,241,192**	10,226,908
2015-II Financial bonds (3-year)	(1)	2,000,000	RMB	2015/9	2018/9	3.50%	**–**	2,015,150
2015-II Financial bonds (5-year)	(1)	4,000,000	RMB	2015/9	2020/9	3.75%	**4,030,205**	4,024,683
2015-II Financial bonds (10-year)	(1)	10,000,000	RMB	2015/9	2025/9	4.60%	**10,074,728**	10,067,940
2016 Tier-II Capital bonds (10-year)	(2)	10,000,000	RMB	2016/6	2026/6	3.70%	**10,165,059**	10,151,182
2017 Financial bonds (3-year)	(1)	2,000,000	RMB	2017/4	2020/4	4.30%	**2,055,835**	2,051,533
2017 Financial bonds (5-year)	(1)	4,000,000	RMB	2017/4	2022/4	4.40%	**4,108,309**	4,103,369
2017 Financial bonds (10-year)	(1)	24,000,000	RMB	2017/4	2027/4	4.75%	**24,680,693**	24,667,904
2017 Cinda Ningyuan-I ABS	(18)	4,530,943	RMB	2017/11	2018/3-2019/3	4.80%-5.15%	**1,013,626**	4,468,427
2018-I Financial bonds (10-year)	(1)	15,000,000	RMB	2018/1	2028/1	5.50%	**15,683,712**	–
2018-II Financial bonds (10-year)	(1)	11,000,000	RMB	2018/3	2028/3	5.50%	**11,419,561**	–
2018 Cinda Ningyuan-II-1 ABS	(18)	9,517,000	RMB	2018/5	2018/9-2019/7	4.70%-5.05%	**4,726,322**	–
2018 Cinda Ningyuan-II-2 ABS	(18)	10,318,000	RMB	2018/6	2019/3-2019/12	5.00%-5.15%	**10,610,091**	–
2018 Cinda Ningyuan-II-3 ABS	(18)	9,818,000	RMB	2018/7	2018/12-2021/6	4.20%-5.15%	**8,584,507**	–
2018 Cinda Ningyuan-II-4 ABS	(18)	9,650,000	RMB	2018/9	2018/12-2021/6	3.20%-4.80%	**7,608,493**	–
2018 Cinda Ningyuan-II-5 ABS	(18)	9,920,000	RMB	2018/11	2019/3-2020/10	3.55%-4.35%	**9,944,933**	–
Total							**145,255,843**	92,309,594

VI. EXPLANATORY NOTES (continued)

61. Bonds issued (continued)

(1) The financial bonds issued by the Company have fixed coupon rates, payable annually.

(2) The tier-II capital bonds issued by the Company have a fixed coupon rate, payable annually, conditionally redeemable on the last day of the fifth year. The Company has the right to early redeem the bonds at face value in full subject to the approval of the CBIRC.

(3) The capital supplement bonds issued by Happy Life Insurance Co., Ltd., a subsidiary of the Company, have a fixed coupon rate, payable annually. The subsidiary has an option to redeem the bonds in December 2020. If the subsidiary does not exercise this option, the coupon rate of the bonds will increase by 1% from January 2021 onwards.

(4) The subordinate bonds and beneficiary certificates issued by Cinda Securities Co., Ltd. ("Cinda Securities"), a subsidiary of the Company, have fixed coupon rates, payable annually.

(5) The corporation bonds issued by Cinda Investment Co., Ltd. ("Cinda Investment"), a subsidiary of the Company, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the fifth year.

(6) The corporation bonds issued by Cinda Investment, a subsidiary of the Company, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rates, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the third year.

(7) The mid-term notes issued by Cinda Real Estate Co., Ltd. ("Cinda Real Estate"), a subsidiary of the Cinda Investment, have fixed coupon rates, payable annually.

(8) The corporation bonds issued by Cinda Real Estate, a subsidiary of Cinda Investment, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the third year.

(9) The corporation bonds issued by Cinda Real Estate, a subsidiary of Cinda Investment, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rates, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the second year.

(10) The financial bonds issued by Cinda Financial Leasing Co., Ltd., a subsidiary of the company, have a fixed coupon rate, payable annually.

(11) The HKD bonds issued by Cinda International holdings limited, a subsidiary of China Cinda Hong Kong Holdings Company Limited ("Cinda Hong Kong"), have fixed coupon rates, payable semi-annually.

(12) The USD Guaranteed Senior Notes (the "USD Notes") issued by China Cinda Finance Limited, a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable semi-annually. At any time prior to the date of maturity of the USD Notes, the issuer or Cinda Hong Kong may redeem the USD Notes, in whole or in part.

(13) USD Notes issued by China Cinda Finance Limited, a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable semi-annually. There is no early redemption option in accordance with relevant subscription agreement.

(14) The corporation bonds issued by Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the third year.

(15) The corporation bonds issued by Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the second year.

(16) The financial bonds issued by Nanyang Commercial Bank (China) Limited ("NCB China"), a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually.

(17) The deposit certificates were issued by NCB China.

(18) The asset-backed securities are issued by the Company.

(19) The corporation bonds issued by Cinda Securities, a subsidiary of the Company, have fixed coupon rates, payable annually.

(20) The debt financing plans issued by Cinda Investment, a subsidiary of the Company, have fixed coupon rates, payable annually.

(21) The mid-term notes issued by Cinda Investment, a subsidiary of the Company, have fixed coupon rates, payable annually.

(22) The debt financing instruments issued by Cinda Real Estate, a subsidiary of the Cinda Investment, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant debt financing instruments to the subsidiary, at the end of the second year.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

62. Contract liabilities

Group

	As at December 31,	
	2018	2017
Sales proceeds received in advance (1)	**23,486,561**	–
Others	**1,554,423**	–
Total	**25,040,984**	–

(1) Sales proceeds received in advance

	2018	2017
At beginning of the year	**13,941,442**	–
Deferred during the year	**25,004,035**	–
Recognized as revenue during the year	**(15,458,916)**	–
At end of the year	**23,486,561**	–

As at December 31, 2018, all contract liabilities of the Group belong to the subsidiary, Cinda Real Estate and Cinda Securities. The contract liabilities are mainly sales proceeds received in advance held by Cinda Real Estate.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

63. Other liabilities

Group

	As at December 31,	
	2018	2017
Other payables	**12,265,735**	14,772,044
Payables to interest holders of consolidated structured entities (Note VI.41)	**9,199,844**	20,753,006
Staff costs payable (1)	**6,268,145**	6,094,535
Risk deposit	**5,132,210**	5,352,486
Items in the process of clearance and settlement	**4,781,470**	971,110
Long-term payable	**2,833,637**	745,229
Liabilities related to insurance business	**1,580,915**	1,538,076
Liabilities with continuing involvement (Note VI.74)	**1,399,434**	2,573,671
Provisions (2)	**1,107,868**	671,374
Deferred income related to leasing business	**1,018,064**	883,229
Sundry taxes payable	**974,435**	767,018
Receipts in advance associated with disposal of distressed assets	**678,341**	804,447
Receipts in advance	**493,067**	14,170,532
Dividends payable	**1,357**	11,489
Interest payable	**735**	4,032,912
Others	**946,110**	730,598
Total	**48,681,367**	74,871,756

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

63. Other liabilities (continued)

Group (Continued)

(1) Staff costs payable

	2018			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	**5,550,303**	**4,891,935**	**(4,772,424)**	**5,669,814**
Social insurance	**84,282**	**287,339**	**(331,248)**	**40,373**
Defined contribution plans	**34,709**	**556,582**	**(557,713)**	**33,578**
Defined benefit plans (i)	**88,080**	**3,860**	**7,859**	**99,799**
Housing funds	**5,642**	**235,644**	**(235,093)**	**6,193**
Labor union fees and staff education expenses	**330,154**	**155,367**	**(159,166)**	**326,355**
Others	**1,365**	**338,740**	**(248,072)**	**92,033**
Total	**6,094,535**	**6,469,467**	**(6,295,857)**	**6,268,145**

	2017			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	3,931,784	6,095,749	(4,477,230)	5,550,303
Social insurance	65,714	265,423	(246,855)	84,282
Defined contribution plans	26,223	409,958	(401,472)	34,709
Defined benefit plans (i)	95,319	3,901	(11,140)	88,080
Housing funds	5,984	234,581	(234,923)	5,642
Labor union fees and staff education expenses	265,492	192,816	(128,154)	330,154
Others	3,357	378,726	(380,718)	1,365
Total	4,393,873	7,581,154	(5,880,492)	6,094,535

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

63. Other liabilities (continued)

Group (Continued)

(1) Staff costs payable (Continued)

(i) Defined benefit plans

Movements of retirement benefit of the Group's subsidiary NCB are as follows:

	2018	2017
At beginning of the year	**88,080**	95,319
Current service cost	**2,260**	1,894
Past service cost – plan changes	**(330)**	–
Interest cost	**1,930**	2,007
Actuarial gains/(losses) on remeasurement	**6,094**	(2,647)
Benefit paid	**(2,734)**	(2,284)
Exchange differences	**4,499**	(6,209)
At end of the year	**99,799**	88,080

Principal actuarial assumptions used are as follows:

	As at December 31,	
	2018	2017
Discount rate	**2.3%**	2.2%
Expected rate of medical insurance cost increases	**6%**	6%
Expected rate of social entertainment cost increases	**0%**	0%
Expected rate of retirement souvenir cost increases	**0%**	0%
Expected rate of rental increases	**3%**	3%
Expected rate of withdrawal	**3%-18%**	3%-18%
Expected death rate	**Hong Kong Life Tables 2017**	Hong Kong Life Tables 2012

(2) Movements of provisions

	2018	2017
At the end of previous year	**671,374**	620,004
Changes in accounting policy	**195,431**	–
Provided for the year	**964,752**	173,255
Settled/Reversed	**(723,689)**	(121,885)
At end of the year	**1,107,868**	671,374

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

63. Other liabilities (continued)

Company

	As at December 31, 2018	2017
Other payables	**4,692,305**	5,786,279
Staff costs payable (1)	**3,132,482**	3,260,717
Liabilities with continuing involvement (Note VI.74)	**1,399,434**	2,573,671
Receipts in advance associated with disposal of distressed assets	**678,341**	804,447
Provisions (2)	**617,339**	491,274
Sundry taxes payable	**364,088**	239,504
Interest payable	**–**	2,070,957
Others	**81,556**	148,023
Total	**10,965,545**	15,374,872

(1) Staff costs payable

	2018 As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	**3,036,505**	**1,168,391**	**(1,227,554)**	**2,977,342**
Social insurance	**65,061**	**91,776**	**(140,774)**	**16,063**
Defined contribution plans	**3,288**	**214,212**	**(213,493)**	**4,007**
Housing funds	**416**	**67,938**	**(68,031)**	**323**
Labor union fees and staff education expenses	**154,542**	**40,894**	**(61,330)**	**134,106**
Others	**905**	**(484)**	**220**	**641**
Total	**3,260,717**	**1,582,727**	**(1,710,962)**	**3,132,482**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

63. Other liabilities (continued)

Company (Continued)

(1) Staff costs payable (Continued)

	2017			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	1,663,827	2,303,521	(930,843)	3,036,505
Social insurance	41,328	132,238	(108,505)	65,061
Defined contribution plans	2,662	159,436	(158,810)	3,288
Housing funds	454	70,770	(70,808)	416
Labor union fees and staff education expenses	95,879	103,658	(44,995)	154,542
Others	1,326	62,063	(62,484)	905
Total	1,805,476	2,831,686	(1,376,445)	3,260,717

(2) Movements of provisions

	2018	2017
At beginning of the year	**491,274**	455,439
Provided for the year	**167,518**	38,219
Settled/Reversed	**(41,453)**	(2,384)
At end of the year	**617,339**	491,274

VI. EXPLANATORY NOTES (continued)

64. Share capital

Group and Company

	Year ended December 31,	
	2018	2017
Authorized, issued and fully paid:		
At beginning of the year	**38,164,535**	38,164,535
Issue of shares	**–**	–
At end of the year	**38,164,535**	38,164,535

A summary of the movements of the Company's issued shares (in thousands of shares) during the year is as follows:

	2018			
	As at January 1	**Issuance**	**Transfer**	**As at December 31**
Domestic shares				
– MOF	**24,596,932**	**–**	**–**	**24,596,932**
Overseas listed H shares	**13,567,603**	**–**	**–**	**13,567,603**
Total	**38,164,535**	**–**	**–**	**38,164,535**

	2017			
	As at January 1	Issuance	Transfer	As at December 31
Domestic shares				
– MOF	24,596,932	–	–	24,596,932
Overseas listed H shares	13,567,603	–	–	13,567,603
Total	38,164,535	–	–	38,164,535

As at December 31, 2018, no share of the Group was subject to lock-up restriction (As at December 31, 2017, no share of the Group was subject to lock-up restriction).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

65. Other equity instruments

Group and Company

For the year ended December 31, 2018, the movements of the Company's other equity instruments were as follows:

	As at January 1, 2018		Increase		Decrease		As at December 31, 2018	
	Quantity (shares) (In '000)	Carrying Amount (In '000)	Quantity (shares) (In '000)	Carrying Amount (In '000)	Quantity (shares) (In '000)	Carrying Amount (In '000)	Quantity (shares) (In '000)	Carrying Amount (In '000)
Preference Shares – 2016 Offshore Preference Shares	160,000	21,281,215	–	–	–	–	160,000	21,281,215
Total	160,000	21,281,215	–	–	–	–	160,000	21,281,215

The Company issued the U.S. dollar settled Non-Cumulative Perpetual Offshore Preference Shares (the "Offshore Preference Shares") on September 30, 2016. In the year of 2018, the Company distributed dividends for the Offshore Preference Shares of US$158.22 million (2017: US$158.22 million).

66. Capital reserve

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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

67. Other comprehensive income

Group

Other comprehensive income attributable to equity holders of the Company is set out below:

	Year ended December 31,	
	2018	2017
At end of previous year	**(1,685,551)**	559,220
Changes in accounting policies	**629,673**	–
At beginning of the year	**(1,055,878)**	559,220
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the year	**598,745**	–
Amounts reclassified to profit or loss upon disposal	**(47,862)**	–
Amounts of profit or loss upon impairment	**145,476**	–
Income tax effect	**(180,858)**	–
	515,501	–
Fair value changes on available-for-sale financial assets		
Fair value changes arising during the year	**–**	(2,497,544)
Amounts reclassified to profit or loss upon disposal	**–**	811,296
Amounts reclassified to profit or loss upon impairment	**–**	388,201
Income tax effect	**–**	228,642
	–	(1,069,405)
Effective portion of changes in fair value of hedging instruments arising during the year	**–**	(57,665)
Income tax effect	**–**	14,416
	–	(43,249)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

67. Other comprehensive income (continued)

Group (continued)

Other comprehensive income attributable to equity holders of the Company is set out below: (continued)

	Year ended December 31,	
	2018	2017
Exchange differences arising on translation of foreign operations	**297,234**	(1,222,837)
Share of other comprehensive income of associates and joint ventures	**9,934**	93,611
Income tax effect	**(41,437)**	(5,101)
	781,232	(2,246,981)
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	**(6,094)**	2,647
Income tax effect	**1,005**	(437)
	(5,089)	2,210
Fair value changes on equity instruments designated as at fair value through other comprehensive income	**(1,664,292)**	–
Retained earnings transferred from other comprehensive income	**500,529**	–
Income tax effect	**291,366**	–
	(877,486)	–
Other comprehensive expense for the year	**(96,254)**	(2,244,771)
At end of the year	**(1,152,132)**	(1,685,551)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

67. Other comprehensive income (continued)

Company

Other comprehensive income attributable to equity holders of the Company is set out below: (continued)

	Year ended December 31,	
	2018	2017
At end of previous year	**892,805**	911,454
Changes in accounting policies	**(990,324)**	–
At beginning of the year	**(97,519)**	911,454
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the year	**–**	–
Amounts reclassified to profit or loss upon disposal	**(299)**	–
Amounts of profit or loss upon impairment	**18**	–
Income tax effect	**70**	–
	(211)	–
Fair value changes on available-for-sale financial assets		
Fair value changes arising during the year	**–**	(1,736,921)
Amounts reclassified to profit or loss upon disposal	**–**	1,489,706
Amounts reclassified to profit or loss upon impairment	**–**	186,164
Income tax effect	**–**	15,263
	–	(45,788)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

67. Other comprehensive income (continued)

Company (continued)

	Year ended December 31,	
	2018	2017
Share of other comprehensive income of associates and joint ventures	**165,749**	32,240
Income tax effect	**(41,437)**	(5,101)
	124,101	(18,649)
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on equity instruments designated as at fair value through other comprehensive income	**(1,669,293)**	–
Retained earnings transferred from other comprehensive income	**500,529**	–
Income tax effect	**292,191**	–
	(876,573)	–
Other comprehensive expense for the year	**(752,472)**	(18,649)
At end of the year	**(849,991)**	892,805

68. Surplus reserve

Under the PRC Laws, the Company and its domestic subsidiaries are required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital of the entity.

