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

2019 Interim Report

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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
"Articles"	the current articles of association of China Cinda Asset Management Co., Ltd.
"CBIRC"	China Banking and Insurance Regulatory Commission
"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 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 Real Estate"	Cinda Real Estate Co., Ltd., a subsidiary of the Company (a company listed on Shanghai Stock Exchange, stock code: 600657)
"Cinda Securities"	Cinda Securities Co., Ltd., a subsidiary of the Company
"Domestic Share(s)"	ordinary share(s) with nominal value of RMB1.00 each in the share capital of the Company, which are subscribed for or credited as fully paid in Renminbi
"First State Cinda Fund"	First State Cinda Fund Management Co., Ltd., a subsidiary of the Company

"H Share(s)"	ordinary share(s) in the share capital of the Company with nominal value of RMB1.00 each, which are listed on Hong Kong Stock Exchange
"Happy Life"	Happy Life Insurance Co., Ltd., a subsidiary of the Company
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
"Hong Kong SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended from time to time
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"IFRS"	International Financial Reporting Standards issued by the International Accounting Standards Board
"IFRS 9"	IFRS 9 – Financial Instruments
"Jingu Trust"	China Jingu International Trust Co., Ltd., a subsidiary of the Company
"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 Shares"	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 Hong Kong Stock Exchange (stock code: 04607)
"PRC GAAP"	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by MOF, as well as other relevant regulations
"Reporting Period"	the six months ended June 30, 2019
"Zhongrun Development"	Zhongrun Economic Development Co., Ltd., a subsidiary of the Company

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
Company secretary	Ai Jiuchao
Registered address	No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing, the PRC
Postal code of place of registration	100031
Website	www.cinda.com.cn
Principal place of business in Hong Kong	12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong
Website of Hong Kong Stock Exchange for publishing the H Share interim report	www.hkexnews.hk
Place for maintaining interim reports available for inspection	Board of Directors' Office of the Company
Place of listing of H Shares	The Stock Exchange of Hong Kong Limited

Corporate Information

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
Unified Social Credit Code	911100007109249 45A
Registration number of Financial License	J0004H111000001
Legal advisors as to PRC Law	Haiwen & Partners Zhong Lun Law Firm Tian Yuan Law Firm Fangda Partners
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

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 IFRS 9 – Financial Instruments. The Group did not restate the comparative information involving the financial instruments of 2017 within the scope of IFRS 9, as the differences arising from the adoption of IFRS 9 were directly reflected in shareholders' equity on January 1, 2018. As at and for the six months ended June 30, 2018 and 2019 and as at and for the year of 2018, the financial data was prepared according to IFRS 9, while the data of prior years and periods before 2018 was prepared according to the Previous International Accounting Standard 39 – Financial Instruments.

Pursuant to the requirements of the Circular on Revising and Issuing 2018 Versions of Financial Statement Templates for Financial Enterprises (《關於修訂印發2018年度金融企業財務報表格式的通知》) (Cai Kuai [2018] No. 36), the Group has restated the financial statements for the six months ended June 30, 2018. The accounts of investment income and interest income were reclassified due to the above matter in the condensed consolidated statement of profit or loss of the Group for the six months ended June 30, 2018, and the profit and total equity of the Group were subject to no impact.

Since January 1, 2019, the Group has adopted IFRS 16 – Leases, and applied the modified retrospective approach without restating comparative figures. For the reconciliation between the minimum lease payment for the operating leases disclosed in the financial statements of 2018 and the opening balance for the lease liabilities as at January 1, 2019, please refer to the review report and Note II. 3. Standards, amendments and interpretations effective in 2019 to the Interim Condensed Consolidated Financial Statements.

	As at and for the six months ended June 30, 2019	2018 (Restated)	As at and for the year ended December 31, 2018	2017	2016	2015
	(in millions of RMB)					
Income from distressed debt assets at amortized cost	8,437.5	9,109.3	19,308.3	–	–	–
Income from distressed debt assets classified as receivables	–	–	–	17,773.0	15,539.2	18,883.9
Fair value changes on distressed debt assets	6,270.3	5,478.2	11,451.5	8,266.4	5,716.2	4,420.1
Fair value changes on other financial instruments	11,647.2	11,724.3	15,068.9	2,582.2	2,656.3	1,971.2
Investment income	125.2	500.1	154.4	29,465.7	17,991.3	13,552.2
Net insurance premiums earned	5,571.7	6,727.9	9,128.6	19,266.9	16,635.8	12,912.2
Interest income	12,969.5	12,781.6	25,755.2	20,640.8	14,506.5	13,516.5
Revenue from sales of inventories	4,919.1	4,879.5	17,446.4	14,425.5	10,954.6	7,637.0
Other income and other net gains or losses	3,328.0	3,570.8	8,712.7	7,614.0	7,657.3	5,851.0
Total income	**53,268.5**	**54,771.7**	**107,026.0**	**120,034.6**	**91,657.2**	**78,744.1**
Impairment losses on assets	(3,450.1)	(3,164.6)	(8,159.0)	(11,404.7)	(4,813.7)	(4,376.5)
Interest expense	(23,060.8)	(23,036.9)	(46,475.0)	(35,911.1)	(23,223.8)	(20,185.3)
Insurance costs	(5,800.6)	(7,340.6)	(10,543.5)	(20,913.7)	(17,549.0)	(13,766.9)
Purchases and changes in inventories	(3,105.7)	(3,178.2)	(11,382.2)	(10,355.8)	(8,455.8)	(5,587.1)
Other costs and expenses	(6,029.3)	(6,966.1)	(13,647.9)	(15,651.5)	(14,315.4)	(13,285.6)
Total costs and expenses	**(41,446.5)**	**(43,686.3)**	**(90,207.6)**	**(94,236.7)**	**(68,357.7)**	**(57,201.4)**
Change in net assets attributable to other holders of consolidated structured entities	(167.1)	(320.5)	(526.8)	(1,284.7)	(2,331.7)	(2,557.0)
Share of results of associates and joint ventures	1,754.2	1,051.0	2,496.9	1,617.7	797.7	312.2
Profit before tax	13,409.2	11,815.9	18,788.5	26,130.8	21,765.5	19,297.9
Income tax expense	(3,863.3)	(3,323.0)	(6,908.6)	(7,373.0)	(5,783.5)	(4,594.0)
Profit for the period/year	**9,545.9**	**8,492.9**	**11,879.9**	**18,757.8**	**15,982.0**	**14,703.9**
Profit attributable to:						
– Equity holders of the Company	8,685.3	8,620.3	12,036.1	18,122.4	15,512.2	14,027.5
– Non-controlling interests	860.6	(127.4)	(156.2)	635.4	469.8	676.4

	As at and for the six months ended June 30,		As at and for the year ended December 31,			
	2019	2018	2018	2017	2016	2015
	(in millions of RMB)					
Assets						
Cash and balances with central banks	13,442.6	12,926.2	16,651.9	21,511.1	17,368.0	46.8
Deposits with banks and financial institutions	72,326.5	79,414.0	80,102.6	54,429.2	75,801.3	64,590.9
Financial assets at fair value through profit or loss	431,870.0	435,480.0	428,791.0	213,795.9	149,045.5	117,287.4
Available-for-sale financial assets	–	–	–	273,182.7	212,495.9	120,604.3
Financial assets at fair value through other comprehensive income	139,865.8	89,983.5	116,827.6	–	–	–
Financial assets at amortized cost	240,627.3	243,551.4	252,416.7	–	–	–
Financial assets classified as receivables	–	–	–	234,226.9	198,787.2	181,058.3
Loans and advances to customers	345,468.5	338,194.3	336,616.5	312,117.5	294,936.6	104,738.5
Other assets	244,641.3	261,016.8	264,352.9	277,674.2	226,046.4	125,648.5
Total assets	**1,488,242.0**	**1,460,566.2**	**1,495,759.2**	**1,386,937.5**	**1,174,480.9**	**713,974.7**
Liabilities						
Borrowings from the central bank	1,010.8	986.1	986.1	986.1	986.1	986.1
Due to customers	272,059.1	231,762.2	254,099.9	226,220.8	204,629.0	–
Accounts payable to brokerage clients	14,562.0	12,336.0	10,315.8	12,393.8	16,272.1	21,533.2
Borrowings	541,478.3	584,924.0	570,870.2	580,352.1	450,514.8	317,070.7
Accounts payable	4,170.8	4,080.3	5,313.8	3,220.9	3,053.9	4,970.8
Bonds issued	292,660.3	250,864.4	283,115.1	206,482.6	152,497.6	111,773.4
Other liabilities	178,531.0	200,454.4	192,489.8	189,016.6	198,557.4	146,746.5
Total liabilities	**1,304,472.3**	**1,285,407.4**	**1,317,190.7**	**1,218,672.9**	**1,026,510.9**	**603,080.7**
Equity						
Equity attributable to equity holders of the Company	161,377.8	152,950.0	156,492.8	149,394.5	139,216.7	101,710.2
Non-controlling interests	22,391.9	22,208.9	22,075.6	18,870.2	8,753.3	9,183.7
Total equity	**183,769.7**	**175,158.8**	**178,568.5**	**168,264.7**	**147,970.0**	**110,893.9**
Total equity and liabilities	**1,488,242.0**	**1,460,566.2**	**1,495,759.2**	**1,386,937.5**	**1,174,480.9**	**713,974.7**

	As at and for the six months ended June 30,		As at and for the year ended December 31,			
	2019	2018	2018	2017	2016	2015
	(in millions of RMB)					
Financial indicators						
Return on average shareholders' equity(1)(3) (%)	12.62	13.27	8.32	13.88	14.12	14.4
Return on average assets(2)(3) (%)	1.28	1.19	0.82	1.46	1.69	2.34
Cost-to-income ratio(4) (%)	23.39	26.52	30.51	24.89	27.0	23.9
Earnings per share(5) (RMB)	0.23	0.23	0.29	0.45	0.43	0.39
Net assets per share(6) (RMB)	3.67	3.45	3.54	3.36	3.09	2.81

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

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

(5) 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.

(6) 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.

Management Discussion and Analysis

Economic and Regulatory Environment

In the first half of 2019, the global economic growth momentum weakened. In particular, the downward pressure on the global economy has increased significantly since the second quarter. The International Monetary Fund and the World Bank have successively lowered the global economic growth forecast for 2019 from 3.5% and 2.9% in January this year to 3.3% and 2.6%, respectively. Economic and trade frictions were mounting, international trade and investments were depressed, and monetary policies in major economies were easing.

China's economy made steady progress while maintaining overall stability, with major macroeconomic indicators in a reasonable range. In the first half of 2019, the GDP increased by 6.3% year-on-year, among which, the GDP in the second quarter increased by 6.2% year on year, with the growth rate slowing down. Economic growth remained resilient, production made steady progress, demand continued to expand, and employment and price were in stable condition. The endogenous power of economic growth increased, social consumption experienced rapid growth, and the pace of consumption upgrading accelerated. The economic structure continued to improve, and old drivers of growth were replaced with new ones at a faster pace. The service industry grew steadily, and the high-tech manufacturing and strategic emerging industries were growing significantly faster than the industrial sector as a whole. Investment in innovation continued to increase, industrial transformation and upgrading accelerated, and new products maintained rapid growth. New progress has been made in opening up to the outside world, and foreign trade has been steadily improved, with remarkable results achieved in diversification and steadily increased use of foreign capital.