69. General reserve

For the years ended December 31, 2018 and 2017, as approved by the general meetings of the Company and the board of directors meetings of its subsidiaries, the Group transferred a total of RMB2,536.67 million and RMB2,762.49 million, respectively to general reserve pursuant to the regulatory requirements in the PRC, among which, the Company transferred RMB2,384.84 million and RMB1,757.31 million, respectively to general reserve.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Retained earnings

During the years ended December 31, 2018 and 2017, the retained earnings of the Company were as follows:

Company

	Year ended December 31,	
	2018	2017
At end of previous year	**35,577,674**	30,589,352
Changes in accounting policies	**3,512,431**	–
At beginning of the year	**39,090,105**	30,589,352
Profit for the year	**9,156,574**	13,939,790
Retained earnings transferred from other comprehensive income	**(375,397)**	–
Appropriation to surplus reserve	**(915,657)**	(1,393,979)
Appropriation to general reserve	**(2,384,843)**	(1,757,311)
Dividends recognized as distribution	**(6,496,414)**	(5,704,976)
Others	**–**	(95,202)
At end of the year	**38,074,368**	35,577,674

71. Cash and cash equivalents

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

	As at December 31,	
	2018	2017
Cash	**540,490**	507,808
Balances with central banks	**5,867,845**	9,386,004
Deposits with banks and financial institutions	**49,629,128**	36,762,125
Placements with financial institutions	**16,260,468**	15,066,940
Financial assets held under resale agreements	**33,768,477**	45,521,296
Available-for-sale financial assets	**–**	12,686,168
Cash and cash equivalents	**106,066,408**	119,930,341

VI. EXPLANATORY NOTES (continued)

72. Major non-cash transactions

As part of its distressed asset management business, the Group entered into transactions of debt-to-equity swap with counterparties in the ordinary courses of business during the year. For the year ended December 31, 2018, equity instruments amounting to RMB6,839.37 million (As at December 31, 2017: RMB2,324.97 million) were swapped with debt instruments held by the Group with carrying value of RMB6,627.81 million (As at December 31, 2017: RMB2,020.50 million).

As part of the distressed asset management business, the Group entered into transactions of equity swap with counterparties in the ordinary courses of business during the year. For year ended December 31, 2018, equity instruments amounting to RMB7,160.30 million were swapped with equity instruments held by the Group with cost of RMB6,404.87 million.

73. Contingent liabilities and commitments

(1) Legal proceedings

Group and Company

The Company and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at December 31, 2018 and 2017, total claim amounts of pending litigations were RMB2,243.71 million and RMB1,904.77 million for the Group and RMB627.27 million and RMB545.96 million for the Company respectively, and provisions of RMB136.34 million and RMB128.68 million for the Group and RMB86.50 million and RMB88.90 million for the Company respectively were made based on court judgements or the advice of legal counsels. The directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group and the Company.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Contingent liabilities and commitments (continued)

(2) Commitments other than operating lease commitments

Group

	As at December 31,	
	2018	2017
Contracted but not provided for		
Commitments for the acquisition of property and equipment	**94,109**	3,877
Total	**94,109**	3,877

Company

	As at December 31,	
	2018	2017
Contracted but not provided for		
Commitments for the acquisition of property and equipment	**799**	931
Total	**799**	931

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Contingent liabilities and commitments (continued)

(3) Operating lease commitments

At the end of 2018 and 2017, the Group and the Company, as a lessee, had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

Group

	As at December 31,	
	2018	2017
Within 1 year	**365,198**	701,476
1 to 2 years	**256,125**	570,595
2 to 3 years	**162,122**	240,845
3 to 5 years	**130,494**	217,887
Over 5 years	**36,021**	12,864
Total	**949,960**	1,743,667

Company

	As at December 31,	
	2018	2017
Within 1 year	**176,881**	165,312
1 to 2 years	**37,764**	139,115
2 to 3 years	**34,090**	9,103
3 to 5 years	**22,448**	8,651
Over 5 years	**24,451**	–
Total	**295,634**	322,181

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Contingent liabilities and commitments (continued)

(4) Credit commitments

	As at December 31,	
	2018	2017
Bank bill acceptance	**16,025,796**	13,235,863
Loan commitments[(i)]	**14,005,787**	8,927,859
Letters of guarantee issued	**5,385,417**	4,345,409
Undrawn credit card commitments	**669,394**	717,188
Letters of credit issued	**3,320,298**	3,169,076
Others	**9,512**	9,179,775
Total	**39,416,204**	39,575,170
Impairment of credit commitments	**(174,978)**	(8,502)

These credit commitments mainly arise from the banking business of the Group.

(i) Loan commitments represent undrawn loan facilities agreed and granted to customers. Unconditionally revocable loan commitments are not included in loan commitments. As at December 31, 2018, the unconditionally revocable loan commitments of the Group amounted to RMB59,877.65 million (As at December 31, 2017: RMB73,102.06 million).

(5) Other commitments provided by the Group

As a result of the purchase commitments and guarantees provided by the Group, the Group has the ability to use its power over the structured entities to affect their returns and is exposed to significant variable returns and the structured entities. These structured entities have been consolidated into the Group's financial statements. Please refer to Note VI.41 Interests in consolidated structured entities.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

74. Transfers of financial assets

(1) Repurchase agreements

The Group entered into sales agreements with certain counterparties on its financial assets, in which the Group was subject to simultaneous agreements with commitments to repurchase these financial assets at specified future dates and prices. As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these financial assets to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these financial assets during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore these financial assets have not been derecognized from the financial statements but regarded as "collateral" for the secured lending from the counterparties. Normally, the counterparties could only claim from the collateral when there is an event of default on the secured lending.

	Carrying amount of pledged assets December 31,		Related liabilities December 31,	
	2018	2017	**2018**	2017
Financial assets at amortized cost	**3,704,759**	–	**3,577,746**	–
Financial assets at fair value through profit or loss	**876,971**	–	**876,200**	–
Financial assets at fair value through other comprehensive income	**7,779,561**	–	**7,514,603**	–
Available-for-sale debt securities	**–**	3,423,018	**–**	2,710,267
Held-to-maturity debt securities	**–**	3,016,000	**–**	2,920,000
Loans to margin clients	**1,054,368**	1,110,028	**1,001,658**	1,000,000
Total	**13,415,659**	7,549,046	**12,970,207**	6,630,267

VI. EXPLANATORY NOTES (continued)

74. Transfers of financial assets (continued)

(2) Transfers of rights to distressed debt assets

The Group enters into transactions by which it transfers the rights to distressed debt assets to structured entities. Under such circumstance, the Group partially retains risks and rewards on the transferred distressed assets by holding tranches of the structured entities. The Group will assess whether to derecognize relevant distressed assets or not based on the extent of risks and rewards retained. If the Group neither transfers nor retains substantially all the risks and rewards of the ownership of certain transferred assets and retains the control on the transferred assets, the Group will recognize the assets on the statement of financial position to the extent of the Group's continuing involvement. The extent of the Group's continuing involvement is the extent to which the Group is exposed to changes in the value of the distressed assets. As at December 31, 2018, the carrying amounts of continuing involvement assets and liabilities recognized by the Group were both RMB1,399.43 million respectively (As at December 31, 2017: RMB2,573.67 million), which were recognized in other assets and other liabilities respectively. The fair value and the maximum risk exposure approximate their carrying amounts.

(3) Asset-backed securities

The Group enters into securitization transactions in the normal course of business by which it transfers financial assets at amortized cost to structured entities which issue asset-backed securities to investors. The Group assessed among other factors, whether or not to derecognize the transferred assets by evaluating the extent to which it retains the risks and rewards of the assets and whether it has relinquished its controls over these assets.

With respect to the securitization of financial assets that do not qualify for derecognition, the relevant financial assets are not derecognized, and the consideration paid by third parties are recorded as a financial liability. As at December 31, 2018, the Group's carrying amount of transferred assets that did not qualify for derecognition was RMB35,934.44 million (As at December 31, 2017: RMB3,327.68 million), and the carrying amount of their associated liabilities was RMB42,552.75 million (As at December 31, 2017:RMB4,468.43 million).

With respect to the securitization of financial assets that qualified for derecognition, the Group derecognized the transferred financial assets in their entirety. The corresponding total carrying amount of asset-backed securities held by the Group in the securitization transactions was RMB588.51 million as at December 31, 2018 (As at December 31, 2017: Nil), which also approximated to the Group's maximum exposure to risk.

VI. EXPLANATORY NOTES (continued)

75. Segment information

Information relating to business lines are reported to the Board of Directors of the Company and its relevant management committees, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance.

Segment revenue includes income from distressed debt assets at amortized cost, fair value changes on distressed debt assets, fair value changes on other financial instruments, investment income, net insurance premiums earned and others.

Profit before tax is the measure of segment profit or loss reviewed by the chief operating decision makers.

The Group's reportable and operating segments are as follows:

Distressed asset management operations

The distressed asset management segment comprises relevant business operated by the Company and certain of its subsidiaries, including the management of assets arising from acquisition of distressed debts and debt-to-equity-swap and the provision of clearing settlement and fiduciary services.

Financial investment and asset management operations

The financial investment and asset management segment comprises relevant business operated by the Company and certain of its subsidiaries, including the management of financial investments on private funds and companies in certain other industries.

Financial services operations

The Group's financial services segment comprises relevant business of the Group, including the provision of financial services in sectors such as bank, securities, insurance, financial leasing and asset management. These operations were mainly carried out by the subsidiaries of the Company.

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.

Segment income, expense, gains, losses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

75. Segment information (continued)

	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Year ended December 31, 2018					
Income from distressed debt assets at amortized cost	19,308,309	–	–	–	19,308,309
Fair value changes on distressed debt assets	11,536,370	–	–	(84,905)	11,451,465
Fair value changes on other financial instruments	8,321,807	7,115,858	(153,910)	(214,828)	15,068,927
Investment income	34,343	117,713	5,500	(3,149)	154,407
Net insurance premiums earned	–	–	9,128,643	–	9,128,643
Interest income	3,799,143	6,518,879	16,767,644	(1,330,491)	25,755,175
Revenue from sales of inventories	–	17,446,425	–	–	17,446,425
Commission and fee income	88,536	462,794	3,560,733	(394,418)	3,717,645
Net gains on disposal of subsidiaries, associates and joint ventures	70,723	1,480,184	–	–	1,550,907
Other income and other net gains or losses	1,646,977	1,917,194	72,980	(193,023)	3,444,128
Total	44,806,208	35,059,047	29,381,590	(2,220,814)	107,026,031
Interest expense	(27,301,526)	(10,394,646)	(10,337,248)	1,558,449	(46,474,971)
Insurance costs	–	–	(10,543,544)	–	(10,543,544)
Employee benefits	(1,469,113)	(1,288,098)	(3,389,892)	–	(6,147,103)
Purchases and changes in inventories	–	(11,427,777)	–	45,552	(11,382,225)
Commission and fee expense	(301,413)	(190,704)	(1,294,140)	14,768	(1,771,489)
Taxes and surcharges	(210,667)	(332,208)	(87,775)	–	(630,650)
Depreciation and amortization expenses	(125,183)	(276,837)	(602,047)	1,137	(1,002,930)
Other expenses	(980,452)	(1,496,776)	(1,955,535)	337,079	(4,095,684)
Impairment losses on assets	(4,727,570)	(1,124,074)	(2,442,643)	135,310	(8,158,977)
Total	(35,115,924)	(26,531,120)	(30,652,824)	2,092,295	(90,207,573)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

75. Segment information (continued)

	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	–	(386,942)	(139,889)	–	(526,831)
Profit before share of results of associates and joint ventures and tax	9,690,284	8,140,985	(1,411,123)	(128,519)	16,291,627
Share of results of associates and joint ventures	1,300,869	1,156,806	39,244	–	2,496,919
Profit before tax	10,991,153	9,297,791	(1,371,879)	(128,519)	18,788,546
Income tax expense					(6,908,637)
Profit for the year					11,879,909
Capital expenditure	106,376	2,743,795	641,459	–	3,491,630
As at December 31, 2018					
Segment assets	643,036,168	330,003,346	570,828,055	(54,268,168)	1,489,599,401
Including: Interests in associates and joint ventures	54,245,510	18,851,370	1,198,830	–	74,295,710
Unallocated assets					6,159,808
Total assets					1,495,759,209
Segment liabilities	551,906,983	280,046,800	530,980,169	(51,883,262)	1,311,050,690
Unallocated liabilities					6,140,053
Total liabilities					1,317,190,743

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

75. Segment information (continued)

	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Year ended December 31, 2017					
Income from distressed debt assets classified as receivables	17,773,020	–	–	–	17,773,020
Fair value changes on distressed debt assets	8,382,536	–	–	(116,174)	8,266,362
Fair value changes on other financial instruments	396,196	1,084,615	1,101,914	(502)	2,582,223
Investment income	16,870,028	6,513,852	6,684,387	(602,520)	29,465,747
Net insurance premiums earned	–	–	19,267,995	(1,067)	19,266,928
Interest income	3,162,660	6,388,755	11,596,678	(507,303)	20,640,790
Revenue from sales of inventories	–	14,425,517	–	–	14,425,517
Commission and fee income	97,349	397,398	4,070,314	(346,137)	4,218,924
Net gains on disposal of subsidiaries, associates and joint ventures	19,994	3,640,227	–	(1,061)	3,659,160
Other income and other net gains or losses	(1,432,535)	1,257,874	120,246	(209,628)	(264,043)
Total	45,269,248	33,708,238	42,841,534	(1,784,392)	120,034,628
Interest expense	(20,203,475)	(7,767,426)	(8,892,901)	952,724	(35,911,078)
Insurance costs	–	–	(20,913,852)	193	(20,913,659)
Employee benefits	(2,890,138)	(902,209)	(3,618,991)	–	(7,411,338)
Purchases and changes in inventories	–	(10,442,543)	–	86,735	(10,355,808)
Commission and fee expense	(494,360)	(99,645)	(1,836,761)	25,905	(2,404,861)
Taxes and surcharges	(186,125)	(408,214)	(93,022)	–	(687,361)
Depreciation and amortization expenses	(120,121)	(136,676)	(598,312)	1,137	(853,972)
Other expenses	(408,197)	(2,045,898)	(2,204,260)	364,377	(4,293,978)
Impairment losses on assets	(6,456,399)	(2,960,136)	(1,988,145)	–	(11,404,680)
Total	(30,758,815)	(24,762,747)	(40,146,244)	1,431,071	(94,236,735)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

75. Segment information (continued)

	Distressed asset management	Financial investment and asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	–	(938,230)	(346,518)	–	(1,284,748)
Profit before share of results of associates and joint ventures and tax	14,510,433	8,007,261	2,348,772	(353,321)	24,513,145
Share of results of associates and joint ventures	565,338	1,034,479	17,854	–	1,617,671
Profit before tax	15,075,771	9,041,740	2,366,626	(353,321)	26,130,816
Income tax expense					(7,372,990)
Profit for the year					18,757,826
Capital expenditure	63,695	542,058	1,089,675	–	1,695,428
As at December 31, 2017					
Segment assets	593,061,637	301,566,342	545,215,743	(58,056,983)	1,381,786,739
Including: Interests in associates and joint ventures	48,789,259	20,364,632	697,173	–	69,851,065
Unallocated assets					5,150,810
Total assets					1,386,937,549
Segment liabilities	504,793,232	255,009,075	504,900,221	(50,614,653)	1,214,087,875
Unallocated liabilities					4,585,012
Total liabilities					1,218,672,887

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

76. Related party transactions

(1) The MOF

Group

As at December 31, 2018, the MOF directly owned 64.45% (As at December 31, 2017: 64.45%) of the share capital of the Company.

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

The Group had the following balances and had entered into the following transactions with the MOF in its ordinary course of business:

The Group had the following balances with the MOF:

	As at December 31,	
	2018	2017
Financial assets at fair value through other comprehensive income	**16,227,033**	–
Available-for-sale financial assets	**–**	15,229,858
Financial assets at amortized cost	**3,867,294**	–
Financial assets at fair value through profit or loss	**658,429**	120,683
Accounts receivable	**1,597**	1,597
Interest receivable	**–**	444

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

	Year ended December 31,	
	2018	2017
Interest income	**580,472**	189,399
Investment income	**17,154**	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

76. Related party transactions (continued)

(1) The MOF (continued)

Company

The Company had the following balances with the MOF:

	As at December 31,	
	2018	2017
Accounts receivable	**1,597**	1,597

For the years ended December 31, 2018 and 2017, the Company had no transaction with the MOF.

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at December 31,	
	2018	2017
Financial assets at fair value through profit or loss	**2,694,721**	1,336,596
Financial assets classified as receivables	**–**	19,237
Financial assets at amortized cost	**936,308**	–
Property and equipment	**16,836**	18,000
Amounts due from subsidiaries	**37,943,416**	32,921,971
Bonds issued	**407,844**	253,153
Other payables	**129,491**	115,327
Accounts payable	**1,633**	2,393

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

76. Related party transactions (continued)

(2) Subsidiaries (continued)

The Company had entered into the following transactions with its subsidiaries:

	Year ended December 31,	
	2018	2017
Interest income	**1,211,367**	489,269
Rental income	**29,913**	28,717
Investment income	**–**	10,746
Fair value changes on distressed debt assets	**38,383**	35,283
Fair value changes on other financial assets	**48,463**	80,891
Dividend income	**1,269,735**	1,041,642
Commission and fee income	**–**	19,940
Commission and fee expense	**4,701**	2,259
Business and management fees	**239,098**	307,063
Other income and other net gains or losses	**19,990**	4,636
Interest expense	**85,101**	55,760
Impairment losses on assets	**143,554**	–

(3) Associates and joint ventures

The Group had the following balances and entered into the following transactions with its associates and joint ventures, entities that it does not control but exercise significant influence or joint control. These transactions were carried out in the ordinary course of business.