Since the beginning of this year, in the face of complex and severe domestic and international situations, Chinese government adhered to the general principle of pursuing progress while ensuring stability, implemented new development concepts, and promoted high-quality development, strived to deepen reform and opening up, continuously promoted supply-side structural reforms. The first approach was to innovate and improve macro-control, implement counter-cyclical regulation in a timely and appropriate manner, and strengthen macro-policy coordination. Proactive fiscal measures were taken to increase the efficiency of the economy, larger tax cuts and fee reductions were implemented, and the issuance of special local government bonds was accelerated to increase effective investment. The prudent monetary policy with appropriate tightness was implemented, and the pre-adjustment and fine-tuning were strengthened to maintain a reasonable and sufficient liquidity. The second approach was to speed up the financial supply-side structural reforms and enhance the capability of financial service to the real economy. The financing structure and credit structure were optimized, the science and technology innovation board was set up and the pilot reform of registration system was implemented. The supply of medium- and long-term loans and credit loans was increased, and the support for high-quality development was enhanced. Financial services for small and micro businesses and for agriculture, rural areas and farmers were improved, with a focus on solving the problem of financing difficulties and high costs. The high-level two-way financial opening was expanded, and the restrictions on market access for foreign investment were relaxed to implement national treatment. The third approach was to focus on preventing risks on the basis of maintaining steady growth and preventing and mitigating risks while promoting high-quality development. Structural deleveraging was adhered to and the proper pace and intensity of risk management were ensured. The regulation was strengthened continuously, and financial market chaos were rectified resolutely. The crackdown on illegal cases such as money laundering and illegal fund raising was intensified, and the risk of problematic financial institutions was resolved to prevent abnormal fluctuations in the financial market.

In respect of promoting the development of financial reform, 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 the orderly release and prudent disposal of financial risks, so that the financial risks were generally contained and controllable. Firstly, financial institutions were encouraged to accurately assess credit risks to truly reflect asset quality. Efforts were made to continuously rectify the chaotic phenomena of credit risk management, and promote financial institutions such as banks to improve the accuracy of asset quality classification. It was strictly forbidden to conceal risks, and cover up distressed assets, to promote the clean stripping of distressed assets from the balance sheet, and improve the quality of assets. Secondly, a market-based exit mechanism for financial institutions was established and a financial safety net was built. A multi-level exit path for financial institutions was established, the role of deposit insurance system and related industry protection funds was played, and the risk disposal and loss sharing mechanism for market-based exit of financial institutions was improved, to improve the quality and efficiency of market restructuring and clearing. Thirdly, the restrictions on permission for foreign investment were relaxed, and foreign institutions were encouraged to enter the field of non-performing assets disposal and participate in the reform and restructuring of banking and insurance and non-bank financial institutions, especially the reform and restructuring of small and medium-sized financial institutions.

Analysis of Financial Statements

Operating Results of the Group

In the first half of 2019, under the complicated and changing domestic and overseas economic and financial environment, as well as an increasingly stringent financial regulatory environment, the Group used its endeavours on promoting business transformation, accelerated the strategic integration of internal resources and insisted on focusing on the main business. While ensuring capital adequacy and maintaining an appropriate gearing level as well as controllable risks, the Group maintained stability in the operating results through constantly optimizing the assets and liabilities structure and effectively control costs.

In the first half of 2019, the profit attributable to equity holders of the Company amounted to RMB8,685.3 million, representing an increase of RMB65.0 million, or 0.8%, as compared to the same period of the last year. Annualized ROAE and ROAA were 12.62% and 1.28%, respectively.

	For the six months ended June 30,			
	2019	2018 (Restated)	Change	Change in percentage
	(in millions of RMB)			(%)
Income from distressed debt assets at amortized cost	8,437.5	9,109.3	(671.8)	(7.4)
Fair value changes on distressed debt assets	6,270.3	5,478.2	792.1	14.5
Fair value changes on other financial instruments	11,647.2	11,724.3	(77.1)	(0.7)
Investment income	125.2	500.1	(374.9)	(75.0)
Net insurance premiums earned	5,571.7	6,727.9	(1,156.2)	(17.2)
Interest income	12,969.5	12,781.6	187.9	1.5
Revenue from sales of inventories	4,919.1	4,879.5	39.6	0.8
Commission and fee income	1,846.6	1,917.6	(71.0)	(3.7)
Net gains on disposal of subsidiaries, associates and joint ventures	87.4	745.0	(657.6)	(88.3)
Other income and other net gains or losses	1,394.0	908.2	485.8	53.5
Total income	**53,268.5**	**54,771.7**	**(1,503.2)**	**(2.7)**
Insurance costs	(5,800.6)	(7,340.6)	1,540.0	(21.0)
Commission and fee expense	(1,000.0)	(1,446.4)	446.4	(30.9)
Purchases and changes in inventories	(3,105.7)	(3,178.2)	72.5	(2.3)
Employee benefits	(2,424.3)	(3,181.9)	757.6	(23.8)
Impairment losses on assets	(3,450.1)	(3,164.6)	(285.5)	9.0
Interest expense	(23,060.8)	(23,036.9)	(23.9)	0.1
Other expenses	(2,605.0)	(2,337.8)	(267.2)	11.4
Total costs and expenses	**(41,446.5)**	**(43,686.3)**	**2,239.8**	**(5.1)**
Change in net assets attributable to other holders of consolidated structured entities	(167.1)	(320.5)	153.4	(47.9)
Share of results of associates and joint ventures	1,754.2	1,051.0	703.2	66.9
Profit before tax	13,409.2	11,815.9	1,593.3	13.5
Income tax expense	(3,863.3)	(3,323.0)	(540.3)	16.3
Profit for the period	**9,545.9**	**8,492.9**	**1,053.0**	**12.4**
Profit attributable to:				
– Equity holders of the Company	8,685.3	8,620.3	65.0	0.8
– Non-controlling interests	860.6	(127.4)	988.0	775.5

Total Income

In the first half of 2019, the Group's total income maintained basically stable as compared to the same period of the last year. The total income decreased from RMB54,771.7 million in the first half of 2018 to RMB53,268.5 million in the first half of 2019, representing a decrease of 2.7%, mainly due to the decrease in the net insurance premiums earned, income from distressed debt assets at amortized cost and net gains on disposal of subsidiaries, associates and joint ventures.

Income from Distressed Debt Assets at Amortized Cost

The income from distressed debt assets at amortized cost of the Group, including the interest incomes and gains or losses from disposal of Restructured Distressed Debt Assets, decreased by 7.4% from RMB9,109.3 million in the first half of 2018 to RMB8,437.5 million in the first half of 2019. Such income from distressed debt assets accounted for 16.6% and 15.8% of the total income for the respective periods. The decrease in the income from distressed debt assets at amortized cost was mainly because the Company reinforced its efforts to mitigate risks and recognized losses on the disposal of endogenous distressed assets in the first half of 2019.

In the first half of 2019, the monthly average balance of the distressed debt assets at amortized cost was RMB221,086.8 million (the monthly average balance of the distressed debt assets at amortized cost was RMB224,235.3 million in the first half of 2018). The annualized monthly average return of such distressed debt assets increased from 8.1% in the first half of 2018 to 8.5% in the first half of 2019, mainly due to the rebound in the overall return of such new distressed debt assets.

Fair Value Changes on Distressed Debt Assets

The fair value changes on distressed debt assets of the Group were mainly due to the fair value changes on Acquisition-operation Distressed Debt Assets, which increased by 18.7% from RMB5,478.3 million in the first half of 2018 to RMB6,503.4 million in the first half of 2019, accounting for 10.0% and 12.2% of the total income for the respective periods.

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

	For the six months ended June 30,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Realized fair value changes	5,061.2	5,528.4	(467.2)	(8.5)
Unrealized fair value changes	1,442.2	(50.1)	1,492.3	2,978.6
Total	**6,503.4**	**5,478.3**	**1,025.1**	**18.7**

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

	For the six months ended June 30, (in millions of RMB)
As at December 31, 2017	**148,790.1**
Acquisition during the period	45,980.0
Disposal during the period	(17,495.3)
Unrealized fair value changes	(50.1)
As at June 30, 2018	**177,224.7**
As at December 31, 2018	**189,113.9**
Acquisition during the period	17,556.9
Disposal during the period	(22,961.3)
Unrealized fair value changes	1,442.2
As at June 30, 2019	**185,151.7**

The fair value changes on Acquisition-operation Distressed Debt Assets of the Group increased by 18.7% in the first half of 2019 as compared to the same period in 2018. In particular, the unrealized fair value changes changed from a loss of RMB50.1 million in the first half of 2018 to a profit of RMB1,442.2 million in the first half of 2019. This is mainly because the evaluated fair value of some projects has increased resulting from the substantial progress in the recovery of these projects of the Company in the first half of 2019.

In the first half of 2019, the Company continued to promote the high-quality development of Acquisition-operation Distressed Asset business, prudently explored asset acquisitions, accelerated turnover in asset disposal and improved asset disposal efficiency. As a result, there was a year-on-year decrease in the acquisition amount and a year-on-year increase in the disposal amount, changing from RMB45,980.0 million and RMB17,495.3 million in the first half of 2018 to RMB17,556.9 million and RMB22,961.3 million in the first half of 2019, respectively. The net incomes on assets continued to increase.

Fair value changes on other financial instruments

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 loans and advances to customers classified as at fair value through profit or loss, as well as on financial liabilities at fair value through profit or loss. The fair value changes on other financial instruments of the Group decreased from RMB11,724.3 million in the first half of 2018 to RMB11,647.2 million in the first half of 2019, accounting for 21.4% and 21.9% of the total income for the respective periods. Of which, the fair value changes on DES Assets were RMB6,648.2 million and RMB4,416.2 million, respectively, accounting for 12.1% and 8.3% of the total income for the respective periods.

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 periods indicated.

	For the six months ended June 30,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Fair value changes on financial instruments at fair value through profit or loss	6,579.6	5,769.3	810.3	14.0
DES Assets of the Company[(1)]	4,186.8	5,796.3	(1,609.5)	(27.8)
Others	2,392.8	(27.0)	2,419.8	8,962.2
Interest income	2,018.8	1,795.0	223.8	12.5
Dividend income	3,048.9	4,160.0	(1,111.1)	(26.7)
DES Assets of the Company	229.4	851.9	(622.5)	(73.1)
Others	2,819.5	3,308.1	(488.6)	(14.8)
Total	**11,647.2**	**11,724.3**	**(77.1)**	**(0.7)**

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.

The fair value changes on DES Assets classified as financial assets at fair value through profit or loss decreased by 27.8% from RMB5,796.3 million in the first half of 2018 to RMB4,186.8 million in the first half of 2019, mainly because the Company managed to realize high DES gains due to better market opportunities in the first half of 2018.

The fair value changes on other financial assets at fair value through profit or loss changed from a loss of RMB27.0 million in the first half of 2018 to a profit of RMB2,392.8 million in the first half of 2019, mainly due to the increase in the valuation of assets invested by subsidiaries and in the income from the disposal of such assets, as a result of the recovery of capital markets.

The dividend income generated from other financial assets at fair value through profit or loss decreased by 14.8% from RMB3,308.1 million in the first half of 2018 to RMB2,819.5 million in the first half of 2019, mainly due to the decrease in dividends of the invested enterprises under the influence of macro environment.

Investment Income

In the first half of 2018 and the first half of 2019, the investment income of the Group was RMB500.1 million and RMB125.2 million, respectively.

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

	For the six months ended June 30,			
	2019	2018	Change	Change in percentage
		(Restated)		
	(in millions of RMB)			(%)
Net realized gains/(losses) from disposal of				
Financial assets at fair value through other comprehensive income	126.8	(0.2)	127.0	63,500.0
Loans and advances to customers	(33.5)	–	(33.5)	100.0
Dividend income				
Financial assets at fair value through other comprehensive income	1.3	1.2	0.1	8.3
Others	30.7	499.1	(468.4)	(93.8)
Total	**125.2**	**500.1**	**(374.9)**	**(75.0)**

In the first half of 2019, the investment income of the Group was RMB125.2 million, representing a decrease of 75.0% from RMB500.1 million in the first half of 2018, of which other investment income was RMB30.7 million, representing a decrease of 93.8% from RMB499.1 million in the first half of 2018, mainly because other investment income included the investment income generated from the acquisition of Huaikuang Real Estate Co., Ltd. by the Group in the first half of 2018. In the first half of 2019, the year-on-year increase in investment income of financial assets at fair value through other comprehensive income was mainly due to the increase in disposal income of debt securities investments by Cinda Hong Kong and Cinda Securities.

Net Insurance Premiums Earned

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

	For the six months ended June 30,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Gross written premiums	5,633.0	6,791.1	(1,158.1)	(17.1)
Less: Premiums ceded to reinsurers	14.9	6.1	8.8	144.3
Change of unearned premium reserves	46.4	57.1	(10.7)	(18.7)
Net insurance premiums earned	**5,571.7**	**6,727.9**	**(1,156.2)**	**(17.2)**

The net insurance premiums earned of the Group decreased by 17.2% from RMB6,727.9 million in the first half of 2018 to RMB5,571.7 million in the first half of 2019, primarily attributable to the decline in the scale of the insurance business of Happy Life.

Interest Income

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

	For the six months ended June 30,			
	2019	2018 (Restated)	Change	Change in percentage
	(in millions of RMB)			(%)
Loans and advances to customers	8,409.6	8,066.7	342.9	4.3
Financial assets at fair value through other comprehensive income	1,799.0	1,658.3	140.7	8.5
Other debt investments at amortized cost	1,085.5	763.1	322.4	42.2
Placements with banks and financial institutions	542.3	334.0	208.3	62.4
Deposits with banks and financial institutions	487.4	688.6	(201.2)	(29.2)
Financial assets held under resale agreements	374.4	1,031.5	(657.1)	(63.7)
Balances with central banks	69.2	86.7	(17.5)	(20.2)
Accounts receivable	13.9	24.4	(10.5)	(43.0)
Others(1)	188.3	128.3	60.0	46.8
Total	**12,969.5**	**12,781.6**	**187.9**	**1.5**

Note:

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

The interest income of the Group in the first half of 2019 remained basically stable compared with that in the first half of 2018, primarily due to the increase in interest income from loans and advances to customers and other debt assets at amortized cost, which was offset by the decrease in interest income from financial assets held under resale agreements and deposits with banks and financial institutions.

(1) The interest income from loans and advances to customers increased by 4.3% from RMB8,066.7 million in the first half of 2018 to RMB8,409.6 million in the first half of 2019, mainly due to the increase in the amount of loans and advances to customers of NCB.

(2) The interest income from other debt investments at amortized cost increased by 42.2% from RMB763.1 million in the first half of 2018 to RMB1,085.5 million in the first half of 2019, mainly due to the increase in the amount of other debt investments of Cinda Investment.

(3) The interest income from financial assets held under resale agreements of the Group decreased by 63.7% from RMB1,031.5 million in the first half of 2018 to RMB374.4 million in the first half of 2019, mainly due to the fact that the amount of financial assets held under resale agreements of the Company and Cinda Hong Kong decreased.

(4) The interest income of the Group's deposits with banks and financial institutions decreased by 29.2% from RMB688.6 million in the first half of 2018 to RMB487.4 million in the first half of 2019, mainly due to the decrease in interest income from deposits with banks and financial institutions of Cinda Hong Kong.

Commission and Fee Income

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

	For the six months ended June 30,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Securities and futures brokerage	492.2	424.0	68.2	16.1
Banking business	426.0	372.8	53.2	14.3
Fund and asset management business	376.7	459.4	(82.7)	(18.0)
Agency business	305.2	306.2	(1.0)	(0.3)
Trustee services	128.5	169.1	(40.6)	(24.0)
Consultancy and financial advisory services	39.4	102.9	(63.5)	(61.7)
Securities underwriting	37.7	14.3	23.4	163.6
Others	41.0	68.9	(27.9)	(40.5)
Total	**1,846.6**	**1,917.6**	**(71.0)**	**(3.7)**

The commission and fee income of the Group decreased by 3.7% from RMB1,917.6 million in the first half of 2018 to RMB1,846.6 million in the first half of 2019, mainly due to the decrease in commission and fee income from fund and asset management business, consultancy and financial advisory services and trustee services, which was partly offset by the growth in the commission and fee income from securities and futures brokerage and banking business. Among which:

(1) The commission and fee income from fund and asset management business decreased by 18.0% from RMB459.4 million in the first half of 2018 to RMB376.7 million in the first half of 2019, mainly due to the decrease in the commission and fee income from fund and asset management business of Cinda Securities.

(2) The commission and fee income from consultancy and financial advisory services was affected by the decrease in income from the consultancy and financial advisory services of Cinda Hong Kong, Cinda Investment and Cinda Securities, decreasing by 61.7% from RMB102.9 million in the first half of 2018 to RMB39.4 million in the first half of 2019.

(3) The commission and fee income from trustee services decreased by 24.0% from RMB169.1 million in the first half of 2018 to RMB128.5 million in the first half of 2019, mainly due to the decline in the scale of trustee services of Jingu Trust.

(4) The commission and fee income from securities and futures brokerage increased by 16.1% from RMB424.0 million in the first half of 2018 to RMB492.2 million in the first half of 2019, mainly due to the increase in fee income from securities brokerage of Cinda Securities, resulting from the active securities trading market and the increase of securities brokerage.

(5) The commission and fee income from banking business increased by 14.3% from RMB372.8 million in the first half of 2018 to RMB426.0 million in the first half of 2019, mainly due to the increase in income from financing and collection business of the NCB.

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 periods indicated.

	For the six months ended June 30,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Revenue from sales of inventories	4,919.1	4,879.5	39.6	0.8
Purchases and changes in inventories	(3,105.7)	(3,178.2)	72.5	(2.3)
including:				
Revenue from sales of properties held for sale	4,905.4	4,876.5	28.9	0.6
Purchases and changes in properties held for sale	(3,092.3)	(3,175.6)	83.3	(2.6)
Gross profit from sales of properties held for sale	1,813.1	1,700.9	112.2	6.6
Gross profit margin from sales of properties held for sale (%)	37.0	34.9	2.1	6.0

The revenue from sales of inventories of the Group increased by 0.8% from RMB4,879.5 million in the first half of 2018 to RMB4,919.1 million in the first half of 2019 and the purchases and changes in inventories decreased by 2.3% from RMB3,178.2 million in the first half of 2018 to RMB3,105.7 million in the first half of 2019.

The revenue from sales of properties held for sale of the Group increased by 0.6% from RMB4,876.5 million in the first half of 2018 to RMB4,905.4 million in the first half of 2019 while the purchases and changes in properties held for sale decreased by 2.6% from RMB3,175.6 million in the first half of 2018 to RMB3,092.3 million in the first half of 2019. 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 2.1 percentage points from 34.9% in the first half of 2018 to 37.0% in the first half of 2019.

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 88.3% from RMB745.0 million in the first half of 2018 to RMB87.4 million in the first half of 2019, mainly because the disposal of associates and joint ventures by Cinda Investment generated more investment income in the first half of 2018.

Other Income and Other Net Gains or Losses

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

	For the six months ended June 30,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Rental income	365.3	213.7	151.6	70.9
Revenue from hotel operation	236.9	256.4	(19.5)	(7.6)
Net gains/(losses) on exchange differences	218.2	(23.5)	241.7	1,028.5
Revenue from property management business	142.6	124.6	18.0	14.4
Government grants and compensation	119.0	89.2	29.8	33.4
Net gains on disposal of other assets	13.9	68.5	(54.6)	(79.7)
Net gains on disposal of investment properties	5.9	–	5.9	100.0
Others[1]	292.2	179.2	113.0	63.1
Total	**1,394.0**	**908.2**	**485.8**	**53.5**

Note:

(1) Mainly include the reversed provisions and debt restructuring gains in the past.

The other income and other net gains or losses of the Group increased by 53.5% from net gain of RMB908.2 million in the first half of 2018 to net gain of RMB1,394.0 million in the first half of 2019, mainly due to the change in net losses on exchange differences from RMB23.5 million in the first half of 2018 to RMB218.2 million in net gains on exchange differences in the first half of 2019. 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 the first half of 2019, the net exchange loss of the assets changed to the net exchange gain.

Total Costs and Expenses

The total costs and expenses of the Group in the first half of 2019 experienced a decrease as compared to the same period of prior year, which was slightly higher than the fall in income of the Group.

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

	For the six months ended June 30,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Insurance costs	(5,800.6)	(7,340.6)	1,540.0	(21.0)
Commission and fee expense	(1,000.0)	(1,446.4)	446.4	(30.9)
Purchases and changes in inventories	(3,105.7)	(3,178.2)	72.5	(2.3)
Employee benefits	(2,424.3)	(3,181.9)	757.6	(23.8)
Tax and surcharges	(280.7)	(277.3)	(3.4)	1.2
Business depreciation and amortization	(787.4)	(471.3)	(316.1)	67.1
Impairment losses on assets	(3,450.1)	(3,164.6)	(285.5)	9.0
Interest expense	(23,060.8)	(23,036.9)	(23.9)	0.1
Other expenses	(1,536.9)	(1,589.1)	52.2	(3.3)
Total	**(41,446.5)**	**(43,686.3)**	**2,239.8**	**(5.1)**

The total costs and expenses of the Group decreased by 5.1% from RMB43,686.3 million in the first half of 2018 to RMB41,446.5 million in the first half of 2019, mainly due to the decrease in insurance costs, employee benefits and commission and fee expense.

Insurance Costs

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

	For the six months ended June 30,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
(Reserves)/reverses for insurance contracts	(3,117.5)	3,175.1	(6,292.6)	198.2
Policyholder dividends	(387.6)	(623.5)	235.9	(37.8)
Refund of reinsurance premiums	5.2	0.9	4.3	477.8
Other insurance expenses[1]	(2,300.7)	(9,893.2)	7,592.5	(76.7)
Total	**(5,800.6)**	**(7,340.6)**	**1,540.0**	**(21.0)**

Note:

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

The insurance costs of the Group decreased by 21.0% from RMB7,340.6 million in the first half of 2018 to RMB5,800.6 million in the first half of 2019, primarily due to the decline in the surrender value of the insurance business of Happy Life, which was partly offset an increase in the reserves for life insurance caused by a year-on-year increase in valid policies of existing life insurance.

Impairment Losses on Assets

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

	For the six months ended June 30,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Financial assets at amortized cost				
Distressed debt assets	51.9	(1,807.1)	1,859.0	(102.9)
Other debt investments	(76.6)	(63.3)	(13.3)	21.0
Loans and advances to customers	(1,280.1)	(889.1)	(391.0)	44.0
Financial assets at fair value through other comprehensive income	(2.3)	(14.2)	11.9	(83.8)
Interests in associates and joint ventures	(1,423.0)	–	(1,423.0)	100.0
Accounts receivable	(617.3)	(354.2)	(263.1)	74.3
Other assets	(102.7)	(36.7)	(66.0)	179.8
Total	**(3,450.1)**	**(3,164.6)**	**(285.5)**	**9.0**

The impairment losses on assets of the Group increased by 9.0% from RMB3,164.6 million in the first half of 2018 to RMB3,450.1 million in the first half of 2019.

Among the financial assets at amortized cost, the impairment losses on distressed debt assets changed from withdrawal of RMB1,807.1 million in the first half of 2018 to reverse of RMB51.9 million in the first half of 2019. This is mainly due to the overall quality improvement of the distressed debt assets at amortized cost.