Group

The Group had the following balances with its associates and joint ventures:

	As at December 31,	
	2018	2017
Loans and advances to customers	**11,148,825**	1,421,823
Interest receivable	**–**	42,527
Accounts receivable	**1,950**	–
Dividend receivable	**174,978**	295,071
Other receivables	**59,113**	522,198
Risk deposit	**97,500**	71,500
Deferred income related to leasing business	**13,277**	15,093
Other payables	**271,135**	270

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

76. Related party transactions (continued)

(3) Associates and joint ventures (continued)

The Group had entered into the following transactions with its associates and joint ventures:

	Year ended December 31,	
	2018	2017
Interest income	**1,098,602**	41,107
Commission and fee income	**21,373**	4,517
Dividend income	**78,081**	64,384
Rental income	**32,707**	32,707

Company

The Company had the following balances with its associates and joint ventures:

	As at December 31,	
	2018	2017
Dividend receivable	**164,571**	295,071

The Company had entered into the following transactions with its associates and joint ventures:

	Year ended December 31,	
	2018	2017
Dividend income	**78,081**	64,384

(4) Government related entities

Other than those disclosed above, the Group also entered into transactions with other government related entities. These transactions are entered into under normal commercial terms and conditions.

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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

76. Related party transactions (continued)

(5) Defined contribution plans

Group

The Group had the following transactions with the defined contribution plans set up by the Company:

	Year ended December 31,	
	2018	2017
Contribution to defined contribution plans	**197,225**	129,058

Company

The Company had the following transactions with the defined contribution plans:

	Year ended December 31,	
	2018	**2017**
Contribution to defined contribution plans	**113,571**	70,261

(6) Defined benefit plans

Group

Movements of retirement benefit of the Group due to its subsidiary NCB:

	Year ended December 31,	
	2018	**2017**
Current service cost	**2,260**	**1,894**

(7) The Group and the Company

On 26 October 2018, the Company entered into the Market oriented Debt-to-Equity Swap Agreement of Huainan Mining Industry (Group) Co., Ltd. with Huainan Mining Group and Huaihe Energy Holdings Group Co., Ltd., pursuant to which the Company agreed to contribute capital to Huainan Mining Group by way of debt-to-equity swap with a total capital increase amount of RMB3,000 million. Upon completion of the Capital Increase, the Company will hold approximately 9.12% equity interest in Huainan Mining Group.

Except for the above disclosure, during the year, the Group and the Company did not conduct other connected transactions or continuing connected transactions required to be reported, announced or approved by independent shareholders under Chapter 14A "Connected Transactions" of the Listing Rules.

VI. EXPLANATORY NOTES (continued)

77. Financial risk management

Overview

The Group's primary objectives of risk management are to ensure (1) the prudent operation and sound business development of the Group; (2) the execution of significant decisions to achieve business targets and ensure operational efficiency; and (3) that risks are managed within a range consistent with our strategies and business targets. Based on this, the Group has designed a series of risk management policies and set up controls to identify, analyze, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews and revises its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The most significant types of risks to the Group are credit risk, market risk and liquidity risk. Market risk includes interest rate risk, currency risk and other price risk.

Risk Management Framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk strategy and risk management policies and evaluating the Group's overall risk exposures regularly.

Within this framework, the Group's senior management has overall responsibility for managing all aspects of risks, including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures relating to risk management. The Risk Management Department and other relevant functional units are responsible for monitoring financial risks.

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk

77.1.1 Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate advance, commitment or investment of funds. The Group's major credit risks arise from financial assets at amortized cost, loans and advance to customers and other guarantees. There is no significant difference of the credit risk of distressed debt assets at amortized cost and other debt assets. Risk management of other distressed debt assets at fair value through profit or loss is detailed in Note VI.77.4 Risk management of distressed assets.

The Group implements the following measures to mitigate credit risk:

- Referencing to internal and external credit rating information to manage the credit quality of counterparty, and selecting counterparty with acceptable credit quality and repayment ability to balance credit risk and return;

- Obtaining effective collateral from counterparty to mitigate risks.

In particular, credit risk relating to investment assets such as debt securities and trust products is managed by selecting counterparty with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and by applying appropriate limits.

77.1.2 Measurement of ECL

Refer to Note IV. 7.4 Impairment of financial assets.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.3 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 other than distressed debt assets is as follows:

Group

	As at December 31	
	2018	2017
Balances with central banks	**16,111,421**	21,003,272
Deposits with banks and financial institutions	**80,102,582**	54,429,215
Deposits with exchanges and others	**967,699**	1,124,895
Placements with banks and financial institutions	**18,470,497**	18,160,410
Financial assets at fair value through profit or loss	**134,400,443**	19,070,191
Financial assets held under resale agreements	**33,805,064**	60,109,388
Financial assets at fair value through other comprehensive income	**113,420,552**	–
Available-for-sale financial assets	**–**	141,472,919
Financial assets at amortized cost	**252,416,716**	–
Financial assets classified as receivables	**–**	234,226,871
Loans and advance to customers	**336,616,502**	312,117,520
Accounts receivable	**4,893,602**	3,729,135
Held-to-maturity investments	**–**	13,227,363
Other assets	**13,599,672**	26,122,964
Subtotal	**1,004,804,750**	904,794,143
Off-balance sheet		
Bank bill acceptance	**16,025,796**	13,235,863
Loan commitments	**14,005,787**	8,927,859
Letters of guarantee issued and other credit commitments	**9,384,621**	17,411,448
Subtotal	**39,416,204**	39,575,170
Total	**1,044,220,954**	944,369,313

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

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

Company

	As at December 31	
	2018	2017
Balances with central banks	**2,381**	2,364
Deposits with banks and financial institutions	**11,466,189**	11,568,824
Financial assets at fair value through profit or loss	**81,957,718**	685,993
Financial assets held under resale agreements	**21,091,389**	33,869,540
Available-for-sale financial assets	**–**	30,643,968
Financial assets at amortized cost	**216,392,215**	–
Financial assets classified as receivables	**–**	216,046,632
Accounts receivable	**1,218,654**	2,073,315
Amounts due from subsidiaries	**36,794,063**	34,068,270
Other assets	**5,409,112**	7,780,979
Total	**374,331,721**	336,739,885

Distressed debt assets at fair value through profit or loss contain certain elements of credit risk. The carrying amounts of distressed debt assets were RMB189,113.89 million and RMB148,790.13 million for the Group at December 31, 2018 and 2017, respectively.

The Group implements specific policies and credit enhancement practices to mitigate credit risk exposure to an acceptable level. The most typical practice is by obtaining guarantee deposits, collateral and/or guarantees. The amount and type of acceptable collateral are determined by credit risk evaluations of counterparties. The Group implements guidelines on the acceptability of specific classes of collateral and evaluation parameters. The main types of collateral obtained are land and properties or other assets of the borrowers. The Group monitors the market value of collateral periodically and requests for additional collateral in accordance with the underlying agreement when necessary.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost

Group

	As at December 31,	
	2018	2017
Distressed debt assets	**227,906,360**	223,957,479
Loans and advances to customers	**333,662,931**	319,035,461
Subtotal	**561,569,291**	542,992,940
Allowance for impairment losses		
Distressed debt assets	**(12,887,465)**	(8,793,775)
Loans and advances to customers	**(7,661,600)**	(6,917,941)
Subtotal	**(20,549,065)**	(15,711,716)
Net carrying amounts		
Distressed debt assets	**215,018,895**	215,163,704
Loans and advances to customers	**326,001,331**	312,117,520
Total	**541,020,226**	527,281,224

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

Company

	As at December 31, 2018	As at December 31, 2017
Distressed debt assets	**228,859,955**	223,984,961
Allowance for impairment losses	**(12,904,752)**	(8,802,019)
Net carrying amounts	**215,955,203**	215,182,942

By geographical area

Group

	As at December 31,			
	2018		2017	
Area	Gross amount	%	Gross amount	%
Overseas	**159,281,362**	**28.4**	134,759,958	24.8
Yangtze River Delta	**94,447,354**	**16.8**	85,085,506	15.7
Central Region	**89,430,989**	**15.9**	82,355,399	15.2
Pearl River Delta	**79,228,387**	**14.1**	83,156,352	15.3
Bohai Rim	**67,963,286**	**12.1**	77,374,811	14.2
Western Region	**62,676,447**	**11.2**	67,895,591	12.5
Northeastern Region	**8,541,466**	**1.5**	12,365,323	2.3
Total	**561,569,291**	**100.0**	542,992,940	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By geographical area (Continued)

Company

	As at December 31,			
	2018		2017	
Area	**Gross amount**	**%**	Gross amount	%
Central Region	**59,838,564**	**26.1**	59,641,153	26.6
Yangtze River Delta	**49,589,843**	**21.7**	43,111,870	19.2
Bohai Rim	**43,459,529**	**19.0**	44,231,122	19.8
Western Region	**36,475,624**	**15.9**	34,222,717	15.3
Pearl River Delta	**35,465,226**	**15.5**	37,459,162	16.7
Northeastern Region	**4,031,169**	**1.8**	5,318,937	2.4
Total	**228,859,955**	**100.0**	223,984,961	100.0

Notes:

Central Region:	Including Shanxi, Henan, Hunan, Hubei, Anhui, Jiangxi, and Hainan.
Yangtze River Delta:	Including Shanghai, Jiangsu, and Zhejiang.
Bohai Rim:	Including Beijing, Tianjin, Hebei, and Shandong.
Western Region:	Including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Guangxi, Gansu, Qinghai, Xinjiang, Ningxia, and Inner Mongolia.
Pearl River Delta:	Including Guangdong, Shenzhen, and Fujian.
Northeastern Region:	Including Liaoning, Jilin, and Heilongjiang.
Overseas:	Including Hong Kong and other overseas regions.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By industry

Group

Industry	As at December 31, 2018 Gross amount	2018 %	2017 Gross amount	2017 %
Corporate business				
Real estate	**214,329,344**	**38.3**	214,169,261	39.4
Manufacturing	**71,054,990**	**12.7**	69,479,071	12.8
Leasing and commercial services	**61,944,527**	**11.0**	50,684,787	9.3
Finance	**32,203,821**	**5.7**	22,242,348	4.1
Mining	**29,450,420**	**5.2**	34,435,735	6.3
Transportation, logistics and postal services	**22,541,922**	**4.0**	17,436,124	3.2
Construction	**16,947,569**	**3.0**	26,198,326	4.8
Production and supply of power, heat, gas and water	**14,360,850**	**2.6**	13,688,704	2.5
Others	**53,612,902**	**9.5**	52,181,941	9.7
Subtotal	**516,446,345**	**92.0**	500,516,297	92.1
Personal business				
Mortgage	**25,355,662**	**4.5**	24,699,191	4.6
Personal consumption loans	**13,594,368**	**2.4**	10,069,065	1.9
Subtotal	**38,950,030**	**6.9**	34,768,256	6.5
Loans to margin clients	**6,172,916**	**1.1**	7,708,387	1.4
Total	**561,569,291**	**100.0**	542,992,940	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By industry (continued)

Company

	As at December 31,			
	2018		2017	
Industry	**Gross amount**	**%**	Gross amount	%
Real estate	**110,379,126**	**48.3**	111,924,734	50.0
Manufacturing	**26,423,028**	**11.5**	26,644,126	11.9
Mining	**23,727,543**	**10.4**	27,172,248	12.1
Wholesale and retail trade	**15,647,767**	**6.8**	12,903,202	5.8
Leasing and commercial services	**10,066,096**	**4.4**	6,987,935	3.1
Construction	**9,635,787**	**4.2**	9,408,372	4.2
Transportation, logistics and postal services	**8,691,354**	**3.8**	11,026,200	4.9
Others	**24,289,254**	**10.6**	17,918,144	8.0
Total	**228,859,955**	**100.0**	223,984,961	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.4 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By security type

Group

	As at December 31,			
	2018		2017	
	Gross amount	**%**	Gross amount	%
Unsecured	**115,608,682**	**20.6**	129,036,444	23.8
Guaranteed	**91,657,442**	**16.3**	75,030,296	13.8
Mortgaged	**251,224,086**	**44.7**	226,185,597	41.6
Pledged	**103,079,081**	**18.4**	112,740,603	20.8
Total	**561,569,291**	**100.0**	542,992,940	100.0

Company

	As at December 31,			
	2018		2017	
	Gross amount	**%**	Gross amount	%
Unsecured	**7,204,880**	**3.1**	9,589,650	4.3
Guaranteed	**32,352,092**	**14.1**	34,055,150	15.2
Mortgaged	**145,810,672**	**63.8**	139,576,040	62.3
Pledged	**43,492,311**	**19.0**	40,764,121	18.2
Total	**228,859,955**	**100.0**	223,984,961	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.5 Past due distressed debt assets and loans and advances to customers at amortized cost

Group

	Gross amount as at December 31, 2018					Gross amount as at December 31, 2017				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	7,299,782	1,492,118	3,598,955	705,498	13,096,353	1,927,882	2,626,321	1,867,515	336,496	6,758,214
Loans and advances to customers	1,234,180	1,871,500	4,338,209	681,171	8,125,060	1,023,902	2,491,781	4,135,948	616,109	8,267,740
Total	8,533,962	3,363,618	7,937,164	1,386,669	21,221,413	2,951,784	5,118,102	6,003,463	952,605	15,025,954

Company

	Gross amount as at December 31, 2018					Gross amount as at December 31, 2017				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	7,299,782	1,492,118	3,626,436	511,457	12,929,793	1,927,882	2,653,803	1,867,515	336,496	6,785,696

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.6 Credit quality of distressed debt assets and loans and advances to customers at amortized cost

Group

	As at December 31,	
	2018	2017
Neither past due nor impaired	**540,347,878**	526,858,086
Past due but not impaired (1)	**6,823,058**	5,387,912
Impaired (2)	**14,398,355**	10,746,942
Subtotal	**561,569,291**	542,992,940
Allowance for impairment losses	**(20,549,065)**	(15,711,716)
Net carrying amount	**541,020,226**	527,281,224

Company

	As at December 31,	
	2018	2017
Neither past due nor impaired	**215,930,162**	216,189,920
Past due but not impaired (1)	**5,772,437**	3,574,043
Impaired (2)	**7,157,356**	4,220,998
Subtotal	**228,859,955**	223,984,961
Allowance for impairment losses	**(12,904,752)**	(8,802,019)
Net carrying amount	**215,955,203**	215,182,942

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.6 Credit quality of distressed debt assets and loans and advances to customers at amortized cost (continued)

(1) Past due but not impaired

Group

	Gross amount as at December 31, 2018					Gross amount as at December 31, 2017				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	**5,772,437**	**–**	**–**	**–**	**5,772,437**	1,927,882	1,646,161	–	–	3,574,043
Loans and advances to customers	**1,050,619**	**2**	**–**	**–**	**1,050,621**	791,804	1,009,407	12,658	–	1,813,869
Total	**6,823,056**	**2**	**–**	**–**	**6,823,058**	2,719,686	2,655,568	12,658	–	5,387,912

Company

	Gross amount as at December 31, 2018					Gross amount as at December 31, 2017				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years	Over 3 years	Total
Distressed debt assets	**5,772,437**	**–**	**–**	**–**	**5,772,437**	1,927,882	1,646,161	–	–	3,574,043

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.6 Credit quality of distressed debt assets and loans and advances to customers at amortized cost (continued)

(2) Impaired

Group

	As at December 31, 2018		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	**7,323,917**	**(4,301,300)**	**3,022,617**
Loans and advances to customers	**7,074,438**	**(3,034,137)**	**4,040,301**
Total	**14,398,355**	**(7,335,437)**	**7,062,918**

	As at December 31, 2017		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets classified as receivables			
– Individually assessed	4,193,516	(1,987,170)	2,206,346
Loans and advances to customers			
– Individually assessed	6,443,779	(3,291,803)	3,151,976
– Collectively assessed	109,647	(80,177)	29,470
Total	10,746,942	(5,359,150)	5,387,792

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.6 Credit quality of distressed debt assets and loans and advances to customers at amortized cost (continued)

(2) Impaired (continued)

Company

	As at December 31, 2018		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	**7,157,356**	**(4,183,277)**	**2,974,079**
Total	**7,157,356**	**(4,183,277)**	**2,974,079**

	As at December 31, 2017		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets classified as receivables – Individually assessed	4,220,998	(1,995,414)	2,225,584
Total	4,220,998	(1,995,414)	2,225,584

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.6 Credit quality of distressed debt assets and loans and advances to customers at amortized cost (continued)

(2) Impaired (continued)

Group

	As at December 31, 2018
Distressed debt assets	
Impaired	**7,323,917**
– Portion covered	**5,589,220**
– Portion not covered	**1,734,697**
Impaired as % of total distressed debt assets	**3.2**
Fair value of collateral	**7,043,338**
Loans and advances to customers	
Impaired	**7,074,438**
– Portion covered	**5,559,858**
– Portion not covered	**1,514,580**
Impaired as % of total loans and advances to customers	**2.1**
Fair value of collateral	**6,520,677**

	As at December 31, 2017
Distressed debt assets classified as receivables	
Individually assessed and impaired	4,193,516
Individually assessed and impaired as a % of total distressed debt assets classified as receivables (%)	1.9
Fair value of collateral	5,647,798
Loans and advances to customers	
Individually assessed and impaired	6,443,779
Individually assessed and impaired as a % of total loans and advances to customers (%)	2.0
Fair value of collateral	5,702,818

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.6 Credit quality of distressed debt assets and loans and advances to customers at amortized cost (continued)

(2) Impaired (continued)

Company

	As at December 31, 2018
Distressed debt assets	
Impaired	**7,157,356**
– Portion covered	**5,398,588**
– Portion not covered	**1,758,768**
Impaired as % of total distressed debt assets	**3.1**
Fair value of collateral	**6,997,458**

	As at December 31, 2017
Distressed debt assets classified as receivables	
Individually assessed and impaired	4,220,998
Individually assessed and impaired as a % of total distressed debt assets classified as receivables (%)	1.9
Fair value of collateral	5,647,798

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.6 Credit quality of distressed debt assets and loans and advances to customers at amortized cost (continued)

(2) Impaired (continued)

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

Distressed debt assets

Group

	As at December 31,			
	2018		2017	
Area	**Gross amount**	**%**	Gross amount	%
Yangtze River Delta	**2,395,025**	**32.6**	1,105,172	26.4
Bohai Rim	**2,109,344**	**28.9**	855,889	20.4
Pearl River Delta	**1,939,557**	**26.5**	1,388,150	33.1
Western Region	**542,219**	**7.4**	805,534	19.2
Northeastern Region	**337,772**	**4.6**	38,771	0.9
Total	**7,323,917**	**100.0**	4,193,516	100.0

Company

	As at December 31,			
	2018		2017	
Area	**Gross amount**	**%**	Gross amount	%
Yangtze River Delta	**2,395,025**	**33.5**	1,105,172	26.2
Pearl River Delta	**1,967,038**	**27.4**	1,415,632	33.5
Bohai Rim	**1,915,302**	**26.8**	855,889	20.3
Western Region	**542,219**	**7.6**	805,534	19.1
Northeastern Region	**337,772**	**4.7**	38,771	0.9
Total	**7,157,356**	**100.0**	4,220,998	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.6 Credit quality of distressed debt assets and loans and advances to customers at amortized cost (continued)

(2) Impaired (continued)

Loans and advances to customers

Group

	As at December 31,			
	2018		2017	
Area	**Gross amount**	**%**	Gross amount	%
Western Region	**2,068,182**	**29.3**	3,383,258	51.6
Overseas	**1,699,703**	**24.0**	239,192	3.6
Pearl River Delta	**1,087,892**	**15.4**	1,178,448	18.0
Northeastern Region	**713,143**	**10.1**	580,467	8.9
Central Region	**588,601**	**8.3**	528,658	8.1
Bohai Rim	**540,354**	**7.6**	155,261	2.4
Yangtze River Delta	**376,563**	**5.3**	488,142	7.4
Total	**7,074,438**	**100.0**	6,553,426	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.7 Credit quality of investment products

The tables below set forth the credit quality of investment products, including debt securities, wealth management products and trust products.