The impairment losses on loans and advances to customers increased by 44.0% from RMB889.1 million in the first half of 2018 to RMB1,280.1 million in the first half of 2019. This is mainly attributable to the continuous pressure on the credit risk of loans and advances to customers due to the slowdown in domestic economic growth, resulting in an increase in overdue loans over the previous year.

The impairment losses of interests in associates and joint ventures amounted RMB1,423.0 million in the first half of 2019, mainly due to the Company's provision for impairment of RMB1,423.0 million in associates and joint ventures in the first half of 2019.

Interest Expense

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

	For the six months ended June 30,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Borrowings	(13,589.3)	(15,502.2)	1,912.9	(12.3)
Bonds issued	(6,416.5)	(4,979.6)	(1,436.9)	28.9
Due to customers	(2,371.6)	(1,442.0)	(929.6)	64.5
Financial assets sold under repurchase agreements	(125.1)	(124.6)	(0.5)	0.4
Accounts payable to brokerage clients	(21.8)	(19.8)	(2.0)	10.1
Others	(536.4)	(968.8)	432.4	(44.6)
Total	**(23,060.8)**	**(23,036.9)**	**(23.9)**	**0.1**

The interest expense in the first half of 2019 of the Group remained steady as compared with that of the first half of 2018. Among them, the interest expense on borrowings decreased by 12.3% from RMB15,502.2 million in the first half of 2018 to RMB13,589.3 million in the first half of 2019 and the interest expense on bonds issued increased by 28.9% from RMB4,979.6 million in the first half of 2018 to RMB6,416.5 million in the first half of 2019, mainly because the Group has continued to effectively control the growth of liabilities and optimize the liability structure so as to promote a standardized way for bond financing.

The interest expense on due to customers increased by 64.5% from RMB1,442.0 million in the first half of 2018 to RMB2,371.6, due to the increase in the interest expense on due to customers of NCB.

Income Tax Expense

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

	For the six months ended June 30,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Profit before tax	13,409.2	11,815.9	1,593.3	13.5
Income tax expense	(3,863.3)	(3,323.0)	(540.3)	16.3
Effective tax rate (%)	28.8	28.1	0.7	2.4

The income tax expense of the Group increased by 16.3% from RMB3,323.0 million in the first half of 2018 to RMB3,863.3 million in the first half of 2019, primarily due to the increase in the profit before tax. In the first half of 2018 and 2019, the effective tax rates were 28.1% and 28.8%, respectively.

Segment Results of Operations

During the Reporting Period, the Group reclassified the operating segments as listed below:

(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) investing, management and disposal of DES Assets; (iii) conducting the distressed assets management business in a comprehensive way, such as restructuring of distressed entities and distressed assets, special situation investment; and (iv) entrusted operation business.

(2) Financial service business, which mainly includes banking, securities, futures, public funds, trusts, leasing and insurance.

The following table sets forth the segment financial results and positions of each of our business segments as at the dates and for the periods indicated, with the comparative figures restated.

	For the six months ended June 30,							
	2019	2018 (Restated)	2019	2018 (Restated)	2019	2018 (Restated)	2019	2018
	Distressed asset management		Financial services		Elimination		Consolidation	
	(in millions of RMB)							
Total income	35,143.9	37,982.8	18,781.8	17,406.0	(657.2)	(617.1)	53,268.5	54,771.7
Percentage of total (%)	66.0	69.3	35.3	31.8				
Total costs and expenses	(26,195.5)	(28,518.5)	(15,834.0)	(15,624.0)	583.0	456.2	(41,446.5)	(43,686.3)
Profit before tax	10,512.0	10,301.5	2,971.5	1,675.4	(74.3)	(161.0)	13,409.2	11,815.9
Percentage of total (%)	78.4	87.2	22.2	14.2				
Profit margin (%)	29.9	27.1	15.8	9.6			25.2	21.6
Return on net assets before tax[1] (%)	19.2	15.1	8.1	8.2			29.2	13.8

	As at June 30, 2019	As at December 31, 2018 (Restated)	As at June 30, 2019	As at December 31, 2018 (Restated)	As at June 30, 2019	As at December 31, 2018 (Restated)	As at June 30, 2019	As at December 31, 2018
	Distressed asset management		Financial services		Unallocated part and elimination[2]		Consolidation	
	(in millions of RMB)							
Total assets	951,282.5	958,365.6	569,932.2	566,999.2	(32,972.7)	(29,605.6)	1,488,242.0	1,495,759.2
Percentage of total (%)	63.9	64.1	38.3	37.9				
Net assets	110,121.0	108,941.7	75,064.1	72,482.7	(1,415.4)	(2,855.9)	183,769.7	178,568.5
Percentage of total (%)	59.9	61.0	40.8	40.6				

Notes:

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

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

As our core business, distressed asset management is our principal income contributor. In the first half of 2018 and 2019, the income generated from distressed asset management accounted for 69.3% and 66.0% of our total income, respectively, and the profit before tax generated from distressed asset management accounted for 87.2% and 78.4% of our total profit before tax, respectively. As at December 31, 2018 and June 30, 2019, the total assets of our distressed asset management accounted for 64.1% and 63.9% of our total assets and the net assets of our distressed asset management accounted for 61.0% and 59.9% of our net assets, respectively. In the first half of 2018 and 2019, the profit margin before tax of this segment accounted for 27.1% and 29.9%, respectively, and average annualized return on net asset before tax was 15.1% and 19.2%, respectively. In the first half of 2019, profit contribution from distressed asset management business increased as compared with that in the first half of 2018, mainly because the Company prudently and steadily carried out Distressed asset management business in the first half of 2019, while optimizing the debt structure and effectively controlling costs, resulting in that the decrease in costs was larger than that in income.

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 the first half of 2019 increased by 7.9%, as compared to the same period of last year, and the proportion of the total revenue of the Group increased by 3.5 percentage points, mainly due to the increase in income from securities business and banking business.

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 the first half of 2019, the Group’s assets and liabilities maintained basic stability and its equity increased slightly. As at December 31, 2018 and June 30, 2019, the total assets of the Group amounted to RMB1,495,759.2 million and RMB1,488,242.0 million, respectively, representing a decrease of 0.5%; total liabilities of the Group amounted to RMB1,317,190.7 million and RMB1,304,472.3 million, respectively, representing a decrease of 1.0%; total equity amounted to RMB178,568.5 million and RMB183,769.7 million, respectively, representing an increase of 2.9%.

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

	As at June 30, 2019		As at December 31, 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
	(in millions of RMB)			
Assets				
Cash and balances with central banks	13,442.6	0.9	16,651.9	1.1
Deposits with banks and financial institutions	72,326.5	4.9	80,102.6	5.4
Financial assets at fair value through profit or loss	431,870.0	29.0	428,791.0	28.7
Financial assets at fair value through other comprehensive income	139,865.8	9.4	116,827.6	7.8
Financial assets at amortized cost	240,627.3	16.2	252,416.7	16.9
Loans and advances to customers	345,468.5	23.2	336,616.5	22.5
Other assets	244,641.3	16.4	264,352.9	17.6
Total assets	**1,488,242.0**	**100.0**	**1,495,759.2**	**100.0**
Liabilities				
Borrowings from the central bank	1,010.8	0.1	986.1	0.1
Accounts payable to brokerage clients	14,562.0	1.1	10,315.8	0.8
Due to customers	272,059.1	20.9	254,099.9	19.3
Borrowings	541,478.3	41.5	570,870.2	43.3
Accounts payable	4,170.8	0.3	5,313.8	0.4
Bonds issued	292,660.3	22.4	283,115.1	21.5
Other liabilities	178,531.0	13.7	192,489.8	14.6
Total liabilities	**1,304,472.3**	**100.0**	**1,317,190.7**	**100.0**
Equity				
Equity attributable to equity holders of the Company	161,377.8	87.8	156,492.8	87.6
Non-controlling interests	22,391.9	12.2	22,075.6	12.4
Total equity	**183,769.7**	**100.0**	**178,568.5**	**100.0**
Total equity and liabilities	**1,488,242.0**		**1,495,759.2**	

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, 2018 and June 30, 2019, monetary capital amounted to RMB96,754.5 million and RMB85,769.1 million, respectively, representing a decrease of 11.4%, mainly due to a decrease 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 June 30, 2019	As at December 31, 2018	Change	Change in percentage
	(in millions of RMB)			(%)
Financial assets classified as at fair value through profit or loss				
Listed investments				
Debt securities	10,559.7	10,591.7	(32.0)	(0.3)
Equity investments	9,787.1	9,262.1	525.0	5.7
Funds	3,024.9	2,695.0	329.9	12.2
Corporate convertible bonds	408.9	107.8	301.1	279.3
Unlisted investments				
Distressed debt assets	185,151.7	189,113.9	(3,962.2)	(2.1)
Funds	97,324.4	101,548.3	(4,223.9)	(4.2)
Equity investments	61,479.7	56,426.6	5,053.1	9.0
Trust products and asset management plans	35,058.3	35,776.2	(717.9)	(2.0)
Debt instruments	24,488.7	17,458.3	7,030.4	40.3
Security investments	1,664.8	2,044.8	(380.0)	(18.6)
Wealth management products	1,925.5	3,072.8	(1,147.3)	(37.3)
Derivative financial assets	773.6	620.4	153.2	24.7
Others	222.7	73.2	149.5	204.2
Total	**431,870.0**	**428,791.0**	**3,079.0**	**0.7**

As at December 31, 2018 and June 30, 2019, financial assets at fair value through profit or loss were RMB428,791.0 million and RMB431,870.0 million, respectively, increasing by 0.7%, mainly due to the increase in debt instruments and equity investments, which was partly offset by the decline of distressed debt assets and fund investments.

As at December 31, 2018 and June 30, 2019, debt instruments at fair value through profit or loss were RMB17,458.3 million and RMB24,488.7 million, respectively, increasing by 40.3%, mainly due to the increase in the balance of debt assets acquired by the Company.

As at December 31, 2018 and June 30, 2019, listed equity investments at fair value through profit or loss were RMB9,262.1 million and RMB9,787.1 million, respectively, increasing by 5.7%, and unlisted equity investments at fair value through profit or loss were RMB56,426.6 million and RMB61,479.7 million, respectively, increasing by 9.0%, mainly due to the increase in investment in equity assets by the Company and its subsidiaries such as Cinda Hong Kong.

As at December 31, 2018 and June 30, 2019, distressed debt assets at fair value through profit or loss were RMB189,113.9 million and RMB185,151.7 million, respectively, decreasing by 2.1%, mainly due to the decrease in the balance of Acquisition-operation Distressed Assets of the Company.

As at December 31, 2018 and June 30, 2019, unlisted fund investments at fair value through profit or loss were RMB101,548.3 million and RMB97,324.4 million, respectively, decreasing by 4.2%, mainly due to the reduction of the Company's private equity fund investment business in the first half of 2019.

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

	As at June 30, 2019	As at December 31, 2018	Change	Change in percentage
	(in millions of RMB)			(%)
The Group				
Listed	9,787.1	9,262.1	525.0	5.7
Unlisted	61,479.7	56,426.6	5,053.1	9.0
Total	**71,266.8**	**65,688.7**	**5,578.1**	**8.5**
The Company				
Listed	4,484.8	3,826.5	658.3	17.2
Unlisted	30,197.3	26,549.0	3,648.3	13.7
Subtotal	**34,682.1**	**30,375.5**	**4,306.6**	**14.2**
Including:				
DES Assets	32,297.9	28,004.5	4,293.4	15.3
Other	2,384.2	2,371.0	13.2	0.6
Subtotal	**34,682.1**	**30,375.5**	**4,306.6**	**14.2**

Financial Assets at Fair Value through Other Comprehensive Income

The financial assets at fair value through other comprehensive income include debt instruments held by the Group, which meet the conditions that the contractual terms 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 of the Group as at the dates indicated.

	As at June 30, 2019	As at December 31, 2018	Change	Change in percentage
	(in millions of RMB)			(%)
Bonds	134,319.5	112,148.7	22,170.8	19.8
Equity instruments	4,110.7	3,407.0	703.7	20.7
Interest receivable	1,435.7	1,271.8	163.9	12.9
Total	**139,865.8**	**116,827.6**	**23,038.2**	**19.7**

As at December 31, 2018 and June 30, 2019, financial assets at fair value through other comprehensive income were RMB116,827.6 million and RMB139,865.8 million, respectively, increasing by 19.7%, mainly due to the increase in debt securities investments of Cinda Hong Kong.

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 of the Group as at the dates indicated.

	As at June 30, 2019	As at December 31, 2018	Change	Change in percentage
	(in millions of RMB)			(%)
Distressed debt assets				
Acquired from financial institutions	11,333.0	14,294.1	(2,961.1)	(20.7)
Acquired from non-financial institutions	195,764.1	211,064.0	(15,299.9)	(7.2)
Subtotal	**207,097.1**	**225,358.1**	**(18,261.0)**	**(8.1)**
Interest accrued	2,969.1	2,382.6	586.5	24.6
Allowance for impairment losses	(9,686.0)	(12,887.5)	3,201.5	(24.8)
Net balance	**200,380.2**	**214,853.2**	**(14,473.0)**	**(6.7)**
Other financial assets classified as at amortized cost				
Trust products and asset management plans	20,368.8	19,559.2	809.6	4.1
Securities investments	12,736.1	12,727.7	8.4	0.1
Others	8,428.5	6,792.7	1,635.8	24.1
Subtotal	**41,533.4**	**39,079.6**	**2,453.8**	**6.3**
Interest accrued	667.7	361.2	306.5	84.9
Allowance for impairment losses	(1,954.0)	(1,877.4)	(76.6)	4.1
Net balance	**40,247.1**	**37,563.5**	**2,683.6**	**7.1**
Total	**240,627.3**	**252,416.7**	**(11,789.4)**	**(4.7)**

As at June 30, 2019, the balance of distressed debt assets at amortized cost was RMB200,380.2 million, all of which are the Group's Restructured Distressed Assets, decreasing by 6.7% from RMB214,853.2 million as at December 31, 2018.

As at June 30, 2019, the balance of other financial assets at amortized cost was RMB40,247.1 million, increasing by 7.1% from RMB37,563.5 million as at December 31, 2018, mainly due to the increase in investment scale of other debt instruments of Cinda Investment.

As at June 30, 2019, the impaired distressed debt assets at amortized cost of the Company were RMB4,612.8 million, accounting for 2.18% of the total distressed debt assets at amortized cost. As at June 30, 2019, the allowance for impairment losses on distressed debt assets at amortized cost of the Company was RMB9,644.2 million, the coverage ratio of the impaired distressed debt assets at amortized cost was 209.1%, and the coverage ratio of allowance to total distressed debt assets at amortized cost was 4.6%.

Loans and advances to customers

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

	As at June 30, 2019	As at December 31, 2018	Change	Change in percentage
	(in millions of RMB)			(%)
By business type				
Corporate and personal loans and advances	303,740.4	289,993.1	13,747.3	4.7
Loans to margin clients	6,920.8	6,172.9	747.9	12.1
Finance lease receivables	43,416.9	48,112.1	(4,695.2)	(9.8)
Total	**354,078.1**	**344,278.1**	**9,800.0**	**2.8**
By security type				
Mortgaged	105,289.2	108,400.8	(3,111.6)	(2.9)
Pledged	75,915.2	64,456.9	11,458.3	17.8
Guaranteed	52,600.2	63,016.6	(10,416.4)	(16.5)
Unsecured	120,273.5	108,403.8	11,869.7	10.9
Total	**354,078.1**	**344,278.1**	**9,800.0**	**2.8**
Allowance for impairment losses	(8,609.6)	(7,661.6)	(948.0)	12.4
Net balance	**345,468.5**	**336,616.5**	**8,852.0**	**2.6**

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 June 30, 2019	As at December 31, 2018	Change	Change in percentage
	(in millions of RMB)			(%)
Corporate loans and advances				
Loans and advances	249,973.7	249,820.7	153.0	0.1
Discounted bills	9,233.2	1,222.3	8,010.9	655.4
Subtotal	**259,206.9**	**251,043.0**	**8,163.9**	**3.3**
Personal loans and advances				
Mortgages	24,934.2	25,355.7	(421.5)	(1.7)
Personal consumption loans	19,599.3	13,594.4	6,004.9	44.2
Subtotal	**44,533.5**	**38,950.1**	**5,583.4**	**14.3**
Total	**303,740.4**	**289,993.1**	**13,747.3**	**4.7**

As at June 30, 2019, the balance of discounted bills was RMB9,233.2 million, all of which were assets formed by the discounted bills business of NCB, representing an increase of 655.4% from RMB1,222.3 million as at December 31, 2018.

As at June 30, 2019, the balance of personal consumption loans was RMB19,599.3 million, all of which were assets formed by the personal consumption loans business of NCB, representing an increase of 44.2% from RMB13,594.4 million as at December 31, 2018.

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 June 30, 2019	As at December 31, 2018	Change	Change in percentage
	(in millions of RMB)			(%)
Gross amount of finance lease receivables				
Within 1 year (inclusive)	20,146.6	23,135.0	(2,988.4)	(12.9)
1 year to 5 years (inclusive)	25,503.3	27,453.9	(1,950.6)	(7.1)
Over 5 years	2,306.3	2,415.1	(108.8)	(4.5)
Less: Unearned finance income	4,776.0	5,173.4	(397.4)	(7.7)
Interest accrued	236.7	281.6	(44.9)	(15.9)
Net amount of finance lease receivables	**43,416.9**	**48,112.1**	**(4,695.2)**	**(9.8)**
Allowance for impairment losses	(2,481.0)	(1,851.5)	(629.5)	34.0
Carrying amount of finance lease receivables	**40,936.0**	**46,260.6**	**(5,324.6)**	**(11.5)**

Liabilities

Liabilities of the Group mainly consist of borrowings, due to customers and bonds issued, accounting for 41.5%, 20.9% and 22.4% of the total liabilities of the Group as at June 30, 2019, respectively.

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

	As at June 30, 2019		As at December 31, 2018	
	Amount	Percentage (%)	Amount	Percentage (%)
	(in millions of RMB)			
Borrowings	541,478.3	46.4	570,870.2	48.6
Due to customers	272,059.1	23.3	254,099.9	21.6
Deposits from banks and financial institutions	15,769.8	1.4	22,380.7	1.9
Accounts payable to brokerage clients	14,562.0	1.2	10,315.8	0.9
Financial assets sold under repurchase agreements	12,108.1	1.0	12,970.2	1.1
Placements from banks and financial institutions	17,608.8	1.5	20,218.7	1.7
Bonds issued	292,660.3	25.1	283,115.1	24.2
Total	**1,166,246.4**	**100.0**	**1,173,970.6**	**100.0**

Borrowings

As at June 30, 2019, the balance of borrowings of the Group amounted to RMB541,478.3 million, decreasing by 5.1% from RMB570,870.2 million as at December 31, 2018, mainly attributable to the Group effectively controlled the growth of borrowings, continuously optimized the structure of liabilities and accelerated a standardized bond-based financing mode.

Due to Customers

As at December 31, 2018 and June 30, 2019, the balance of due to customers of the Group amounted to RMB254,099.9 million and RMB272,059.1 million, respectively, representing an increase of 7.1%. 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 June 30, 2019	As at December 31, 2018	Change	Change in percentage
	(in millions of RMB)			(%)
Demand Deposits	**79,575.2**	**86,784.4**	**(7,209.2)**	**(8.3)**
Corporate	40,028.7	47,376.7	(7,348.0)	(15.5)
Personal	39,546.5	39,407.7	138.8	0.4
Time Deposits	**181,811.2**	**156,906.3**	**24,904.9**	**15.9**
Corporate	93,388.4	86,118.5	7,269.9	8.4
Personal	88,422.8	70,787.8	17,635.0	24.9
Guarantee Deposits	**9,179.2**	**9,265.4**	**(86.2)**	**(0.9)**
Interest payable	**1,493.6**	**1,143.7**	**349.9**	**30.6**
Total	**272,059.1**	**254,099.9**	**17,959.2**	**7.1**

Bonds Issued

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

	As at June 30, 2019	As at December 31, 2018
	(in millions of RMB)	
Subordinated bonds	7,819.4	6,250.0
Tier-2 capital bonds	10,001.1	10,183.1
HKD bonds	55.3	55.0
Corporate bonds	25,626.4	24,367.8
Financial bonds	90,437.0	106,140.8
USD guaranteed senior notes	76,396.6	76,148.0
Beneficiary certificates	108.4	2,140.0
Certificates of deposit	6,713.3	1,278.8
Mid-term notes	5,115.9	5,073.1
Capital supplement bonds	6,153.7	6,015.7
Asset-backed securities	60,261.6	42,552.7
Debt financing plan	936.8	906.2
Debt financing instruments	2,061.7	2,003.9
Asset-backed notes	973.1	–
Total	**292,660.3**	**283,115.1**

As at December 31, 2018 and June 30, 2019, the balance of bonds issued by the Group amounted to RMB283,115.1 million and RMB292,660.3 million, respectively. Bonds issued in the first half of 2019 further increased mainly because the Group continuously refined the structure of assets and liabilities by carrying out direct financing with focus on bond financing. Bonds issued in the first half of 2019 mainly consist of (1) asset-backed securities of RMB29.61 billion issued by the Company; (2) corporate bonds of RMB7.19 billion issued by Cinda Investment and its subsidiaries.

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, 2018 and June 30, 2019, the claim amounts of pending litigation of which the Group was defendant were RMB2,243.7 million and RMB2,196.1 million, respectively, and provisions of RMB136.3 million and RMB49.8 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 Condensed Consolidated Financial Statements Prepared under the PRC GAAP and IFRS

There is no difference on the net profit and shareholders' equity for the Reporting Period between interim condensed consolidated financial statements prepared by the Company under the PRC GAAP and IFRS, respectively.

Business Overview

Considering the reform of financial asset management companies and Cinda's internal business strategy adjustments, the structure, text representation and data listing way of the "Business Overview" chapter in regular reports have been revised beginning from the 2019 interim report, to give a comprehensive and objective view towards business conditions of the Group. The main adjustment is the combination of distressed asset management business, and investment and asset management business.

The principal business segments of our Group include (1) distressed asset management business, namely, debt asset management, management of DES Assets, other distressed asset management, and entrusted operation businesses; and (2) financial services business including banking, securities, futures, public funds, trusts, leasing and insurance.

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

	For the six months ended June 30,			
	2019		2018	
	Total income	% of total	Total income	% of total
	(in millions of RMB)			
Distressed asset management	35,143.9	66.0	37,982.8	69.3
Financial services	18,781.8	35.3	17,406.0	31.8
Inter-segment elimination	(657.2)	(1.3)	(617.1)	(1.1)
Total	**53,268.5**	**100.0**	**54,771.7**	**100.0**

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

	For the six months ended June 30,			
	2019		2018	
	Profit before tax	% of total	Profit before tax	% of total
	(in millions of RMB)			
Distressed asset management	10,512.0	78.4	10,301.5	87.2
Financial services	2,971.5	22.2	1,675.4	14.2
Inter-segment elimination	(74.3)	(0.6)	(161.0)	(1.4)
Total	**13,409.2**	**100.0**	**11,815.9**	**100.0**

Distressed asset management

The Group's distressed asset management business includes (1) acquisition of distressed debt assets from financial institutions and non-financial enterprises; (2) investing, management and disposal of DES Assets; (3) conducting the distressed assets management business in a comprehensive way, such as restructuring of distressed entities and distressed assets, special situation investment; and (4) entrusted operation business.