Group

	As at December 31	
	2018	2017
Neither past due nor impaired (1)	**265,423,182**	188,549,668
Past due but not impaired (2)	**12,516,487**	43,181
Impaired (3)	**9,322,192**	6,180,098
Subtotal	**287,261,861**	194,772,947
Allowance for impairment losses	**(1,877,356)**	(1,939,307)
Net carrying amounts	**285,384,505**	192,833,640

Company

	As at December 31	
	2018	2017
Neither past due nor impaired (1)	**63,843,706**	32,121,911
Past due but not impaired	**12,502,951**	43,181
Impaired	**6,348,638**	123,332
Subtotal	**82,695,295**	32,288,424
Allowance for impairment losses	**(134,875)**	(94,773)
Net carrying amounts	**82,560,420**	32,193,651

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.7 Credit quality of investment products (continued)

(1) Neither past due nor impaired

Group

	As at December 31, 2018				As at December 31, 2017				
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Government bonds	4,826,641	3,924,588	41,063,983	49,815,212	3,302,452	29,257,893	5,775,745	–	38,336,090
Public sector and quasi-government bonds	280,475	2,109,196	12,613,925	15,003,596	395,232	8,212,728	3,386,079	–	11,994,039
Financial institution bonds	541,504	3,717,371	41,427,553	45,686,428	–	18,783,457	3,087,182	–	21,870,639
Corporate bonds	5,697,048	2,461,838	18,300,577	26,459,463	9,701,003	9,469,133	978,357	–	20,148,493
Trust products and rights to trust assets	18,081,745	16,230,820	–	34,312,565	–	19,051,684	–	15,215,202	34,266,886
Wealth management products	2,962,501	–	–	2,962,501	1,878,340	11,820,000	–	–	13,698,340
Certificates of deposit	–	–	–	–	–	27,929,436	–	–	27,929,436
Asset management plans	10,660,652	910,731	–	11,571,383	411,074	13,048,760	–	1,672,000	15,131,834
Asset-backed securities	927,070	708,787	–	1,635,857	54,636	1,040,845	–	–	1,095,481
Structured debt arrangements	–	–	–	–	–	–	–	219,438	219,438
Derivative financial assets	617,750	–	–	617,750	381,271	–	–	–	381,271
Embedded derivatives debts	1,709,681	–	–	1,709,681	404,298	–	–	–	404,298
Debt investments	9,952,213	6,096,157	–	16,048,370	–	–	–	–	–
Mixed fund investment	57,743,378	–	–	57,743,378	–	–	–	–	–
Interbank negotiable certificate of deposit	39,246	–	–	39,246	1,337,269	–	–	–	1,337,269
Others	1,345,657	472,095	–	1,817,752	1,204,616	–	–	531,538	1,736,154
Subtotal	115,385,561	36,631,583	113,406,038	265,423,182	19,070,191	138,613,936	13,227,363	17,638,178	188,549,668
Allowance for impairment losses	–	(550,156)	–	(550,156)	–	(48,205)	–	(23,019)	(71,224)
Total	115,385,561	36,081,427	113,406,038	264,873,026	19,070,191	138,565,731	13,227,363	17,615,159	188,478,444

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.7 Credit quality of investment products (continued)

(1) Neither past due nor impaired (continued)

Company

	As at December 31, 2018				As at December 31, 2017				
	Financial assets at fair value through profit or loss	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total	Financial assets at fair value through profit or loss	Available-for-sale financial assets	Held-to-maturity investments	Financial assets classified as receivables	Total
Public sector and quasi-government bonds	–	–	–	–	–	131,831	–	–	131,831
Financial institution bonds	–	–	–	–	–	369,073	–	–	369,073
Corporate bonds	541,504	–	–	541,504	250,000	–	–	–	250,000
Trust plans and rights to trust assets	5,131,935	–	–	5,131,935	–	11,371,139	–	–	11,371,139
Wealth management products	–	–	–	–	–	2,000,000	–	–	2,000,000
Certificates of deposit	–	–	–	–	–	13,236,083	–	–	13,236,083
Asset management plans	1,187,880	–	–	1,187,880	–	2,787,016	–	–	2,787,016
Asset-backed securities	661,744	690,734	–	1,352,478	–	789,800	–	–	789,800
Structured debt arrangements	–	–	–	–	–	–	–	219,438	219,438
Debt investments	9,945,194	–	–	9,945,194	–	–	–	–	–
Mixed fund investment	43,815,761	–	–	43,815,761	–	–	–	–	–
Others	1,868,954	–	–	1,868,954	435,993	–	–	531,538	967,531
Subtotal	63,152,972	690,734	–	63,843,706	685,993	30,684,942	–	750,976	32,121,911
Allowance for impairment losses	–	(89,621)	–	(89,621)	–	(40,974)	–	(16,799)	(57,773)
Total	63,152,972	601,113	–	63,754,085	685,993	30,643,968	–	734,177	32,064,138

As at December 31, 2018, the gross amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB113,406.04 million, the allowances of RMB54.87 million was recognized in other comprehensive income.

(2) Past due but not impaired

As at December 31, 2018, the gross amount of investment products past due but not impaired of the Group was RMB12,516.49 million and was RMB43.18 million at December 31, 2017.

(3) Impaired

As at December 31, 2018, the gross amount of the impaired investment products at fair value through profit or loss was RMB6,498.40 million, and the fair value loss of RMB3,581.03 million was recognized. The gross amount of the impaired investment products at fair value through other comprehensive income was RMB14.51 million, and the allowances of RMB185.80 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB2,809.28 million and the allowances of RMB1,327.20 million was recognized.

As at December 31, 2017, the impaired investment products for the Group were trust products, asset management plans, structured debt arrangements, ect., the gross amount of the impaired investment products for the Group was RMB6,180.10 million. The Group made allowances for impairment losses of RMB1,868.08 million.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.8 Investment products analyzed by credit rating from reputable rating agencies

Group

	As at December 31, 2018						As at December 31, 2017					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Government bonds	5,171,912	27,726,385	15,747,952	1,168,801	–	49,815,050	2,951,305	23,643,036	–	–	11,717,728	38,312,069
Public sector and quasi-government bonds	8,314,326	3,478	6,569,963	–	115,824	15,003,591	29,256	–	–	–	11,364,688	11,393,944
Financial institution bonds	3,700,669	5,657,517	24,419,886	10,411,963	1,495,484	45,685,519	2,608,318	1,270,249	4,861,164	1,000,384	12,431,526	22,171,641
Corporate bonds	14,208,603	1,759,689	3,437,319	3,445,345	3,608,746	26,459,702	4,852,206	4,531,709	1,546,453	1,147,704	8,395,647	20,473,719
Trust products and rights to trust assets	642,061	–	–	1,436,840	37,930,629	40,009,530	–	–	–	–	35,882,492	35,882,492
Wealth management products	–	–	–	–	2,962,501	2,962,501	–	–	–	–	13,698,340	13,698,340
Certificates of deposit	–	–	–	–	39,246	39,246	13,236,083	4,041,124	3,416,772	2,809,711	5,763,015	29,266,705
Asset management plans	–	–	733,602	–	10,813,733	11,547,335	–	–	–	–	17,645,605	17,645,605
Asset-backed securities	18,049	–	–	–	1,528,182	1,546,231	24,324	–	–	–	1,061,488	1,085,812
Debt investments	–	–	–	–	20,558,152	20,558,152	–	–	–	–	–	–
Mixed fund investment	–	–	–	–	67,610,903	67,610,903	–	–	–	–	–	–
Structured debt arrangements	–	–	–	–	1,589	1,589	–	–	–	–	348,951	348,951
Derivative financial assets	–	–	–	–	617,750	617,750	–	–	–	–	381,271	381,271
Embedded derivatives debts	–	–	–	–	1,709,681	1,709,681	–	–	–	–	404,298	404,298
Others	38,937	–	–	–	1,778,788	1,817,725	–	–	–	–	1,768,793	1,768,793
Total	32,094,557	35,147,069	50,908,722	16,462,949	150,771,208	285,384,505	23,701,492	33,486,118	9,824,389	4,957,799	120,863,842	192,833,640

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.1 Credit Risk (continued)

77.1.8 Investment products analyzed by credit rating from reputable rating agencies (continued)

Company

	As at December 31, 2018						As at December 31, 2017					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Public sector and quasi-government bonds	–	–	–	–	–	–	–	–	–	–	131,831	131,831
Financial institution bonds	541,504	–	–	–	–	541,504	369,073	–	–	–	–	369,073
Corporate bonds	–	–	–	–	–	–	–	–	–	–	250,000	250,000
Trust products and rights to trust assets	–	–	–	1,436,840	8,291,041	9,727,881	–	–	–	–	11,360,881	11,360,881
Wealth management products	–	–	–	–	–	–	–	–	–	–	2,000,000	2,000,000
Certificates of deposit	–	–	–	–	–	–	13,236,083	–	–	–	–	13,236,083
Asset management plans	–	–	–	886,790	301,090	1,187,880	–	–	–	–	2,758,738	2,758,738
Asset-backed securities	–	–	–	–	1,262,857	1,262,857	24,324	–	–	–	763,038	787,362
Debt investments	–	–	–	–	14,483,068	14,483,068	–	–	–	–	–	–
Mixed fund investment	–	–	–	–	53,486,687	53,486,687	–	–	–	–	–	–
Structured debt arrangements	–	–	–	–	1,589	1,589	–	–	–	–	348,951	348,951
Others	–	–	–	–	1,868,954	1,868,954	–	–	–	–	950,732	950,732
Total	541,504	–	–	2,323,630	79,695,286	82,560,420	13,629,480	–	–	–	18,564,171	32,193,651

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.2 Market risk

Market risk is the risk of loss, in respect of the Group's on- and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities.

The risk of fair value and cash flow changes due to interest rate changes is mainly related to the Group's fixed rate and floating rate financial instruments.

The Group manages its interest rate risk by:

- minimizing the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities;

- strictly controlling the length of the debt restructuring term and strengthening the matching of the Group's liabilities with the terms and interest rate structure of the restructured distressed assets; and

- regularly performing quantitative analysis, including periodic sensitivity analysis.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.2 Market risk (continued)

Interest rate risk (continued)

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

Group

	As at December 31, 2018						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	14,568,786	–	–	–	–	2,083,125	16,651,911
Deposits with banks and financial institutions	61,986,509	5,458,000	11,145,421	208,665	318,151	985,836	80,102,582
Placements with banks and financial institutions	14,314,428	3,652,328	501,928	–	–	1,813	18,470,497
Deposits with exchanges and others	961,993	–	–	–	–	5,706	967,699
Financial assets at fair value through profit or loss	8,273,935	2,906,550	22,985,762	64,239,806	6,750,269	323,634,714	428,791,036
Financial assets at fair value through other comprehensive income	10,359,373	16,867,423	30,544,213	48,416,813	7,232,730	3,407,026	116,827,578
Loans and advances to customers	182,735,632	66,599,250	48,788,605	37,304,410	1,166,182	22,423	336,616,502
Financial assets at amortized cost	24,351,034	13,604,030	76,780,296	133,566,198	4,115,158	–	252,416,716
Accounts receivable	–	445,524	2,665,481	–	–	1,782,597	4,893,602
Financial assets held under resale agreements	31,408,385	457,526	1,743,142	196,011	–	–	33,805,064
Other financial assets	85,931	60,316	270,050	2,073,211	–	11,303,736	13,793,244
Total financial assets	349,046,006	110,050,947	195,424,898	286,005,114	19,582,490	343,226,976	1,303,336,431
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Accounts payable to brokerage clients	(7,545,306)	–	–	–	–	(2,770,536)	(10,315,842)
Due to customers	(131,079,098)	(44,431,958)	(61,453,814)	(9,935,398)	(194,399)	(7,005,251)	(254,099,918)
Deposits from banks and financial institutions	(4,797,082)	(8,605,059)	(6,099,571)	(2,721,933)	(100,104)	(57,000)	(22,380,749)
Placements from banks and financial institutions	(6,972,698)	(5,841,736)	(7,079,012)	–	–	(325,204)	(20,218,650)
Financial liabilities at fair value through profit or loss	(1,460,884)	(1,703,091)	(1,044,656)	–	–	(314,718)	(4,523,349)
Financial assets sold under repurchase agreements	(9,172,327)	(1,606,631)	(1,315,049)	–	–	(876,200)	(12,970,207)
Investment contract liabilities for policyholders	–	(214)	(2,149)	(1,931,380)	(11,272,273)	–	(13,206,016)
Borrowings	(23,062,521)	(52,131,454)	(299,673,093)	(177,999,831)	(17,998,317)	(4,934)	(570,870,150)
Bonds issued	(145,383)	(10,343,733)	(50,211,869)	(112,584,846)	(104,225,161)	(5,604,074)	(283,115,066)
Accounts payable	–	–	(142,926)	–	–	(5,170,887)	(5,313,813)
Other financial liabilities	(6,073,933)	(18,868)	(2,161,229)	(2,784,764)	(478)	(25,002,749)	(36,042,021)
Total financial liabilities	(190,309,232)	(124,682,744)	(429,183,368)	(307,958,152)	(133,790,732)	(48,117,611)	(1,234,041,839)
Interest rate gap	158,736,774	(14,631,797)	(233,758,470)	(21,953,038)	(114,208,242)	295,109,365	69,294,592

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.2 Market risk (continued)

Interest rate risk (continued)

Group (Continued)