Distressed asset management is the main business and the primary source of income and profit of the Group. In the first halves of 2018 and 2019, the income from the distressed asset management business accounted for 69.3% and 66.0% of the total income of the Group, respectively, and the profit before tax from the distressed asset management business accounted for 87.2% and 78.4% of the profit before tax of the Group, respectively.

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

	As at June 30, 2019	As at December 31, 2018
	(in millions of RMB)	
Net balance of distressed debt assets(1)	387,053.6	405,247.9
Book value of DES Assets	74,463.9	69,887.2
Book value of other distressed assets(2)	125,211.0	114,686.4

	For the six months ended June 30,	
	2019	2018
	(in millions of RMB)	
Distressed debt assets		
Acquisition cost of distressed debt assets	47,698.1	94,767.6
Income from distressed debt assets(3)	14,943.7	14,508.7
DES Assets		
Gains on fair value changes(4)	4,416.2	6,648.2
Gains on other equity(5)	772.3	434.1
Other distressed assets		
Investment income(6)	4,816.8	3,502.4

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 condensed interim consolidated financial statements.

(2) Primarily including book value of assets such as non-standard debt investments and equity investments, investments in fixed income asset management products, investments in securitized asset products and debenture investments related to the distressed asset business.

(3) 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 condensed interim consolidated financial statements.

(4) 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.

(5) Income from DES Assets accrued in associates and joint ventures attributed to distressed assets segment; and dividend income from DES Assets at fair value through other comprehensive income.

(6) Gains on other distressed assets business, including loss and profit from fair value changes.

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 from banks and other distressed debt assets from non-bank financial institutions ("FI Distressed Assets") and (2) receivables from 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 period indicated.

	As at June 30, 2019		As at December 31, 2018	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Net balance of distressed debt assets[(1)]				
FI Distressed Assets	184,250.1	47.6	193,514.9	47.8
NFE Distressed Assets	202,803.5	52.4	211,733.0	52.2
Total	**387,053.6**	**100.0**	**405,247.9**	**100.0**

	For the six months ended June 30,			
	2019		2018	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Acquisition cost of distressed debt assets[(2)]				
FI Distressed Assets	17,248.1	36.2	45,450.8	48.0
NFE Distressed Assets	30,450.0	63.8	49,316.8	52.0
Total	**47,698.1**	**100.0**	**94,767.6**	**100.0**
Income from distressed debt assets[(3)]				
FI Distressed Assets	6,669.9	44.6	6,272.0	43.2
NFE Distressed Assets	8,273.8	55.4	8,236.7	56.8
Total	**14,943.7**	**100.0**	**14,508.7**	**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 condensed interim 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 condensed interim 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 period indicated.

	For the six months ended June 30,			
	2019		2018	
	Acquisition Amount	% of total	Acquisition Amount	% of total
	(in millions of RMB)			
Large commercial banks	3,780.5	21.9	16,120.6	35.5
Joint-stock commercial banks	7,783.5	45.2	15,204.1	33.5
City and rural commercial banks	3,035.3	17.6	8,335.2	18.3
Other banks(1)	524.9	3.0	3,308.8	7.3
Non-bank financial institutions(2)	2,123.9	12.3	2,482.1	5.4
Total	**17,248.1**	**100.0**	**45,450.8**	**100.0**

Notes:

(1) Include policy banks 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.

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 period indicated.

	As at June 30, 2019		As at December 31, 2018	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Net balance of distressed debt assets				
Acquisition-operation distressed assets[1]	185,499.6	47.9	189,458.4	46.8
Restructured distressed assets[2]	201,554.0	52.1	215,789.5	53.2
Total	**387,053.6**	**100.0**	**405,247.9**	**100.0**

	For the six months ended June 30,			
	2019		2018	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Acquisition cost of distressed debt assets				
Acquisition-operation distressed assets	17,556.9	36.8	45,873.7	48.4
Restructured distressed assets	30,141.2	63.2	48,893.9	51.6
Total	**47,698.1**	**100.0**	**94,767.6**	**100.0**
Income from distressed debt assets				
Acquisition-operation distressed assets[3]	6,506.2	43.5	5,402.0	37.2
Restructured distressed assets[4]	8,437.5	56.5	9,106.7	62.8
Total	**14,943.7**	**100.0**	**14,508.7**	**100.0**

Notes:

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

(2) Equivalent to the Company's "distressed debt assets at amortized cost" minus any recognized impairment losses, as presented in the condensed interim consolidated financial statements.

(3) Equivalent to the Company's realized and unrealized "fair value changes on distressed debt assets", as presented in the condensed interim consolidated financial statements.

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

Acquisition-operation Distressed Assets

Acquisition-operation Distressed Assets refer to distressed debt assets acquired from financial institutions and non-financial institutions through competitive biddings, public auctions, blind auctions or negotiated acquisitions by the Company. Based on the characteristics of the distressed debt assets, the Company applied suitable strategies to maximize the value of assets and achieve cash recovery, 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 period indicated.

	As at June 30, 2019	As at December 31, 2018
	(in millions of RMB)	
Net balance of Acquisition-operation Distressed Assets	185,499.6	189,458.4

	For the six months ended June 30,	
	2019	2018
	(in millions of RMB)	
Acquisition cost of Acquisition-operation Distressed Assets	17,556.9	45,873.7
Carrying amount of Acquisition-operation Distressed Assets disposed[1]	23,549.2	16,892.6
Unrealized fair value changes	1,452.8	(5.7)
Net income from Acquisition-operation Distressed Assets	6,506.2	5,402.0
Internal rate of return[2](%)	15.9	17.4

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 the first half of 2019, the Company coped with the new situation in the distressed asset market flexibly, continued to promote high quality development of acquisition-operation business. In terms of asset acquisition, the Company accurately grasped the opportunities of distressed assets disposal from banks and other financial institutions, played full use of professional advantages on valuation and pricing of distressed assets, quoted prudently and reasonably, which achieving effective acquisition. In terms of asset disposal, the Company enhanced the classification of assets, accelerated asset turnover, implemented cash recovery, and achieved the higher gain from asset disposal.

Restructured Distressed Assets

Restructured Distressed Assets mainly acquisited from 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 of the Company as at the dates and for the period indicated.

	As at June 30, 2019	As at December 31, 2018
	(in millions of RMB)	
Net balance of Restructured Distressed Assets	201,554.0	215,789.5
Balance of impaired Restructured Distressed Assets	4,612.8	7,157.4
Impaired Restructured Distressed Assets ratio(1)(%)	2.18	3.13
Allowance for impairment losses	9,644.2	12,904.8
Impaired Restructured Distressed Assets coverage ratio(2)(%)	209.1	180.3

	For the six months ended June 30,	
	2019	2018
	(in millions of RMB)	
Acquisition cost of Restructured Distressed Assets	30,141.2	48,893.9
Income from Restructured Distressed Assets	8,437.5	9,106.7
Annualized return on monthly average balance(3)(%)	8.5	8.1

Notes:

(1) Equals impaired Restructured Distressed Assets divided by total Restructured Distressed Assets.

(2) Equals balance of allowance for impairment losses divided by balance of impaired Restructured Distressed Assets.

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

In the first half of 2019, the Company continued to expand the scope of "extensive distressed asset" business based on two types of business: liquidity assistance and substantial restructuring. First, accommodating to the economic development situation and macro-policy trend, and playing the counter-cyclical tools and financial assistance function, the Company pushed forward existing risk mitigation, improved asset value and transformed and upgraded business models through strategic cooperation in the integration of industrial and financial resources. Second, focusing on the customer-oriented philosophy, the Company cooperated with key customers not only on trade of distressed assets, but also becoming strategic partners in resource integration, and worked together to activate distressed assets. Third, based on the models such as revitalization of unfinished buildings and the divestiture of the secondary business of state-owned enterprises, the Company further explored the models of acquisition at a specified future date and cooperative acquisition using fund as the main carrier.

The table below sets forth details of the Restructured Distressed Assets of the Company classified by industry as at the dates and for the period indicated.

	As at June 30, 2019		As at December 31, 2018	
	Acquisition Amount	% of total	Acquisition Amount	% of total
	(in millions of RMB)			
Real estate	104,041.8	49.3	110,379.1	48.2
Manufacturing	23,766.1	11.3	26,423.0	11.5
Leasing and commercial services	9,223.7	4.4	10,066.1	4.4
Construction	9,617.4	4.6	9,635.8	4.2
Water conservancy, environment and public facility management	4,719.6	2.2	5,194.1	2.3
Mining	21,890.7	10.4	23,727.5	10.4
Transportation, logistics and postal services	6,030.1	2.9	8,691.4	3.8
Others	31,908.8	14.9	34,742.9	15.2
Total	**211,198.2**	**100.0**	**228,859.9**	**100.0**

The table below sets forth details of the Restructured Distressed Assets of the Company classified by region as at the dates and for the period indicated.

	As at June 30, 2019		As at December 31, 2018	
	Acquisition Amount	% of total	Acquisition Amount	% of total
		(in millions of RMB)		
Yangtze River Delta	40,684.7	19.2	49,589.8	21.7
Pearl River Delta	29,528.1	14.0	35,465.2	15.5
Bohai Rim	48,996.6	23.2	43,459.5	19.0
Central Region	56,217.8	26.6	59,838.6	26.1
Western Region	32,685.6	15.5	36,475.6	15.9
Northeast Region	3,085.4	1.5	4,031.2	1.8
Total	**211,198.2**	**100.0**	**228,859.9**	**100.0**

DES Assets

The Company acquires a great amount of DES assets through debt-to-equity swap, receipt of equity in satisfaction of debt and other transactions related to distressed asset management.

The table below sets forth certain details of DES assets of the Company classified by different accounting items as at the dates indicated.

	As at June 30, 2019	As at December 31, 2018
	(in millions of RMB)	
Total book value		
DES Assets at fair value through profit or loss	32,297.9	28,004.8
DES Assets measured with interests in associates and joint ventures	38,082.8	38,503.3
DES Assets at fair value through other comprehensive income	4,083.2	3,379.1
Total	**74,463.9**	**69,887.2**

DES Assets Income

In the first halves of 2018 and 2019, the Company realized gains on fair value changes of DES Assets of RMB6,648.2 million and RMB4,416.2 million, respectively, realized gains with other accounting approaches of RMB434.1 million and RMB772.3 million, respectively.

The table below sets forth details of the income on DES Assets of the Company for the period indicated.

	For the six months ended June 30,	
	2019	**2018**
	(in millions of RMB)	
Gains on fair value changes[1]	4,416.2	6,648.2
Gains realized with other accounting approaches[2]	772.3	434.1

Notes:

(1) It refers to income of the DES Assets at fair value through profit or loss including the net gains on disposal of DES Assets, dividend income, interest income and unrealized fair value changes.

(2) It includes income from DES Assets accrued in associates and joint ventures; and dividend income from DES Assets at fair value through other comprehensive income.

In the first half of 2019, the Company continued to engage in thoroughly the supply-side structural reform and actively grasp the strategic opportunities arising on mixed ownership reform of state-owned enterprises and market-oriented DES business and other policies. First, the Company further strengthened the management of existing DES projects and enhanced the asset value of existing equity projects by multiple financial tools. Second, the Company continuously developed the market-oriented DES business and made significant progress in several key projects. While supporting the deleveraging of the real economy, the Company gained remarkable benefits and established a professional profile in the field of market-oriented DES.