	As at December 31, 2017						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	9,394,636	–	–	–	–	12,116,444	21,511,080
Deposits with banks and financial institutions	43,287,837	9,339,641	1,261,540	5,830	–	534,367	54,429,215
Placements with banks and financial institutions	13,938,792	1,155,191	3,066,427	–	–	–	18,160,410
Deposits with exchanges and others	123,183	–	–	–	–	1,001,712	1,124,895
Financial assets at fair value through profit or loss	1,943,823	1,366,629	4,748,115	8,386,239	1,472,652	195,878,401	213,795,859
Financial assets classified as receivables	10,487,110	13,720,295	79,481,332	130,338,134	200,000	–	234,226,871
Loans and advances to customers	161,169,370	54,425,187	47,656,663	48,041,435	724,865	100,000	312,117,520
Accounts receivable	70,249	–	–	445,524	–	3,213,362	3,729,135
Financial assets held under resale agreements	37,696,985	14,157,292	6,942,986	1,312,125	–	–	60,109,388
Available-for-sale financial assets	1,633,901	23,968,571	12,988,810	66,410,012	51,685,327	116,496,071	273,182,692
Held-to-maturity investments	–	349,595	2,727,954	6,977,430	3,172,384	–	13,227,363
Other financial assets	942,900	612,939	4,569,569	3,472,993	9,944	16,514,619	26,122,964
Total financial assets	280,688,786	119,095,340	163,443,396	265,389,722	57,265,172	345,854,976	1,231,737,392
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Accounts payable to brokerage clients	(9,528,230)	–	–	–	–	(2,865,583)	(12,393,813)
Due to customers	(138,405,656)	(40,879,749)	(33,396,868)	(5,588,268)	(85,006)	(7,865,239)	(226,220,786)
Deposits from banks and financial institutions	(8,329,502)	(4,825,000)	(3,850,684)	(2,080,000)	–	(174,080)	(19,259,266)
Placements from banks and financial institutions	(11,215,440)	(26,129)	(2,389,161)	(2,049,961)	(546,161)	(204,699)	(16,431,551)
Financial liabilities at fair value through profit or loss	(1,749,557)	(1,860,023)	(22,902)	–	–	(3,161,647)	(6,794,129)
Financial assets sold under repurchase agreements	(5,006,524)	(623,743)	–	(1,000,000)	–	–	(6,630,267)
Investment contract liabilities for policyholders	–	–	(71)	(6,179)	(19,955,119)	–	(19,961,369)
Borrowings	(4,105,511)	(17,433,702)	(299,100,711)	(241,240,631)	(18,471,515)	–	(580,352,070)
Bonds issued	–	(6,401,801)	(17,453,372)	(109,885,151)	(68,630,742)	(4,111,578)	(206,482,644)
Accounts payable	–	–	(251)	–	–	(3,220,688)	(3,220,939)
Other financial liabilities	(350,257)	(74)	(1,189,757)	(2,976,396)	–	(60,953,575)	(65,470,059)
Total financial liabilities	(178,690,677)	(72,050,221)	(357,403,777)	(364,826,586)	(107,688,543)	(83,543,147)	(1,164,202,951)
Interest rate gap	101,998,109	47,045,119	(193,960,381)	(99,436,864)	(50,423,371)	262,311,829	67,534,441

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.2 Market risk (continued)

Interest rate risk (continued)

Company

	As at December 31, 2018						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	2,381	–	–	–	–	511	2,892
Deposits with banks and financial institutions	9,337,114	–	2,129,075	–	–	–	11,466,189
Financial assets at fair value through profit or loss	3,642,112	–	9,915,740	52,114,027	5,129,179	241,862,710	312,663,768
Financial assets at fair value through other comprehensive income	–	–	–	–	–	3,379,133	3,379,133
Financial assets at amortized cost	20,653,875	13,450,172	74,473,682	107,814,486	–	–	216,392,215
Accounts receivable	–	445,524	10,000	–	–	763,130	1,218,654
Financial assets held under resale agreements	21,091,389	–	–	–	–	–	21,091,389
Amounts due from subsidiaries	1,557,112	17,258,830	14,929,652	2,809,597	–	238,872	36,794,063
Interests in consolidated structured entities	1,000,908	54,129	8,570,302	8,288,678	534,485	2,247,677	20,696,179
Other financial assets	–	–	–	–	–	5,409,112	5,409,112
Total financial assets	57,284,891	31,208,655	110,028,451	171,026,788	5,663,664	253,901,145	629,113,594
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(739,392)	(739,392)
Borrowings	(19,609,452)	(40,169,952)	(257,718,153)	(138,964,678)	–	–	(456,462,235)
Bonds issued	–	(10,331,344)	(27,414,485)	(44,276,253)	(59,662,337)	(3,571,424)	(145,255,843)
Accounts payable	–	–	–	–	–	(168,760)	(168,760)
Other financial liabilities	–	–	–	–	–	(6,851,558)	(6,851,558)
Total financial liabilities	(19,609,452)	(50,501,296)	(285,132,638)	(183,240,931)	(59,662,337)	(12,317,192)	(610,463,846)
Interest rate gap	37,675,439	(19,292,641)	(175,104,187)	(12,214,143)	(53,998,673)	241,583,953	18,649,748

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.2 Market risk (continued)

Interest rate risk (continued)

Company (continued)

	As at December 31, 2017						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	2,364	–	–	–	–	608	2,972
Deposits with banks and financial institutions	8,108,564	2,960,260	500,000	–	–	–	11,568,824
Financial assets at fair value through profit or loss	–	–	250,000	–	–	157,021,136	157,271,136
Financial assets classified as receivables	9,187,852	11,981,295	75,073,450	119,804,035	–	–	216,046,632
Accounts receivable	70,249	–	–	445,524	–	1,557,542	2,073,315
Financial assets held under resale agreements	18,163,703	12,710,930	2,994,907	–	–	–	33,869,540
Available-for-sale financial assets	808,489	10,739,359	5,266,744	33,824,913	5,263,965	62,469,754	118,373,224
Amounts due from subsidiaries	1,532,998	12,538,734	16,763,671	2,470,614	–	762,253	34,068,270
Interests in consolidated structured entities	1,503,727	217,569	3,149,350	13,919,316	546,014	2,149,378	21,485,354
Other financial assets	161,576	24,887	217,399	–	–	7,377,117	7,780,979
Total financial assets	39,539,522	51,173,034	104,215,521	170,464,402	5,809,979	231,337,788	602,540,246
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(3,296,750)	(3,296,750)
Borrowings	(1,500,000)	(8,500,000)	(256,800,000)	(201,999,900)	–	–	(468,799,900)
Bonds issued	–	(939,614)	(14,331,202)	(41,021,761)	(33,797,158)	(2,219,859)	(92,309,594)
Accounts payable	–	–	–	–	–	(198,820)	(198,820)
Other financial liabilities	–	–	–	–	–	(11,383,307)	(11,383,307)
Total financial liabilities	(1,500,000)	(9,439,614)	(271,131,202)	(243,021,661)	(33,797,158)	(18,084,794)	(576,974,429)
Interest rate gap	38,039,522	41,733,420	(166,915,681)	(72,557,259)	(27,987,179)	213,252,994	25,565,817

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in the yield rates of all financial instruments on the Group's profit before tax and other comprehensive income, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of each reporting period.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.2 Market risk (continued)

Interest rate risk (continued)

Interest rate sensitivity analysis

Group

	As at December 31			
	2018		2017	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
+ 100 basis points	**522,702**	**(1,959,345)**	642,173	(1,068,623)
- 100 basis points	**(522,702)**	**2,047,503**	(642,173)	1,112,314

Company

	As at December 31			
	2018		2017	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
+ 100 basis points	**(456,356)**	**–**	58,356	(111,801)
- 100 basis points	**456,356**	**–**	(58,356)	117,444

Foreign exchange risk

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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.2 Market risk (continued)

Foreign exchange risk (continued)

At the end of each reporting period, a breakdown of the assets and liabilities analyzed by currency is as follows:

Group

	As at December 31, 2018				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central banks	13,619,767	907,679	2,095,077	29,388	16,651,911
Deposits with banks and financial institutions	63,818,930	13,600,321	1,436,599	1,246,732	80,102,582
Placements with banks and financial institutions	5,634,019	10,537,272	1,500,315	798,891	18,470,497
Deposits with exchanges and others	959,176	1,853	6,670	–	967,699
Financial assets at fair value through profit or loss	388,571,679	34,092,723	4,365,308	1,761,326	428,791,036
Financial assets at amortized cost	248,941,372	1,142,165	2,210,101	123,078	252,416,716
Financial assets at fair value through other comprehensive income	46,030,550	17,027,927	49,644,603	4,124,498	116,827,578
Loans and advances to customers	156,169,963	63,582,239	110,813,196	6,051,104	336,616,502
Accounts receivable	4,760,255	618	129,716	3,013	4,893,602
Financial assets held under resale agreements	33,805,064	–	–	–	33,805,064
Other financial assets	10,888,837	403,846	2,500,553	8	13,793,244
Total financial assets	973,199,612	141,296,643	174,702,138	14,138,038	1,303,336,431
Borrowings from central bank	(986,058)	–	–	–	(986,058)
Accounts payable to brokerage clients	(10,178,362)	(100,198)	(37,282)	–	(10,315,842)
Due to customers	(71,312,190)	(50,863,235)	(124,748,866)	(7,175,627)	(254,099,918)
Deposits from banks and financial institutions	(21,644,103)	(389,493)	(339,612)	(7,541)	(22,380,749)
Placements from banks and financial institutions	(3,487,648)	(4,642,890)	(9,595,885)	(2,492,227)	(20,218,650)
Financial liabilities at fair value through profit or loss	(230,085)	(155)	(4,293,109)	–	(4,523,349)
Financial assets sold under repurchase agreements	(12,970,207)	–	–	–	(12,970,207)
Investment contract liabilities for policy holders	(13,206,016)	–	–	–	(13,206,016)
Borrowings	(528,179,761)	(4,733,487)	(37,787,804)	(169,098)	(570,870,150)
Bonds issued	(206,912,025)	(76,147,997)	(55,044)	–	(283,115,066)
Accounts payable	(4,798,517)	(350,785)	(160,724)	(3,787)	(5,313,813)
Other financial liabilities	(30,667,031)	(603,985)	(4,762,854)	(8,151)	(36,042,021)
Total financial liabilities	(904,572,003)	(137,832,225)	(181,781,180)	(9,856,431)	(1,234,041,839)
Net exposure	68,627,609	3,464,418	(7,079,042)	4,281,607	69,294,592

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.2 Market risk (continued)

Foreign exchange risk (continued)

Group (continued)

	As at December 31, 2017				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central banks	20,270,703	597,760	619,252	23,365	21,511,080
Deposits with banks and financial institutions	3,519,482	49,205,154	1,058,427	646,152	54,429,215
Placements with banks and financial institutions	3,552,464	9,816,038	3,799,211	992,697	18,160,410
Deposits with exchanges and others	1,121,877	1,764	1,254	–	1,124,895
Financial assets at fair value through profit or loss	180,654,715	25,265,814	6,780,485	1,094,845	213,795,859
Financial assets classified as receivables	234,226,871	–	–	–	234,226,871
Loans and advances to customers	164,361,016	53,617,513	89,396,880	4,742,111	312,117,520
Accounts receivable	3,189,676	191,838	345,681	1,940	3,729,135
Financial assets held under resale agreements	60,109,388	–	–	–	60,109,388
Available-for-sale financial assets	218,053,566	19,071,952	32,684,916	3,372,258	273,182,692
Held-to-maturity investments	11,264,267	1,767,191	–	195,905	13,227,363
Other financial assets	21,882,318	831,214	3,335,780	73,652	26,122,964
Total financial assets	922,206,343	160,366,238	138,021,886	11,142,925	1,231,737,392
Borrowings from central bank	(986,058)	–	–	–	(986,058)
Accounts payable to brokerage clients	(12,253,095)	(101,459)	(39,259)	–	(12,393,813)
Due to customers	(74,240,639)	(42,145,272)	(105,030,544)	(4,804,331)	(226,220,786)
Deposits from banks and financial institutions	(17,643,409)	(1,367,661)	(248,193)	(3)	(19,259,266)
Placements from banks and financial institutions	(5,990,001)	(4,123,492)	(2,212,654)	(4,105,404)	(16,431,551)
Financial liabilities at fair value through profit or loss	(3,052,938)	(64)	(3,741,127)	–	(6,794,129)
Financial assets sold under repurchase agreements	(5,542,000)	–	–	(1,088,267)	(6,630,267)
Investment contract liabilities for policy holders	(19,961,369)	–	–	–	(19,961,369)
Borrowings	(540,612,468)	(3,306,067)	(36,276,095)	(157,440)	(580,352,070)
Bonds issued	(150,369,567)	(56,038,312)	(74,765)	–	(206,482,644)
Accounts payable	(2,797,755)	(149,873)	(270,041)	(3,270)	(3,220,939)
Other financial liabilities	(60,607,649)	(3,090,369)	(1,756,787)	(15,254)	(65,470,059)
Total financial liabilities	(894,056,948)	(110,322,569)	(149,649,465)	(10,173,969)	(1,164,202,951)
Net exposure	28,149,395	50,043,669	(11,627,579)	968,956	67,534,441

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.2 Market risk (continued)

Foreign exchange risk (continued)

The tables below indicate the potential effect on profit before tax of a 5% appreciation or depreciation of RMB spot and forward exchange rate against all other currencies.

Group

	As at December 31	
	2018	2017
5% appreciation	**(33,349)**	(1,969,252)
5% depreciation	**33,349**	1,969,252

As the Company's operations are mainly denominated in RMB, directors of the Company are of the view that the Company's foreign exchange risk is insignificant and therefore do not present such analysis.

Price risk

Price risk is the risk that the fair values of equity investments fluctuate as a result of changes in the levels of equity indices and the value of relative securities. The risk is reflected as the variation of the Group's profit or loss and net assets arising from fair value changes of financial assets measured at fair value changes, and also the variation of the Group's other comprehensive income and net assets arising from the fair value changes of financial assets measured at other comprehensive income.

As at December 31, 2018, the Group's equity investments amounted to RMB108,683.73 million, among which an amount of RMB105,276.70 million was classified as at fair value through profit or loss. Additionally, an amount of RMB3,407.03 million was classified as at fair value through other comprehensive income. The fair value of the above-mentioned financial assets will vary along with the fluctuations of equity indices and value of relative securities.

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.3 Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk by:

- optimizing assets and liabilities structure;
- implementing a centralized liquidity management system by pooling Group-wide funds and maintaining an efficient internal fund transfer mechanism within the Group; and
- regularly performing quantitative analysis.

The tables below present the cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturity at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.3 Liquidity risk (continued)

Group

	As at December 31, 2018							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	14,561,102	2,090,809	–	–	–	–	–	16,651,911
Deposits with banks and financial institutions	231,108	54,022,721	10,618,159	5,502,620	11,396,423	397,261	–	82,168,292
Placements with banks and financial institutions	–	–	14,316,859	2,443,585	1,785,559	–	–	18,546,003
Deposits with exchanges and others	967,699	–	–	–	–	–	–	967,699
Financial assets at fair value through profit or loss	299,702,238	4,445,579	7,571,857	3,249,503	27,372,072	79,630,464	21,707,243	443,678,956
Loans and advances to customers	5,872,673	18,358,332	13,819,929	23,832,766	86,059,312	179,829,274	49,683,707	377,455,993
Accounts receivable	2,446,400	1,162,991	8,518	446,123	1,128,320	–	–	5,192,352
Financial assets held under resale agreements	–	–	31,443,566	558,866	2,166,357	260,545	–	34,429,334
Financial assets at fair value through other comprehensive income	3,408,357	455	7,521,807	9,748,268	32,812,106	63,901,441	5,552,588	122,945,022
Financial assets at amortized cost	17,964,858	1,978,251	13,297,774	14,354,755	86,449,209	166,114,284	10,812,329	310,971,460
Other financial assets	3,911,180	3,606,615	1,776,309	264,184	2,870,616	129,762	1,401,852	13,960,518
Total financial assets	349,065,615	85,665,753	100,374,778	60,400,670	252,039,974	490,263,031	89,157,719	1,426,967,540

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.3 Liquidity risk (continued)

Group (continued)

	As at December 31, 2018							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(10,316,531)	–	–	–	–	–	(10,316,531)
Due to customers	(930,892)	(52,909,466)	(84,274,008)	(45,344,533)	(62,012,664)	(10,659,857)	(237,557)	(256,368,977)
Deposits from banks and financial institutions	–	(878,403)	(3,975,679)	(8,605,059)	(6,101,933)	(3,253,930)	(127,131)	(22,942,135)
Placements from banks and financial institutions	–	(1,734)	(6,353,486)	(5,857,053)	(7,683,794)	–	(470,838)	(20,366,905)
Financial liabilities at fair value through profit or loss	–	(77,761)	(1,533,661)	(1,743,265)	(1,126,492)	(54,632)	–	(4,535,811)
Financial assets sold under repurchase agreements	–	(876,200)	(9,172,801)	(1,609,700)	(1,423,298)	–	–	(13,081,999)
Investment contract liabilities for policy holders	–	–	–	(214)	(2,149)	(1,931,380)	(11,272,273)	(13,206,016)
Borrowings	–	(86,703)	(23,264,036)	(57,599,703)	(313,990,832)	(189,901,671)	(20,126,058)	(604,969,003)
Bonds issued	–	–	(150,026)	(10,539,014)	(52,455,831)	(125,192,814)	(150,811,045)	(339,148,730)
Accounts payable	(66,294)	(4,709,488)	(238,254)	(130,225)	(169,552)	–	–	(5,313,813)
Other financial liabilities	(3,136,139)	(16,039,801)	(5,196,231)	(126,337)	(3,207,180)	(7,866,624)	(477,511)	(36,049,823)
Total financial liabilities	(5,119,383)	(85,896,087)	(134,158,182)	(131,555,103)	(448,173,725)	(338,860,908)	(183,522,413)	(1,327,285,801)
Net position	343,946,232	(230,334)	(33,783,404)	(71,154,433)	(196,133,751)	151,402,123	(94,364,694)	99,681,739

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.3 Liquidity risk (continued)

Group (continued)

	As at December 31, 2017							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	11,541,959	9,969,121	–	–	–	–	–	21,511,080
Deposits with banks and financial institutions	138	35,749,394	8,086,985	9,413,709	1,346,106	6,106	–	54,602,438
Placements with banks and financial institutions	–	–	14,034,392	1,163,114	3,087,458	–	–	18,284,964
Deposits with exchanges and others	1,124,895	–	–	–	–	–	–	1,124,895
Financial assets at fair value through profit or loss	188,654,657	6,603,660	2,021,004	1,537,094	5,055,642	9,892,305	2,493,272	216,257,634
Financial assets classified as receivables	8,771,994	–	4,368,970	15,057,563	86,331,325	169,328,506	221,285	284,079,643
Loans and advances to customers	7,369,219	15,772,098	11,527,289	18,360,293	88,174,902	161,249,943	35,768,522	338,222,266
Accounts receivable	517,821	953,540	86,385	236,019	439,700	1,541,473	–	3,774,938
Financial assets held under resale agreements	–	–	37,812,582	14,317,491	7,186,375	1,554,271	–	60,870,719
Available-for-sale financial assets	76,104,457	2,647,814	3,952,256	24,363,486	19,315,110	94,529,366	60,968,988	281,881,477
Held-to-maturity investments	–	–	3,545	413,482	3,069,198	7,979,130	4,324,267	15,789,622
Other financial assets	2,826,889	4,494,160	4,497,672	302,629	3,976,386	6,056,986	189,808	22,344,530
Total financial assets	296,912,029	76,189,787	86,391,080	85,164,880	217,982,202	452,138,086	103,966,142	1,318,744,206

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.3 Liquidity risk (continued)

Group (continued)

	As at December 31, 2017							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(12,394,739)	–	–	–	–	–	(12,394,739)
Due to customers	–	(90,809,678)	(56,833,415)	(40,886,823)	(31,542,756)	(6,872,227)	(85,268)	(227,030,167)
Deposits from banks and financial institutions	–	(2,386,576)	(5,717,357)	(5,225,605)	(4,058,995)	(2,268,095)	(15,011)	(19,671,639)
Placements from banks and financial institutions	–	(204,699)	(11,237,809)	(26,185)	(2,392,774)	(2,062,794)	(546,161)	(16,470,422)
Financial liabilities at fair value through profit or loss	–	(39,268)	(1,760,555)	(1,910,913)	(220,770)	(2,865,054)	–	(6,796,560)
Financial assets sold under repurchase agreements	–	–	(4,545,021)	(1,088,267)	–	(1,110,007)	–	(6,743,295)
Investment contract liabilities for policy holders	–	–	–	–	(71)	(6,179)	(19,955,119)	(19,961,369)
Borrowings	–	–	(4,833,009)	(27,785,528)	(325,999,779)	(263,749,655)	(19,143,835)	(641,511,806)
Bonds issued	–	–	(267,511)	(7,416,090)	(25,521,922)	(114,476,347)	(97,960,078)	(245,641,948)
Accounts payable	(2,541,680)	(297,242)	(182,946)	–	(199,071)	–	–	(3,220,939)
Other financial liabilities	(23,070,449)	(24,665,139)	(1,123,538)	(196,377)	(2,591,639)	(9,473,149)	(324,300)	(61,444,591)
Total financial liabilities	(26,598,187)	(130,797,341)	(86,501,161)	(84,535,788)	(392,527,777)	(402,883,507)	(138,029,772)	(1,261,873,533)
Net position	270,313,842	(54,607,554)	(110,081)	629,092	(174,545,575)	49,254,579	(34,063,630)	56,870,673

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.3 Liquidity risk (continued)

Company

	As at December 31, 2018							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,892	–	–	–	–	–	2,892
Deposits with banks and financial institutions	–	9,337,114	–	–	2,129,075	–	–	11,466,189
Financial assets at fair value through profit or loss	237,877,800	361,922	2,252,876	–	11,276,769	54,514,934	12,791,221	319,075,522
Accounts receivable	80,049	683,081	–	445,524	10,000	–	–	1,218,654
Financial assets held under resale agreements	–	–	21,114,252	–	–	–	–	21,114,252
Financial assets at fair value through other comprehensive income	3,379,133	–	–	–	–	–	–	3,379,133
Financial assets at amortized cost	12,810,946	–	13,132,951	13,852,944	81,268,197	136,862,459	–	257,927,497
Amounts due from subsidiaries	–	1,629,334	166,744	17,351,645	15,367,574	3,167,244	–	37,682,541
Interests in consolidated structured entities	3,182,634	–	136,748	55,289	8,247,714	10,544,832	1,014,051	23,181,268
Other financial assets	2,738,119	1,271,559	–	–	–	–	1,399,434	5,409,112
Total financial assets	260,068,681	13,285,902	36,803,571	31,705,402	118,299,329	205,089,469	15,204,706	680,457,060
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(739,392)	–	(739,392)
Borrowings	–	–	(19,679,192)	(44,675,986)	(269,173,563)	(143,693,936)	–	(477,222,677)
Bonds issued	–	–	–	(10,526,624)	(28,821,679)	(48,722,141)	(87,465,776)	(175,536,220)
Accounts payable	–	–	–	–	(168,760)	–	–	(168,760)
Other financial liabilities	(472,113)	(4,679,051)	–	–	(89,460)	(1,610,934)	–	(6,851,558)
Total financial liabilities	(1,458,171)	(4,679,051)	(19,679,192)	(55,202,610)	(298,253,462)	(194,766,403)	(87,465,776)	(661,504,665)
Net position	258,610,510	8,606,851	17,124,379	(23,497,208)	(179,954,133)	10,323,066	(72,261,070)	18,952,395

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.3 Liquidity risk (continued)

Company (continued)

	As at December 31, 2017							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,972	–	–	–	–	–	2,972
Deposits with banks and financial institutions	–	8,108,564	–	2,979,507	505,404	–	–	11,593,475
Financial assets at fair value through profit or loss	157,021,136	–	–	–	1,250	270,500	–	157,292,886
Financial assets classified as receivables	7,485,521	–	4,368,970	12,731,789	81,459,062	151,618,556	–	257,663,898
Accounts receivable	70,249	199,153	18,525	236,000	53,864	1,541,327	–	2,119,118
Financial assets held under resale agreements	–	–	18,213,086	12,813,483	3,045,604	–	–	34,072,173
Available-for-sale financial assets	35,817,046	–	2,955,451	10,977,172	10,779,642	53,488,894	9,263,944	123,282,149
Amounts due from subsidiaries	–	2,295,251	–	12,565,433	16,881,523	2,571,360	–	34,313,567
Interests in consolidated structured entities	2,420,064	–	6,457	227,000	4,628,423	14,879,727	1,046,765	23,208,436
Other financial assets	1,214,671	745,949	2,511,048	24,887	171,837	2,473,026	–	7,141,418
Total financial assets	204,028,687	11,351,889	28,073,537	52,555,271	117,526,609	226,843,390	10,310,709	650,690,092
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(3,296,750)	–	(3,296,750)
Borrowings	–	–	(1,519,527)	(13,578,130)	(271,635,156)	(214,960,726)	–	(501,693,539)
Bonds issued	–	–	–	(1,054,412)	(18,275,742)	(41,645,594)	(52,560,000)	(113,535,748)
Accounts payable	–	–	–	–	(198,820)	–	–	(198,820)
Other financial liabilities	(288,728)	(5,952,360)	–	–	(408,131)	(2,663,131)	–	(9,312,350)
Total financial liabilities	(1,274,786)	(5,952,360)	(1,519,527)	(14,632,542)	(290,517,849)	(262,566,201)	(52,560,000)	(629,023,265)
Net position	202,753,901	5,399,529	26,554,010	37,922,729	(172,991,240)	(35,722,811)	(42,249,291)	21,666,827

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities

Group

	As at December 31, 2018							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	14,561,102	2,090,809	–	–	–	–	–	16,651,911
Deposits with banks and financial institutions	231,108	52,812,945	10,247,504	5,457,596	11,144,765	208,664	–	80,102,582
Placements with banks and financial institutions	–	–	14,311,769	2,425,371	1,733,357	–	–	18,470,497
Deposits with exchanges and others	967,699	–	–	–	–	–	–	967,699
Financial assets at fair value through profit or loss	295,165,831	4,445,579	7,261,702	2,941,829	24,998,627	73,781,975	20,195,493	428,791,036
Loans and advances to customers	4,633,260	18,250,607	12,554,513	20,965,152	75,032,689	165,435,840	39,744,441	336,616,502
Accounts receivable	2,147,652	1,162,989	8,518	446,123	1,128,320	–	–	4,893,602
Financial assets held under resale agreements	–	–	31,408,385	457,526	1,743,142	196,011	–	33,805,064
Financial assets at fair value through other comprehensive income	3,407,026	–	7,412,346	9,566,753	31,508,462	60,347,458	4,585,533	116,827,578
Financial assets at amortized cost	9,831,021	1,978,251	12,541,762	13,653,889	77,182,677	133,113,958	4,115,158	252,416,716
Other financial assets	3,911,180	3,559,404	1,748,942	252,537	2,820,876	98,453	1,401,852	13,793,244
Total financial assets	334,855,879	84,300,584	97,495,441	56,166,776	227,292,915	433,182,359	70,042,477	1,303,336,431
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(10,315,842)	–	–	–	–	–	(10,315,842)
Due to customers	(930,892)	(52,909,466)	(84,232,814)	(45,073,503)	(60,989,667)	(9,726,019)	(237,557)	(254,099,918)
Deposits from banks and financial institutions	–	(878,403)	(3,975,679)	(8,605,059)	(6,099,571)	(2,721,933)	(100,104)	(22,380,749)
Placements from banks and financial institutions	–	(1,734)	(6,351,027)	(5,841,736)	(7,553,315)	–	(470,838)	(20,218,650)
Financial liabilities at fair value through profit or loss	–	(77,761)	(1,532,167)	(1,739,081)	(1,119,708)	(54,632)	–	(4,523,349)
Financial assets sold under repurchase agreements	–	(876,200)	(9,172,327)	(1,606,631)	(1,315,049)	–	–	(12,970,207)
Investment contract liabilities for policyholders	–	–	–	(214)	(2,149)	(1,931,380)	(11,272,273)	(13,206,016)
Borrowings	–	–	(23,062,848)	(52,136,061)	(299,673,093)	(177,999,831)	(17,998,317)	(570,870,150)
Bonds issued	–	–	(149,681)	(10,430,580)	(51,138,518)	(114,418,191)	(106,978,096)	(283,115,066)
Accounts payable	(66,294)	(4,709,488)	(238,254)	(130,225)	(169,552)	–	–	(5,313,813)
Other financial liabilities	(3,136,139)	(16,031,999)	(5,196,231)	(126,337)	(3,207,180)	(7,866,624)	(477,511)	(36,042,021)
Total financial liabilities	(5,119,383)	(85,800,893)	(133,911,028)	(125,689,427)	(431,267,802)	(314,718,610)	(137,534,696)	(1,234,041,839)
Net position	329,736,496	(1,500,309)	(36,415,587)	(69,522,651)	(203,974,887)	118,463,749	(67,492,219)	69,294,592

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (continued)

Group (Continued)

	As at December 31, 2017							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	11,541,959	9,969,121	–	–	–	–	–	21,511,080
Deposits with banks and financial institutions	138	35,741,956	8,080,110	9,339,641	1,261,540	5,830	–	54,429,215
Placements with banks and financial institutions	–	–	13,938,792	1,155,191	3,066,427	–	–	18,160,410
Deposits with exchanges and others	1,124,895	–	–	–	–	–	–	1,124,895
Financial assets at fair value through profit or loss	188,530,698	6,603,660	1,951,479	1,395,823	4,533,681	8,676,864	2,103,654	213,795,859
Financial assets classified as receivables	6,282,067	–	4,205,043	13,720,295	79,481,332	130,338,134	200,000	234,226,871
Loans and advances to customers	4,617,117	15,740,583	10,960,569	15,997,242	78,046,262	151,206,505	35,549,242	312,117,520
Accounts receivable	517,821	953,540	86,385	236,019	439,700	1,495,670	–	3,729,135
Financial assets held under resale agreements	–	–	37,696,985	14,157,292	6,942,986	1,312,125	–	60,109,388
Available-for-sale financial assets	75,603,351	2,647,675	3,905,294	23,968,571	18,276,631	90,209,992	58,571,178	273,182,692
Held-to-maturity investments	–	–	–	349,595	2,727,954	6,977,430	3,172,384	13,227,363
Other financial assets	3,522,349	4,525,528	4,958,594	1,213,425	5,530,439	6,181,590	191,039	26,122,964
Total financial assets	291,740,395	76,182,063	85,783,251	81,533,094	200,306,952	396,404,140	99,787,497	1,231,737,392
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(12,393,813)	–	–	–	–	–	(12,393,813)
Due to customers	–	(90,386,583)	(56,757,005)	(40,761,212)	(31,379,866)	(6,851,115)	(85,005)	(226,220,786)
Deposits from banks and financial institutions	–	(2,386,576)	(5,717,006)	(5,225,000)	(3,850,684)	(2,080,000)	–	(19,259,266)
Placements from banks and financial institutions	–	(204,699)	(11,215,440)	(26,129)	(2,389,161)	(2,049,961)	(546,161)	(16,431,551)
Financial liabilities at fair value through profit or loss	–	(39,268)	(1,760,089)	(1,909,044)	(220,673)	(2,865,055)	–	(6,794,129)
Financial assets sold under repurchase agreements	–	–	(4,542,000)	(1,088,267)	–	(1,000,000)	–	(6,630,267)
Investment contract liabilities for policyholders	–	–	–	–	(71)	(6,179)	(19,955,119)	(19,961,369)
Borrowings	–	–	(4,105,511)	(17,433,702)	(299,100,711)	(241,240,631)	(18,471,515)	(580,352,070)
Bonds issued	–	–	–	(7,306,883)	(20,659,867)	(106,895,115)	(71,620,779)	(206,482,644)
Accounts payable	(2,541,680)	(297,242)	(182,946)	–	(199,071)	–	–	(3,220,939)
Other financial liabilities	(23,070,449)	(24,991,662)	(1,637,180)	(592,949)	(4,025,264)	(10,655,186)	(497,369)	(65,470,059)
Total financial liabilities	(26,598,187)	(130,699,843)	(85,917,177)	(74,343,186)	(361,825,368)	(373,643,242)	(111,175,948)	(1,164,202,951)
Net position	265,142,208	(54,517,780)	(133,926)	7,189,908	(161,518,416)	22,760,898	(11,388,451)	67,534,441

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (continued)

Company

	As at December 31, 2018							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,892	–	–	–	–	–	2,892
Deposits with banks and financial institutions	–	9,337,114	–	–	2,129,075	–	–	11,466,189
Financial assets at fair value through profit or loss	236,634,752	361,922	2,084,869	–	10,643,095	51,101,692	11,837,438	312,663,768
Accounts receivable	80,049	683,081	–	445,524	10,000	–	–	1,218,654
Financial assets held under resale agreements	–	–	21,091,389	–	–	–	–	21,091,389
Financial assets at fair value through other comprehensive income	3,379,133	–	–	–	–	–	–	3,379,133
Financial assets at amortized cost	8,165,973	–	12,487,903	13,450,172	74,473,682	107,814,485	–	216,392,215
Amounts due from subsidiaries	–	1,629,334	166,650	17,258,830	14,929,652	2,809,597	–	36,794,063
Interests in consolidated structured entities	2,934,829	–	126,100	54,129	7,140,344	9,505,681	935,096	20,696,179
Other financial assets	2,738,119	1,271,559	–	–	–	–	1,399,434	5,409,112
Total financial assets	253,932,855	13,285,902	35,956,911	31,208,655	109,325,848	171,231,455	14,171,968	629,113,594
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(739,392)	–	(739,392)
Borrowings	–	–	(19,609,452)	(40,169,952)	(257,718,153)	(138,964,678)	–	(456,462,235)
Bonds issued	–	–	–	(10,418,190)	(27,980,837)	(44,998,123)	(61,858,693)	(145,255,843)
Accounts payable	–	–	–	–	(168,760)	–	–	(168,760)
Other financial liabilities	(472,113)	(4,679,051)	–	–	(89,460)	(1,610,934)	–	(6,851,558)
Total financial liabilities	(1,458,171)	(4,679,051)	(19,609,452)	(50,588,142)	(285,957,210)	(186,313,127)	(61,858,693)	(610,463,846)
Net position	252,474,684	8,606,851	16,347,459	(19,379,487)	(176,631,362)	(15,081,672)	(47,686,725)	18,649,748

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (continued)

Company (Continued)

	As at December 31, 2017							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,972	–	–	–	–	–	2,972
Deposits with banks and financial institutions	–	8,108,564	–	2,960,260	500,000	–	–	11,568,824
Financial assets at fair value through profit or loss	157,021,136	–	–	–	–	250,000	–	157,271,136
Financial assets classified as receivables	4,982,810	–	4,205,043	11,981,295	75,073,450	119,804,034	–	216,046,632
Accounts receivable	70,249	199,153	18,525	236,000	53,864	1,495,524	–	2,073,315
Financial assets held under resale agreements	–	–	18,163,703	12,710,930	2,994,907	–	–	33,869,540
Available-for-sale financial assets	35,183,871	–	2,908,489	10,739,359	10,217,824	50,578,504	8,745,177	118,373,224
Amounts due from subsidiaries	–	2,295,251	–	12,538,734	16,763,671	2,470,614	–	34,068,270
Interests in consolidated structured entities	2,287,046	–	6,113	217,569	4,401,320	13,582,294	991,012	21,485,354
Other financial assets	1,214,671	745,949	2,564,664	183,109	398,169	2,674,417	–	7,780,979
Total financial assets	200,759,783	11,351,889	27,866,537	51,567,256	110,403,205	190,855,387	9,736,189	602,540,246
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(3,296,750)	–	(3,296,750)
Borrowings	–	–	(1,500,000)	(8,500,000)	(256,800,000)	(201,999,900)	–	(468,799,900)
Bonds issued	–	–	–	(943,851)	(16,546,824)	(41,021,761)	(33,797,158)	(92,309,594)
Accounts payable	–	–	–	–	(198,820)	–	–	(198,820)
Other financial liabilities	(288,728)	(5,952,360)	(15,665)	(762,841)	(1,642,724)	(2,720,989)	–	(11,383,307)
Total financial liabilities	(1,274,786)	(5,952,360)	(1,515,665)	(10,206,692)	(275,188,368)	(249,039,400)	(33,797,158)	(576,974,429)
Net position	199,484,997	5,399,529	26,350,872	41,360,564	(164,785,163)	(58,184,013)	(24,060,969)	25,565,817

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.4 Risk management of distressed assets

(i) Overview

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

Such distressed assets include acquisition-operation distressed assets, restructured distressed assets and equity instruments obtained through debt-to-equity swap.