Other Distressed Asset Businesses

Other distressed asset business of the Group is the investment business conducted in comprehensive operation method other than distressed debt asset business and DES business. Income of such business comprises fixed income as the dominant income and floating income as the auxiliary income. The risk characteristic of such business comprises credit risk and market risk. The Group conducts other distressed asset business through the Company, Cinda Hong Kong, Cinda Investment and Zhongrun Development.

Other Distressed Asset Business of the Company

The other distressed asset business of the Company primarily refers to the investment business which the Company focuses on distressed entities aid and distressed assets revitalizing. By the means of private funds, trust plan and asset management plan, the Company uses its own funds in specific projects to resolve the existing risk and also obtain the investment income, mainly including fixed-income asset management product investment, securitization product investment and bond investment.

As at December 31, 2018 and June 30, 2019, the investment balance of other distressed asset business investment of the Company amounted to RMB114.69 billion and RMB125.21 billion, respectively. In the first half of 2018 and the first half of 2019, the investment income of other distressed asset business of the Company amounted to RMB3.50 billion and RMB4.82 billion, respectively.

Other Distressed Asset Business of Cinda Hong Kong

By strengthening cooperation with the Group headquarters and domestic branches and subsidiaries, Cinda Hong Kong 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. 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. Main types of business include distressed entity and distressed asset business, support of business of global resource integration of the Group's strategic customers and business of upgrading and transformation of inefficient assets within the Greater Bay Area.

As at December 31, 2018 and June 30, 2019, the investment balance of other distressed asset business of Cinda Hong Kong amounted to RMB59.33 billion and RMB62.86 billion, respectively. In the first half of 2018 and the first half of 2019, the investment income of other distressed asset business of Cinda Hong Kong amounted to RMB1.71 billion and RMB1.60 billion, respectively.

Other Distressed Asset Business of Cinda Investment

Cinda Investment mainly relies on capital market, and conduct industrial investment business characterized of supporting the merger & restructuring and transforming & upgrading of enterprises. Cinda Investment promotes substantial restructing of distressed entities and distressed assets in the real estate sector through the combination of shares and debts, merger and restructing, etc; it also actively provides assistance in dealing with default and crisis event, such as shanty house rebuilding and urban renewal, and properly participates in SOE's divestiture of secondary businesses from their primary businesses, mixed ownership reform, and disposal of zombie enterprises and extremely difficult enterprises, helps private entities to solve difficulties in their operation.

As at December 31, 2018 and June 30, 2019, the investment balance of other distressed asset business of Cinda Investment amounted to RMB54.20 billion and RMB56.23 billion, respectively. In the first half of 2018 and the first half of 2019, the investment income of other distressed asset business of Cinda Investment amounted to RMB5.18 billion and RMB2.10 billion, respectively.

Other Distressed Asset Business of Zhongrun Development

Based on its professional ability and brand advantages in the field of custody, liquidation and bankruptcy, Zhongrun Development focuses on the enterprise bankrupt segment by conducting reorganization of enterprises, exploring special investment opportunities such as enterprise restructuring and reorganization by means of custody, liquidation and reorganization, to collaborate with the Company on the "extensive distressed asset" business.

As at December 31, 2018 and June 30, 2019, the investment balance of other distressed asset business of Zhongrun Development amounted to RMB2.31 billion and RMB2.23 billion, respectively. In the first half of 2018 and the first half of 2019, the investment income of other distressed asset business of Zhongrun Development amounted to RMB0.08 billion and RMB0.12 billion, respectively.

Other Investments

Cinda Real Estate

Cinda Real Estate is committed to create a professional real estate service platform about the "extensive distressed asset" business of the Group. It provides professional consultancy and programme supervision service for the Group, which revitalizes distressed real estate-related assets and enhances values of those assets. Through equity merger and entrusted construction, it also provides services to dispose assets and recover cash.

In the first halves of 2018 and 2019, Cinda Real Estate achieved real estate sales income of RMB2.32 billion and RMB4.91 billion, respectively.

Entrusted Operation

The Group provides entrusted operation services to distressed assets and entities under the engagement of government, enterprises and financial institutions. The entrusted distressed asset operation business was mainly conducted by the Company. As at December 31, 2018 and June 30, 2019, the balance of the entrusted distressed assets amounted to RMB13.16 billion and RMB13.59 billion, respectively.

Financial Services Business

According to the strategic plan, the Group has focused on the development of financial services business that can provide services and support to the development of distressed assets business. A diversified and synergistic financial services platform has been established covering banking, securities, futures, public funds, trusts, leasing and insurance business. The Group is committed to providing customized financial services and comprehensive solutions to customers.

In the first halves of 2018 and 2019, income from financial services represented 31.8% and 35.3% of the total income of the Group, respectively, while the profit before tax from financial services accounted for 14.2% and 22.2% of the total profit before tax of the Group, respectively.

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

	For the six months ended June 30,							
	2019		2018		As at June 30, 2019		As at December 31, 2018	
	Income	Profit before tax	Income	Profit before tax	Total assets	Net assets	Total assets	Net assets
	(in millions of RMB)							
NCB	7,666.8	1,983.5	6,617.5	2,261.7	414,278.9	49,404.0	407,601.5	47,559.3
Securities, Futures and Fund(1)	1,722.9	245.4	1,722.4	157.0	43,461.0	9,620.6	38,409.8	9,789.9
Jingu Trust	226.5	83.5	218.2	135.6	5,323.6	4,053.4	4,737.9	4,013.0
Cinda Leasing	1,398.2	(14.6)	1,323.2	49.1	45,810.6	7,145.3	50,911.6	7,134.7
Happy Life	7,738.0	590.0	7,385.5	(1,082.5)	63,838.4	5,294.6	67,894.1	4,747.2

Note:

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

Banking Business

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

Development of NCB played an important role in the Group. Considering both internal and external economic conditions and its strategies, NCB is developing into a platform for group account management, cross-selling and integrated financial service, as well as a growth point of group collaboration and transformation, which will promote the development of the entire financial services sector. Based on the above development object and functional position, NCB effectively utilizes its highly complementary products and customer channels with the Group, fully implements the transformation strategy, actively promotes multi-coordination and continues to strengthen risk prevention and control, which has realized improved performance and achieved sustainable and stable development.

As for business strategy, firstly, taking the advantages of the solid foundation in enterprise financial business and strong synergy effect, NCB provides targeted and comprehensive solutions for customers gradually and effectively to enhance their capacity of professional services and market competitiveness. Secondly, NCB focuses on wealth management and provides 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 expands sustainable partners and creates a platform of comprehensive financial services in cross-border business.

As for 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 field inspection, risk inspection, management meetings and others to supervise and guide the risk management of NCB, the Group achieves global linkage and full coverage of the risk management with NCB.

NCB

NCB principally (1) 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 and (2) 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 period indicated.

	As at June 30, 2019	**As at December 31, 2018**
	(in billions of RMB)	
Total assets	414.3	407.6
Total loans	231.5	223.4
Total deposits	311.2	301.6
Asset quality indicators (%)		
Non-performing loan ratio(1)	0.81	0.56
Capital adequacy ratio indicators (%)		
Total debt-to-capital ratio(2)	18.79	18.73
Tier-1 capital ratio(3)	17.05	16.97
Tier-1 capital ratio of common equities(4)	13.71	13.53
Other indicators (%)		
Liquidity coverage ratio(5)	154.16	163.30

	For the six months ended June 30,	
	2019	2018
	(in billions of RMB)	
Net interest income	2.9	2.6
Net commission and fee income	0.7	0.7
Profitability indicators (%)		
Annualized return on average assets(6)	0.84	1.05
Annualized return on average shareholder's equity(7)	8.38	10.49
Net interest margin(8)	1.51	1.66
Cost-to-income ratio (9)	33.79	34.10

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 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.

(6) Equals profit after tax for the period divided by the average of assets as at the beginning and the end of the period, which is annualized.

(7) Equals net profit attributable to equity holders for the period divided by the average of equity balance attributable to equity holders as at the beginning and the end of the period, which is annualized.

(8) Equals net interest income divided by daily average balance of interest-generating assets, which is annualized.

(9) Equals operating expenses divided by operating income.

NCB Hong Kong

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

	As at June 30, 2019	As at December 31, 2018
	(in billions of RMB)	
Balance of retail deposits	118.2	101.8
Balance of retail loans	28.2	23.0

	For the six months ended June 30,	
	2019	2018
	(in billions of RMB)	
From retail customers		
Net interest income	0.4	0.3
Net commission and fee income	0.3	0.3

	As at June 30, 2019	As at December 31, 2018
	(in billions of RMB)	
Balance of corporate deposits	97.7	99.9
Balance of corporate loans	134.3	127.8

	For the six months ended June 30,	
	2019	2018
	(in billions of RMB)	
From corporate customers		
Net interest income	1.1	1.0
Net commission and fee income	0.3	0.2

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-type repurchase in Mainland China, with an aim to diversify the sources of RMB denominated funds and decrease interest expense.

NCB China

NCB China, which leverages the resources of the Group and the advantages of the parent bank NCB Hong Kong, is characterized by cross-border integrated financial and asset management services. It constantly improves the level of serving domestic and overseas customers by upholding the principle of "dedicating to serving customers".

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

	As at June 30, 2019	As at December 31, 2018
	(in billions of RMB)	
Total assets	140.6	151.3
Total loans	75.2	74.9
Total deposits	90.4	91.3
Asset quality indicators (%)		
Non-performing loan ratio	1.44	0.85
Provision coverage ratio	153.85	231.35
Capital adequacy ratio indicators (%)		
Core tier-one capital adequacy ratio	16.10	15.57
Tier-one capital adequacy ratio	16.10	15.57
Capital adequacy ratio	16.78	16.53

	For the six months ended June 30,	
	2019	2018
	(in billions of RMB)	
Net interest income	1.0	1.0
Net commission and fee income	0.2	0.2
Profitability indicators (%)		
Annualized return on average assets	0.34	0.88
Annualized return on average shareholder's equity	3.59	10.07

The principal businesses of NCB China include corporate banking business, personal banking business and financial markets business.

The corporate banking business of NCB China mainly includes deposits, loans, settlement, trade-related products and other banking services for corporate customers. By relying on the comprehensive banking service model, NCB China gives full play to the business characteristics of the integration of the platforms in two places, and takes active steps to serve the corporate customers under the national "Belt and Road" strategy with a flexible portfolio of cross-border products and service solutions.

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. In active response to the national call, NCB China intensifies efforts to develop inclusive finance with a series of products such as "Zhu Nong Loans" (助農貸) and "Pu Hui Bao" (普惠寶) while sticking to its main businesses, to serve the real economy.

The financial markets 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); and (5) commodity business, mainly gold and silver deferred business, gold forward and gold swap business.

	As at June 30, 2019	As at December 31, 2018
	(in billions of RMB)	
The balance of corporate loans	58.83	58.7
Its proportion in the total balance of loans (%)	78.24	78.7
The balance of retail loans	16.36	15.9
Its proportion in the total balance of loans (%)	21.76	21.3
The balance of corporate deposits	80.16	81.8
Its proportion in the total balance of deposits (%)	88.63	90.2
The balance of retail loans	10.28	8.9
Its proportion in the total balance of deposits (%)	11.37	9.8

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 the mutual fund management business and other asset management businesses 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 the first halves of 2018 and 2019, the revenue of Cinda Securities amounted to RMB900.2 million and RMB1,163.9 million.