(ii) Risk management of distressed debt assets

The Group exercises standardized management procedures, including project initiation, due diligence investigation, design and approval of recovery plan and continuous monitoring and management. The Group enhances its risk management by strengthening investigation, review and approval procedures before the recovery of distressed assets, and monitoring measures after the recovery of distressed assets; enhancing risk mitigation effect through collateral; and continuously upgrading the management system of distressed assets.

Specifically, the risks to which distressed debts at fair value through profit or loss mainly comprise valuation risk, legal title risk and to certain extent credit risk; while the risks to which distressed debts at amortized cost mainly comprise credit risk.

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.4 Risk management of distressed assets (continued)

(ii) Risk management of distressed debt assets (continued)

(1) Valuation risk

Valuation risk is the risk of negative impact arising from the difference between actual results and value estimations that the Group would use in its management of distressed debt assets at fair value through profit or loss, due to variance in factors such as future cash flows, collection period, discount rate, and disposal cost. Measures the Group takes to minimize the valuation risk include:

- Perform investigation strictly on the parties involved in the transaction (including the debtors and the guarantors), collateral provided, repayment sources, etc.; and

- Adopt conservative estimation on incurrence rate, discount rate, and disposal cost when performing valuation and review the difference between actual results and estimation after the completion of the disposal of distressed assets to improve the accuracy of future estimations.

(2) Legal title risk

Legal title risk is the risk of loss, arising from the decrease of recoverable amount when the legal rights to claim was partially or entirely lost due to inappropriate daily management of distressed assets such as expiry of claim period without taking proper legal actions on time. Measures the Group takes to minimize the legal title risk include:

- Set up alert management system to ensure the expiry of legal claim periods related to distressed assets is managed effectively;

- Set up periodic revisiting mechanism to interview debtors and monitor the conditions of collateral. Maintain regular investigation report properly to ensure the Group has access to the most updated information; and

- Set up reporting mechanism of significant events to ensure immediate recovery action be taken when certain risk elements emerge.

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.4 Risk management of distressed assets (continued)

(ii) Risk management of distressed debt assets (continued)

(3) Credit risk

In addition to distressed debt assets at amortized cost, certain distressed debt assets at fair value through profit or loss may be subject to credit risk. Depending on the status of the obligor of distressed debt assets as at fair value through profit or loss, the Group may decide to pursue repayment from the obligor instead of disposing it to third party, credit risk arises in such situation. Credit risk represents the potential loss that may arise from the failure of a customer or counterparty's failure to meet its obligation. Characters of the credit risk management system of the Group include:

- Applying centralized policy and procedures throughout the Group;
- Enforce strict management system on the credentials of authorized supervisors; and
- Apply more stringent risk management rules and procedures, which include customer investigation, project evaluation, investigation and approval, project execution and post-event management for distressed assets at amortized cost.

Measures the Group takes to minimize the credit risk of distressed assets include:

- Manage the creditworthiness of counterparties using independent credit rating on the counterparties as reference;
- Select counterparties with appropriate creditworthiness and repayment capability; and
- Require counterparties to provide collateral which fully covers the credit exposure.

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.4 Risk management of distressed assets (continued)

(iii) Risk management of assets obtained through debt-to-equity swap

Risk related to these equity instruments is the risk of loss arising from movements in the value of equity shares due to price changes or decline in value of the investees.

The measures the Group takes to minimize the risk related to these equity instruments include:

- Strengthen continuous monitoring, analysis and management of equity values;

- Gain better understanding of macro-economic policies reinforced by the government and assess their impact on the equity investments; and

- Track the value changes dynamically and identify the appropriate timing for disposal to realize the maximum value of equity shares.

(iv) Determination of fair value

The Group uses valuation techniques for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, Comparable listed company method, option pricing models or other valuation methods as appropriate. In practical applications, only observable data are used in the models. However, areas such as credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of the financial instruments.

(v) Impairment assessment

The Group performs impairment assessment on distressed debt assets at amortized cost. Assessment procedures for distressed debt assets at amortized cost are similar to those set out in Note VI.77.1 Credit Risk.

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.5 Insurance risk

Insurance risk refers to the uncertainty of claim amount and timing arising from the unpredictable occurrence of the insured events. The major insurance risk to which the Group exposes to arises from the insurance payment exceeding the associated insurance or investment contract liabilities the Group recognizes. The uncertainty mainly arises from claim ratio, significance of claim, actual payment and the progress of long-term claims. Insurance risk management is one of the risk management objectives of the Group. Solvency is the primary indicator for the Group's insurance operation. The Group manages to provide sufficient insurance or investment contract liabilities to meet the obligation for insurance payment.

(i) Types of insurance risks

Insurance risks could arise in various situations, including the difference between the actual and estimated frequency of insurance event incurred (frequency risk), the difference between the actual and estimated cost of risk event (severity risk) and the change of the amount of obligations to policyholders at maturity of the insurance contract (developing risk).

The business scope of the Group's insurance operation includes long-term life and savings insurance and property and casualty insurance. For insurance contracts covering death benefits, factors like infectious disease, enormous changes of life style, and natural disaster could increase the overall claim ratio. Actual insurance payments and timing of the payments may be much higher or earlier than expected. For insurance contracts covering survival benefits, most important factors that may have impact on insurance risk are the continuous improvement of medical treatment level and social welfare which lead to longer lifetime. For property and casualty insurance contract, claims are usually affected by natural disaster and catastrophe.

Specifically, insurance risks comprise pricing risk, insurance reserve risk and reinsurance risk.

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.5 Insurance risk (continued)

(i) Types of insurance risks (continued)

(1) Pricing risk

Pricing risk is the negative impact arising from the difference between the actual results and estimations used in the assumptions relating to mortality ratio, morbidity ratio, lapse rate, investment yield and cost ratio. Measures the Group undertakes to minimize the risks include:

- Use conservative incurrence rate and margin for product pricing; closely monitor the performance of the products after launched; adjust the product price based on the difference between actual results and pricing assumptions;

- Set up plan for strategic asset allocation and set pricing margin based on long-term investment yield associated with the strategic asset allocation; and

- Set up plan for business planning and expense budgeting and reinforce a rigorous expense management system.

(2) Insurance reserve risk

Insurance reserve risk is the risk that insurance reserve provided is not sufficient to fulfill the obligation for claims due to the use of inappropriate standard or method. Measures the Group takes to minimize the risk include:

- Calculate insurance reserve based on reasonable estimation of obligations to claims and perform adequacy testing at the end of each reporting period, that covers long-term life insurance contract liabilities and short-term insurance contract liabilities which include unearned premium reserves and claim reserves; and

- Assess solvency adequacy of the Group based on the solvency policy reserves and carry out supervisory measures on solvency.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.5 Insurance risk (continued)

(i) Types of insurance risks (continued)

(3) Reinsurance risk

Reinsurance risk is the risk of loss arising from unexpected severe insurance payment due to inappropriate reinsurance arrangement on the allocation of the risk ceded and retained. At the same time, the Group still has direct obligation to policyholders although there is reinsurance arrangement in place. Therefore, the Group is exposed to credit risks arising from the reinsurers' default on reinsurance contacts. Measures the Group takes to minimize the risk include:

- Allocate insurance risks ceded and retained appropriately and make adjustment dynamically according to the business development of the Group;

- Arrange reinsurance properly and select reinsurers with good creditworthiness to share risks. Selection criteria adopted by the Group include financial capability, service quality, reinsurance terms, claim handling efficiency and price, etc.

(ii) Concentration of insurance risk

All insurance operations of the Group are located in the PRC. There are no significant differences among the regions where the Group underwrites insurance contracts.

(1) The table below summarizes the Group's gross written premiums by major type of insurance contract:

	Year ended December 31,			
	2018		2017	
	Amount	**%**	Amount	%
Life insurance	**9,165,684**	**100.0**	18,474,609	95.7
Motor vehicle insurance contract	**–**	**–**	703,479	3.6
General property insurance	**–**	**–**	45,740	0.2
Others	**–**	**–**	87,950	0.5
Total	**9,165,684**	**100.0**	19,311,778	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.5 Insurance risk (continued)

(ii) Concentration of insurance risk (Continued)

(2) The table below summarizes the Group's major type of insurance contract liability:

	Year ended December 31,			
	2018		2017	
	Amount	**%**	Amount	%
Life insurance	**36,500,450**	**97.1**	38,966,618	98.5
Health insurance contract	**1,011,049**	**2.7**	547,758	1.4
Others	**95,075**	**0.2**	51,788	0.1
Total	**37,606,574**	**100.0**	39,566,164	100.0

(iii) Key assumptions and sensitivity analysis

(1) *Property and casualty insurance contract and short-term life insurance contract*

The primary assumption that has impact on the property and casualty insurance contract and short-term life insurance contract of the Group is the historical claim ratio. Other assumption is mainly about delay in payment. The table below illustrates the potential impact of a reasonable change of insurance claim ratio on the Group's profit before tax and equity, when other assumptions remain unchanged.

	As at December 31,			
	2018		2017	
	Profit before tax	**Equity**	Profit before tax	Equity
+1%	**(27,234)**	**(27,234)**	(34,165)	(34,165)
-1%	**27,234**	**27,234**	34,165	34,165

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.5 Insurance risk (continued)

(iii) Key assumptions and sensitivity analysis (continued)

(2) Long-term life and health insurance contract

For long-term life and health insurance contract, key assumptions include mortality ratio, morbidity ratio, lapse rate, discount rate and cost rate, etc. The Group bases its mortality assumptions on China Life Insurance Mortality Table (2000-2003), adjusted where appropriate to reflect the Group's recent historical mortality experience. The Group bases its morbidity assumptions for critical illness products on the analysis of information provided by reinsurance companies and historical experience. Cost rate assumptions of the Group reflect the current and expected future operating results. All these assumptions mentioned above are consistent with market practice or other publicly available information.

For insurance contract that the future insurance benefits are not linked to the investment returns of the associated asset portfolios, the Group bases its discount rate assumptions on the interest rate appropriate for the cash flow period and risk characteristics of the associated liabilities. For those that are linked to the investment returns, the Group bases its discount rate assumptions on the expected future investment yield of the associated asset portfolios.

The table below illustrates the potential impact of a 10 basis points change of the discount rates on the Group's profit before tax and equity, when other assumptions remain unchanged.

	As at December 31,			
	2018		2017	
	Profit before tax	**Equity**	Profit before tax	Equity
+10bps	**20,470**	**20,470**	13,767	13,767
-10bps	**(20,999)**	**(20,999)**	(14,139)	(14,139)

The table below illustrates the potential impact of a 10% change of expense rates on the Group's profit before tax and equity, when other assumptions remain unchanged.

	As at December 31,			
	2018		2017	
	Profit before tax	**Equity**	Profit before tax	Equity
+10%	**(140,920)**	**(140,920)**	(117,863)	(117,863)
-10%	**140,920**	**140,920**	117,863	117,863

VI. EXPLANATORY NOTES (continued)

77. Financial risk management (continued)

77.6 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 CBIRC in 2011, the Group manages its capital based on required minimum capital. Compliance with the requirement of minimum capital is the primary goal of capital management of the Group.

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

In accordance with the requirements of Off-site Supervision Reporting Index System on Financial Asset Management Companies (Yinjianbanfa [2016] No. 38), issued by the CBIRC in 2016, the Company is required to maintain a minimum core Tier I, common Tier I and Tier II Capital Adequacy Ratio ("CAR") at 9%, 10% and 12.5% respectively. CAR is calculated by dividing the corresponding qualified capital of the Company by its risk-weighted assets. As at December 31, 2018 and 2017, the Company complied with the regulatory requirements on the minimum CAR.

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments

Assets and liabilities measured at fair value are classified into the following three levels based on the degree of fair value observability:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly, including bond prices, equity and stock prices, interest rates, foreign exchange rates; and

- Level 3: The management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including the discounted cash flow analysis, net asset value and market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have significant impact on the valuation of these financial instruments, and therefore, these assets and liabilities have been classified by the Group as level 3. The unobservable inputs which may have impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio, etc.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

78.1 Fair values of financial assets and financial liabilities that are not measured on a recurring basis

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

Group

	As at December 31,			
	2018		2017	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets/financial liabilities				
Financial assets classified as receivables	**–**	**–**	234,226,871	231,913,576
Accounts receivable	**4,893,602**	**4,891,889**	3,729,135	3,651,493
Financial assets at amortized cost				
– Distressed debt assets	**214,853,205**	**212,848,831**	–	–
– Other debt investments	**37,563,511**	**37,563,511**	–	–
Held-to-maturity investments	**–**	**–**	13,227,363	13,261,641
Total	**257,310,318**	**255,304,231**	251,183,369	248,826,710
Financial liabilities				
Borrowings	**(570,870,150)**	**(573,323,035)**	(580,352,070)	(583,201,676)
Bonds issued	**(283,115,066)**	**(285,145,053)**	(206,482,644)	(199,642,290)
Total	**(853,985,216)**	**(858,468,088)**	(786,834,714)	(782,843,966)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

78.1 Fair values of financial assets and financial liabilities that are not measured on a recurring basis (continued)

Group (continued)

	As at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Accounts receivable	–	–	4,891,889	4,891,889
Financial assets at amortized cost				
– Distressed debt assets	–	–	212,848,831	212,848,831
– Other debt investments	3,075,150	5,803,613	28,684,748	37,563,511
Total	3,075,150	5,803,613	246,425,468	255,304,231
Borrowings	–	–	(573,323,035)	(573,323,035)
Bonds issued	–	(198,876,547)	(86,268,506)	(285,145,053)
Total	–	(198,876,547)	(659,591,541)	(858,468,088)

	As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Accounts receivable	–	–	3,651,493	3,651,493
Financial assets classified as receivables	–	–	231,913,576	231,913,576
Held-to-maturity investments	5,111,690	7,818,559	331,392	13,261,641
Total	5,111,690	7,818,559	235,896,461	248,826,710
Borrowings	–	–	(583,201,676)	(583,201,676)
Bonds issued	–	(136,517,051)	(63,125,239)	(199,642,290)
Total	–	(136,517,051)	(646,326,915)	(782,843,966)

The fair values of the financial assets and financial liabilities included in Level 2 and Level 3 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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined including their fair value hierarchy, valuation technique(s) and key inputs used.

Group

Financial assets/ financial liabilities	Fair value as at December 31, 2018	2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Held-for-trading financial assets and other financial assets at fair value through profit or loss	**428,791,036**	27,084,032				
Debt securities	**11,359,204**	12,702,985				
– Traded on stock exchange	**4,566,686**	6,605,189	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inter-bank market	**2,515,534**	2,916,027	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	**4,158,723**	3,181,769				
– Traded in inactive markets	**118,261**	–	Level 3	• Discounted cash flow for the debt component and binomial option pricing model for the option component.	• Discount rates that correspond to expected risk level.	• The lower the discount rates, the higher the fair value.
				• Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of the counterparty.	• Risk-free rates that are specific to the market.	• The lower the risk-free rate, the higher the fair value.
					• Volatility rates that are in line with those of similar products.	• The lower the volatility rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2018	Fair value as at December 31, 2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity investments listed or traded on exchanges	**9,262,107**	6,546,153				
Unrestricted listed equity investments	**6,016,773**	5,120,819	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Manufacturing	**1,412,653**	2,095,859				
– Finance	**1,282,102**	1,434,428				
– Leasing and commercial services	**189,799**	–				
– Mining	**785,699**	–				
– Transportation, warehousing and postal services	**559,631**	–				
– Information transmission, software and information technology services	**327,662**	224,289				
– Culture, sports and entertainment	**500,761**	–				
– Health and social security industry	**221,160**	–				
– Real estate	**234,223**	475,384				
– Others	**503,083**	890,859				
Preference shares	**460,647**	–	Level 2	• Quoted market prices from dealers or independent pricing service vendors	N/A	N/A
– Financial service	**460,647**	–				
Restricted listed equity investments	**2,784,687**	1,425,334	Level 3	• Option Pricing Model	• Stock volatility	• The lower the stock volatility, the higher the fair value.
– Manufacturing	**640,615**	1,425,334				
– Culture, sports and entertainment	**234,600**	–				
– Mining	**1,723,797**	–				
– Others	**185,675**	–				

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2018	Fair value as at December 31, 2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity investments in unlisted companies	**56,426,584**	–				
	43,161,515	–	Level 3	• Comparable listed company method.	• Market multiplier.	• The higher the market multiplier, the higher the fair value.
					• Discount for lack of marketability (DLOM).	• The lower the DLOM, the higher the fair value.
	3,681,058	–	Level 3	• Income approach.	• Expected future cash flow.	• The higher the future cash flow, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.
	9,584,011	–	Level 3	• Comparable transaction cases.	N/A	N/A
Mutual funds	**104,243,300**	6,116,354				
– Mutual fund with open or active quotations	**10,410,470**	5,932,210	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	4,195,827	184,144	Level 2	• Quoted market prices from dealers or independent pricing service vendors independent pricing service vendors	N/A	N/A
– Investing in debt instruments	**73,024,063**	–	Level 3	• Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts.	• The higher the recoverable amounts, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2018	Fair value as at December 31, 2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
– Investing in unrestricted listed equity	63,151	–	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Investing in restricted listed equity	697,844	–	Level 3	• Option Pricing Model	• Stock volatility	• The lower the stock volatility, the higher the fair value.
– Investing in other equity instruments	15,851,945	–	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier.	• The higher the market multiplier, the higher the fair value.
					• Discount for lack of marketability (DLOM).	• The lower the DLOM, the higher the fair value.
Debt instruments	17,458,309	–				
– Other debt instruments	15,748,628	–	Level 3	• Discounted cash flow with future cash flow that is estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts.	• The higher the recoverable amounts, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rates, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2018	Fair value as at December 31, 2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
– Embedded derivative debts	**1,709,681**	–	Level 3	• Discounted cash flow for the debt component and binomial option pricing model for the option component.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value.
Derivative financial assets	**620,429**	381,271				
	553,874	273,341	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	66,555	107,930	Level 2	• Valuation techniques based on market data including interest rate and foreign exchange rate.	N/A	N/A
Interbank negotiable certificate of deposit	**39,246**	1,337,269	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Distressed debt assets	**189,113,890**	–	Level 3	• Discounted cash flow with future cash flow that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2018	Fair value as at December 31, 2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Wealth management products	**3,072,818**	–	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.
Asset management plans	**11,561,633**	–				
– Asset management plans with open or active quotations	**3,583,304**	–	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Investing in the portfolio with open or active quotations	**835,279**	–	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**5,696,845**	–	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.
– Investing in equity instruments	**1,446,205**	–	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier. • Discount for lack of marketability (DLOM).	• The higher the market multiplier, the higher the fair value. • The lower the DLOM, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2018	2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Asset-backed securities	1,345,740	–	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow.	• The higher the future cash flow, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value.
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.
Trust products and rights to trust assets	24,214,547	–				
– Investing in the portfolio with open or active market quotations	4,868	–	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	21,122,564	–	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow.	• The higher the future cash flow, the higher the fair value.
					• Expected recovery date.	• The earlier the recovery date, the higher the fair value
					• Discount rates that correspond to the expected risk level.	• The lower the discount rate, the higher the fair value.
– Investing in equity instruments	3,087,115	–	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier.	• The higher the market multiplier, the higher the fair value.•
					• Discount for lack of marketability (DLOM).	• The lower the DLOM, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2018	Fair value as at December 31, 2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Others	**73,229**	–				
– Investing in the portfolio with open or active market quotations	**8,049**	–	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**65,180**	–	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.
2) Financial assets designated as at fair value through profit or loss	**-**	186,711,827				
Distressed debt assets	**-**	148,790,133	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2018	Fair value as at December 31, 2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Debt securities	-	695,702				
– Traded on stock exchanges	-	309,224	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inactive markets	-	386,478	Level 3	• Discounted cash flow for the debt component and binomial option pricing model for the option component. • Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of the counterparty.	• Discount rates that correspond to expected risk level. • Risk-free rates that are specific to the market. • Volatility rates that are in line with those of similar products.	• The lower the discount rates, the higher the fair value. • The lower the risk-free rate, the higher the fair value. • The lower the volatility rate, the higher the fair value.
Funds	-	4,339,492	Level 3	• Recent transaction prices.	N/A	N/A
Wealth management products issued by banks or other financial institutions	-	1,646,200	Level 2	• Calculated based on the quoted prices of bonds and equity instruments in which the wealth management products invested in.	N/A	N/A
	-	232,140	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2018	Fair value as at December 31, 2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity instruments	-	28,933,536				
– Equity investments in unlisted companies	-	11,052,501	Level 3	• Comparable company method.	• Market multiplier. • Discount for lack of Marketability (DLOM).	• The higher the market multiplier, the higher the fair value. • The lower the DLOM, the higher the fair value.
	-	9,652,577	Level 3	• Net worth method.	N/A	N/A
	-	8,228,458	Level 3	• Recent transactions prices.	N/A	N/A
Asset management plans	-	411,074	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Asset-backed securities	-	54,636	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value.
Embedded derivative debts	-	404,298	Level 3	• Discounted cash flow for the debt component and binomial option pricing model for the option component.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value.
Others	-	1,204,616	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value.

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2018	2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
3) Loans and advances to customers at fair value through profit or loss						
– Loans and advances	**10,615,171**	–	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2018	2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
4) Financial assets at fair value through other comprehensive income	116,827,578	–				
Debt investments at fair value through other comprehensive income	113,420,552	–				
Debt securities	113,420,552	–				
– Traded on stock exchanges	21,138,110	–	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inter-bank markets	32,918,490	–	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	59,363,952	–				
Asset-backed securities	-	–	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.
Equity instruments designated as at fair value through other comprehensive income	3,407,026	–				
Restricted listed equity investments	3,379,133	–				
– Manufacturing	3,379,133	–	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2018	Fair value as at December 31, 2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Unlisted equity instruments	27,893	–				
– Financial service	27,893	–	Level 3	• Income approach.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value.
5) Available-for-sale financial assets	-	233,120,966				
Debt securities	-	65,774,760				
– Traded on stock exchange	-	15,194,337	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inter-bank market	-	20,731,042	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	-	29,849,381				
Unrestricted listed equity instruments	-	4,145,851	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Mining	-	1,652,621				
– Manufacturing	-	915,143				
– Financial service	-	134,657				
– Other industries	-	1,443,430				
Preference shares	-	403,921				
– Financial service	-	403,921	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Restricted equity instruments	-	191,367	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Mining	-	35,571				
– Financial service	-	63,331				
– Other industries	-	92,465				
Certificates of deposit	-	27,929,436	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2018	Fair value as at December 31, 2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Funds	-	87,296,029				
– Listed	-	10,654,305	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Quoted	-	16,122,911	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Investing in entrusted loans	-	60,373,941	Level 3	• Discounted cash flow with future cash flow 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.
– Investing in restricted equity instruments	-	144,872	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
Trust products and rights to trust assets	-	20,612,962				
– Investing in the underlying assets with open or active market quotations	-	79,925	Level 2	• Calculated based on the quoted prices of equity instruments on which the trust products invested in.	N/A	N/A
– Others	-	20,533,037	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 future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2018	Fair value as at December 31, 2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Asset management plans	-	13,992,002				
– Investing in the underlying assets with open or active quotations	-	6,360,932	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
– Investing in debt instruments	-	7,631,070	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.
Wealth management products	-	11,820,000				
– Issued by banks or other financial institutions without quoted prices	-	11,820,000	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
Asset-backed securities	-	863,483	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31, 2018	2017	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Others	-	91,155				
– issued by banks or other financial institutions	-	42,323	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	-	48,832	Level 2	• Calculated based on the quoted prices of bonds, equity instruments on which the asset portfolios invested in.	N/A	N/A
6) Financial liabilities at fair value through profit or loss	**(4,523,349)**	(6,794,129)				
The OTC derivative financial liabilities	**(314,718)**	(386,647)	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
Short positions in exchange fund bills and notes	**(4,208,631)**	(3,632,482)	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A
Forward payment plan	-	(2,775,000)	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected payable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected payment date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the payment date, the higher the fair value. • The lower the discount rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

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

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

Group

	As at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	25,194,258	12,284,728	391,312,050	428,791,036
Loans and advances to customers	–	–	10,615,171	10,615,171
Financial assets at fair value through other comprehensive income	21,138,110	92,282,442	3,407,026	116,827,578
Total assets	46,332,368	104,567,170	405,334,247	556,233,785
Financial liabilities at fair value through profit or loss	–	(4,523,349)	–	(4,523,349)
Total liabilities	–	(4,523,349)	–	(4,523,349)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

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

Group (Continued)

	As at December 31, 2017			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	18,240,783	9,784,413	185,770,663	213,795,859
Available-for-sale financial assets	46,117,404	85,403,469	101,600,093	233,120,966
Total assets	64,358,187	95,187,882	287,370,756	446,916,825
Financial liabilities at fair value through profit or loss	–	(4,019,129)	(2,775,000)	(6,794,129)
Total liabilities	–	(4,019,129)	(2,775,000)	(6,794,129)

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

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the future cash flows and discount rates that reflect the credit risk of counterparties.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

78.3 Reconciliation of Level 3 fair value measurements

Group

	Financial assets at FVTPL	Financial assets at FVOCI	Financial liabilities at FVTPL
As at January 1, 2018	348,556,155	5,086,443	(2,775,000)
Recognized in profit or loss	(325,786)	–	–
Recognized in other comprehensive income	–	(1,154,077)	–
Purchases	162,016,521	4,548,434	–
Settlements/disposals at cost	(118,934,840)	(5,073,774)	2,775,000
Transfer out from Level 3	–	–	–
As at December 31, 2018	391,312,050	3,407,026	–
Changes in unrealized gains or losses for the year included in profit or loss for assets held at the end of the year	(835,698)	–	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

78. Fair values of financial instruments (continued)

78.3 Reconciliation of Level 3 fair value measurements (continued)

Group (continued)

	Financial assets at FVTPL	Available-for-sale financial assets	Financial liabilities at FVTPL
As at January 1, 2017	117,435,866	62,858,423	(2,775,000)
Recognized in profit or loss	(986,082)	(2,301,737)	–
Recognized in other comprehensive income	–	35,565	–
Purchases	104,670,244	71,615,975	–
Settlements/disposals at cost	(35,349,365)	(29,789,539)	–
Transfer out from Level 3	–	(818,594)	–
As at December 31, 2017	185,770,663	101,600,093	(2,775,000)
Changes in unrealized gains or losses for the year included in profit or loss for assets held at the end of the year	(790,050)	(2,217,167)	–

Total gains or losses for the years ended December 31, 2018 and 2017 included in the statement of profit or loss as well as total gains or losses included in the statement of profit or loss relating to financial instruments held as at December 31, 2018 and 2017 are presented in "unrealized gains are included in fair value changes on distressed debt assets", "fair value changes on other financial assets", "impairment losses on assets" depending on the nature or category of the related financial instruments.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

79. Acquisition of a subsidiary

Huaikuang Real Estate

On February 28, 2018, the Group acquired 60% of the issued share capital of Huaikuang Real Estate for a consideration of equivalent RMB4,700 million in order to take over non-core assets of large state-owned enterprises and achieve the scale effect of real estate business. This acquisition has been accounted for using the acquisition method. Huaikuang Real Estate was established in Huainan City, Anhui Province, PRC with limited liability and the main business is real estate development and sales.

The relevant financial information of Huaikuang Real Estate as at the date of acquisition was as follows:

	As at February 28, 2018 (Carrying amount)	As at February 28, 2018 (Fair Value)
Cash and balances with central banks	23	23
Deposits with banks and financial institutions	3,242,170	3,242,170
Accounts receivable	254,448	254,448
Properties held for sale	15,760,221	17,538,243
Interests in associates and joint ventures	1,547	1,547
Investment properties	537,482	749,706
Property and equipment	7,007	8,244
Other intangible assets	242	242
Deferred tax assets	361,121	191,568
Other assets	2,283,299	2,283,299
Less: Borrowings	5,504,850	5,504,850
Accounts payable	1,454,162	1,454,162
Tax payable	275,251	275,251
Deferred tax liabilities	5,466	333,784
Contract liabilities	6,787,677	6,787,677
Other liabilities	1,161,598	1,161,598
Net assets	7,258,556	8,752,168
Including: Net assets attributable to the shareholders of Huaikuang Real Estate	7,088,880	8,396,280
Net assets attributable to non-controlling interests	169,676	355,888

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

79. Acquisition of a subsidiary (continued)

Huaikuang Real Estate (continued)

The fair values of accounts receivable as at the date of acquisition amounted to RMB254 million. The gross contractual amounts of accounts receivable was RMB264 million, of which accounts receivable of RMB10 million are expected to be uncollectible.

	As at February 28, 2018
Consideration paid	4,699,768
Net assets acquired	8,396,280
Proportion of ownership held by the Group	60%
Share of the Group	5,037,768
Gain on bargain purchase arising in the acquisition	(338,000)

Gain on bargain purchase arising in the acquisition was due to the increase of net assets between the pricing date and the acquisition date caused by operating profit and the increase of fair value of assets with the rising real estate price in the business region.

Net cash outflow due to acquisition of Huaikuang Real Estate:

	As at February 28, 2018
Cash consideration paid	4,699,768
Less: Cash and cash equivalent balances acquired	2,399,668
Net cash outflow due to the acquisition	2,300,100

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

79. Acquisition of a subsidiary (continued)

Huaikuang Real Estate (continued)

From the date of acquisition, the operating results and cash flows that Huaikuang Real Estate has contributed to the Group are as follows:

Revenue	5,452,044
Net profit	304,825
Net cash inflow	395,094

If the combination had taken place at the beginning of the year, the operating results of the Group during the year ended December 31, 2018 would be as follows:

Revenue	107,466,249
Net profit	11,950,852

VII. EVENTS AFTER THE REPORTING PERIOD

1. Pursuant to the meeting of the Board of Directors on March 28, 2019, the proposal of the profit appropriations of the Company for the year ended December 31, 2018 is set out as follows:

(1) An appropriation of RMB915,657 thousand to the statutory surplus reserve;

(2) An appropriation of RMB549,113 thousand to the general reserve; and

(3) A dividend of RMB3,625,631 thousand in total in respect of the year.

As at December 31, 2018, the statutory surplus reserve had been recognized as appropriation. The general reserve and the dividend will be recognized on the Company's and the Group's financial statements after the approval by shareholders in the forthcoming general meeting.

VIII.APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorized by the Board of Directors on March 28, 2019.

Branches and Major Subsidiaries

1. Head Office

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2. Subsidiaries

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Tel. No.: (021) 68581597

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Fax No.: (0991) 2325171

▲China Cinda Asset Management Co., Ltd. Hefei Operation Support Center
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Fax No.: (0551) 65802012

3. Platforms for financial service and asset management businesses

▲Nanyang Commercial Bank, Limited
Address: 151 Des Voeux Road, Central, Hong Kong
Tel. No.: (00852) 28520888
Fax No.: (00852) 28153333
Website: http://www.ncb.com.hk

- Nanyang Commercial Bank (China) Limited
  Address: Nanyang Commercial Bank Building, No. 800 Century Avenue, Pudong New Area, Shanghai
  Tel. No.: (021) 38566666
  Fax No.: (021) 68879800
  Postal code: 200120

▲Cinda Securities Co., Ltd.
Address: No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing
Postal code: 100031
National customer service hotline: 95321, 400-800-8899
Tel. No.: (010) 63080918
Fax No.: (010) 63080918
Website: www.cindasc.com

• Cinda Futures Co., Ltd.
Address: Room 1125 and 1127, 12 and 16/F, Zhejiang Logistics Publishing House Building, 108 Wenhui Road, Hangzhou, Zhejiang
Postal code: 310004
National customer service hotline: 4006-728-728
Tel. No.: (0571) 28132666
Fax No.: (0571) 28132560
Website: www.cindaqh.com

• First State Cinda Fund Management Co., Ltd.
Address: 8 and 9/F, Tower 1, Alibaba Building, No. 3331 of Keyuan South Road (Shenzhen Bay), Nanshan District, Shenzhen, Guangdong
Postal code: 518054
National customer service hotline: 400-8888-118, 86-755-83160160
Tel. No.: (0755) 83172666
Fax No.: (0755) 83196151
Website: www.fscinda.com

• Cinda Innovation Investment Co., Ltd.
Address: 22/F, Dacheng Tower, Xuanwumen West Street Jia No.127, Xicheng District, Beijing
Postal code: 100031
Tel. No.: (010) 83326768
Fax No.: (010) 83326766

• Xinfeng Investment Management Co., Ltd.
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Tel. No.: (010) 53271461
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▲China Jingu International Trust Co., Ltd.
Address: 10 and 11/F, Block C, Tong Tai Building, 33 Financial Street, Xicheng District, Beijing
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Fax No.: (010) 88086546
Website: www.jingutrust.com

▲Cinda Financial Leasing Co., Ltd.
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Fax No.: (010) 64159400

▲Happy Life Insurance Co., Ltd.
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National customer service hotline: 95560, 4006-688-688
Tel. No.: (010) 66271800
Fax No.: (010) 66271700
Website: www.happyinsurance.com.cn

▲China Cinda (HK) Holdings Company Limited
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Fax No.: (00852) 28042135

- Cinda International Holdings Limited
  Address: 45th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong
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  Fax No.: (00852) 22357878
  Website: www.cinda.com.hk

▲Cinda Investment Co., Ltd.
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• Cinda Real Estate Co., Ltd.
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Fax No.: (010) 82190933

• Cinda Capital Management Co., Ltd.
Address: 4 and 6/F, Tower B, East Gate Plaza, 29 Dongzhong Street, Dongcheng District, Beijing
Postal code: 100027
Tel. No.: (010) 56314200
Fax No.: (010) 56314222

▲Zhongrun Economic Development Co., Ltd.
Address: 9/F, China Commerce Tower, 5 Sanlihe East Road, Xicheng District, Beijing
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Tel. No.: (010) 68535376
Fax No.: (010) 68535110

Note: "▲" represents a branch or a tier-one subsidiary and "•" represents a subsidiary of a tier-one subsidiary

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