Cinda Securities

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

	For the six months ended June 30,			
	2019		2018	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Securities brokerage	326.3	28.0	275.3	30.6
Investment banking	91.2	7.8	243.2	27.0
Asset management	28.3	2.4	46.3	5.1
Futures	68.1	5.9	83.1	9.2
Other business	650.0	55.9	252.3	28.1
Total	**1,163.9**	**100.0**	**900.2**	**100.0**

Securities brokerage: As at December 31, 2018 and June 30, 2019, the number of clients of Cinda Securities' securities brokerage business amounted to 1.64 million and 1.69 million, the total value of its AUM amounted to RMB135.77 billion and RMB167.77 billion, respectively. In the first halves of 2018 and 2019, the total transaction volume of Cinda Securities' securities brokerage business amounted to RMB704.93 billion and RMB961.73 billion, respectively.

Investment banking: In the first halves of 2018 and 2019, Cinda Securities' underwriting fee and commission income amounted to RMB156.6 million and RMB73.7 million, respectively.

Asset management: As at December 31, 2018 and June 30, 2019, the AUM balance of Cinda Securities amounted to RMB90.04 billion and RMB103.05 billion, respectively. In the first halves of 2018 and 2019, commission and fee income from Cinda Securities' asset management business from trust clients amounted to RMB46.3 million and RMB28.3 million, respectively.

Other businesses: They were mainly investment business and credit business. In the first halves of 2018 and 2019, the losses and gains realized from the investment of Cinda Securities amounted to RMB18.6 million and RMB255.4 million, respectively.

As at December 31, 2018 and June 30, 2019, the turnover of margin financing business of the Cinda Securities amounted to RMB5.66 billion and RMB6.46 billion, respectively. The turnover of securities lending amounted to RMB4.96 billion and RMB3.85 billion, respectively.

Cinda Futures

In the first halves of 2018 and 2019, income from the futures business of Cinda Futures amounted to RMB83.1 million and RMB68.1 million, respectively, and the operating profit realized amounted to RMB38.8 million and RMB18.3 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, 2018 and June 30, 2019, the Group had 21 and 23 mutual securities investment funds with the total assets under management of public funds and asset management plans amounted to RMB34.12 billion and RMB25.23 billion, respectively. In the first halves of 2018 and 2019, management fee income from such funds amounted to RMB67.9 million and RMB49.6 million, respectively.

Cinda International

In the first halves of 2018 and 2019, Cinda International generated revenue of RMB102.7 million and RMB107.1 million, respectively.

Trusts

The Group conducts trust business through Jingu Trust. As at December 31, 2018 and June 30, 2019, the existing trust AUM amounted to RMB140.10 billion and RMB97.83 billion, respectively, and the Group managed 142 and 138 existing trust projects, respectively. In the first halves of 2018 and 2019, the fees and commission incomes generated from trust business were RMB0.18 billion and RMB0.13 billion, respectively, accounting for 82.4% and 56.4% of Jingu Trust's total revenue in respective periods.

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 June 30, 2019		As at December 31, 2018	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Infrastructure	9,343.0	9.6	14,058.0	10.0
Real estate	17,761.0	18.2	16,028.0	11.4
Securities markets	2,909.0	3.0	3,460.0	2.5
Industry and commerce	10,310.0	10.5	9,897.0	7.1
Financial institutions	4,992.0	5.1	8,393.0	6.0
Asset-backed securitization	37,638.0	38.5	75,430.0	53.8
Others	14,876.0	15.1	12,830.0	9.2
Total	**97,829.0**	**100.0**	**140,096.0**	**100.0**

Financial Leasing

The Group conducts financial leasing business through Cinda Leasing. In the first half of 2019, through restructuring the profit model and promoting business innovation, Cinda Leasing achieved breakthroughs in aircraft leasing and new energy sectors. As at December 31, 2018 and June 30, 2019, the net finance lease receivables of the Group was RMB46.26 billion and RMB40.90 billion, respectively. In the first halves of 2018 and 2019, the net revenue generated by the financial leasing business of the Group was RMB532.8 million and RMB688.2 million, respectively, and the net profit generated from the financial leasing business of the Group was RMB122.0 million and RMB108.3 million, respectively.

Product Types

In the first half of 2019, the total income from specialized products and non-specialized products was RMB394.4 million and RMB1,031.8 million, respectively, representing 28.0% and 72.0% 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 June 30, 2019		As at December 31, 2018	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Manufacturing	16,054.5	36.7	16,426.7	34.3
Mining	2,463.0	5.6	3,095.1	6.4
Water conservancy, environment and public facility management	4,934.3	11.3	5,163.0	10.7
Construction	73.7	0.2	93.7	0.2
Transportation, logistics and postal services	4,337.0	9.9	4,653.6	9.7
Others	15,894.9	36.3	18,398.4	38.7
Total	**43,757.4**	**100.0**	**47,830.5**	**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 and 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 period indicated.

	For the six months ended June 30,			
	2019		2018	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Life insurance	4,803.5	85.3	6,075.6	89.5
Ordinary life insurance	4,064.8	72.2	5,009.7	73.8
Participating life insurance	729.7	13.0	1,058.7	15.6
Others	9.0	0.2	7.2	0.1
Health insurance	692.4	12.3	592.9	8.7
Accidental injury insurance	137.2	2.4	122.6	1.8
Total	**5,633.0**	**100.0**	**6,791.1**	**100.0**

Business Synergy

The Group continuously explores a more effective business synergy model, and combines the professional capabilities of platforms of subsidiaries with the geographical advantages of branches, to enhance the Group's capability to deliver its main business. The Group expands the business model and deepens the cooperation field to provide comprehensive financial services for quality customers while achieving differentiated and distinctive development of its subsidiaries.

In the first half of 2019, the Group recorded business synergy scale totaling RMB260.86 billion for subsidiaries from 2,694 customers, which realized synergy income of RMB1.30 billion.

In the first half of 2019, the business synergy from NCB Hong Kong amounted to RMB35.54 billion, which realized synergy income of RMB0.12 billion; and the business synergy from NCB China amounted to RMB40.48 billion, which realized synergy income of RMB0.31 billion; the business synergy from Jingu Trust amounted to RMB21.31 billion, which realized synergy income of RMB0.03 billion. There were 44 clients recorded from the cross selling and business synergy with Cinda Securities involving 64 projects, which realized business synergy income of RMB0.10 billion. The business synergy from Cinda Leasing amounted to RMB15.70 billion, which realized business synergy income of RMB0.25 billion; the business synergy from Cinda Investment amounted to RMB24.18 billion, which realized business synergy income of RMB0.40 billion. Cinda Real Estate provided professional consultation and project regulatory services for the Group, of which the number of relevant cooperation projects amounted to 76, realizing business synergy income of RMB0.10 billion.

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 Hong Kong Listing Rules.

Human Resources Management

In the first half of 2019, the Company closely adhered to the Group's strategy and annual priorities, continued to improve the efficiency of human resources management by solidly carrying out the construction of party organization, deepening the organizational reform, accelerating the building up of a younger cadre talent team, and thoroughly implemented the concept of "professional operation, efficiency first and value creation", so as to provide a solid organizational guarantee and talent support for the Company's high-quality development.

Employees

As of June 30, 2019, the Group had 16,579 employees (excluding those employed through labor dispatch agency), of which 14,722 were in Mainland China and 1,857 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

The remuneration policy of the Company was consistent with the Company's strategy and business objectives. The Company focused on the value orientation of the main business and continued to optimize the remuneration policy, to improve the efficiency of remuneration allocation. On the basis of legal and compliance of the remuneration policy, the Company gave play to the role of remuneration incentives, linked remuneration with risks, and strengthened the performance-based remuneration deferred payment system to form a remuneration allocation mechanism that gave consideration to both efficiency and fairness, and both incentive and restriction.

No Material Changes

Saved as disclosed in this report, there are no material changes affecting the Company's performance that are required to be disclosed under Appendix 16 to the Hong Kong Listing Rules since the publication of the 2018 annual report.

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 of the Company to identify all potential 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 appetite.

In the first half of 2019, the Company continued to attach importance to strengthening risk management and control in the Group's work, 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 further strengthened the transmission mechanism of the Group's risk appetite, exerted the guidance and restraint role of the Group's risk management policies, 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". Through these steps, the degree of refinement of market risk management has been effectively improved, and significant progress has been made in operational risk management, and the effectiveness of the Group's risk management has been gradually improved.

In the first half of 2019, the Risk Management Committee of the Board of the Company convened three meetings to consider various resolutions and reports, such as Risk Appetite Statement of the Group and the comprehensive risk management report, intra-group transaction and connected transaction management reports. The Risk Management Committee of the Senior Management convened two meetings to consider and approve various resolutions and reports, such as the credit risk management policy and the market risk limits management plan of the Group.

Risk Appetite

At the beginning of 2019, China Cinda's Risk Appetite Statement of the Group (2019) was formally implemented upon the approval of the Board. In the Risk Appetite Statement, the transmission and implementation of risk appetite were included into the comprehensive evaluation of each business unit, with a view to actively control risks by means of strengthening the implementation of appetite through incentives and constraints, quantifying the transmission responsibility and guiding each business unit to bring forward the process for monitoring of risks. The Company regularly supervised the implementation of the risk appetite quantification indicators, and timely optimized and adjusted the risk appetite quantification indicators and qualitative statement.

The overall risk appetite statement 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 the 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 functional departments of internal audit as the third line of defense.

In the first half of 2019, the Company further improved the risk management structure, tried out the appointment system of risk (compliance) directors in some subsidiaries, and enhanced the independence and professionalism of risk management in subsidiaries. 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 System

The Company has established a comprehensive risk management system which covers all major risk categories, and the system has been constantly revised and improved according to the management needs, giving a contribution to a favorable implementation of the system.

In the first half of 2019, the Company formulated and issued the Group's credit risk management policy, implementation plan of risk monitoring and evaluation, risk management framework for the Group's internal transaction and other risk management policies for 2019, providing an effective guidance for the daily risk management.

Risk Management Tools and System

The Company strengthened the monitoring, analysis and alert of key areas, industries and customer risks by establishing a risk management operation and transmission mechanism with balance in capital, risk and income, and by utilizing various risk management tools such as economic capital, risk limit, rating classification, impairment provision, stress test and risk assessment, the risk identification, measurement, monitoring and control capabilities were overall enhanced.

In the first half of 2019, the Company actively adjusted its business strategy and business structure according to the regulatory requirements and market changes, to ensure that the concentration risk of such as customers, industries and regions was under control. The Company also adjusted the management and control methods on a timely basis and issued control command based on changes in risk exposure, so as to ensure the effectiveness and timeliness of concentration management. With economic capital management as an important guideline, 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 implemented the Outline of the Five-Year Plan for Informationization Construction, 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, aiming to further enhance its credit risk management capabilities. In the first half of 2019, the Company successfully upgraded the subsidiary management module of the Group's liquidity risk and market risk management system, whereas the operational risk optimization project achieved the phased objectives, laying a solid foundation 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 loan 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 on credit risks. Under the guidance of the Risk Management Committee of the Board and the Senior Management, the Company has improved the policies and information system of credit risk management in order to achieve strategic goals.

In the first half of 2019, in order to improve the Group's credit risk management level, the Company formulated the Credit Risk Management Policy for the Group in 2019, covering objectives, principles and scope of credit risk management, customer access policy, risk limit management, concentration management and collateral management, asset risk classification policy, main responsibility and others, clarifying the key points of credit risk management of the company and subsidiaries in 2019. The Company continually optimized the internal rating system, improved the limit management mechanism towards customers, enhanced the risk management on key customers and key areas of the Group, and focused on improving the forward-looking and early-warning and preventive capabilities of management so as to fully control and resolve credit risks.

Management of Market Risk

Market risk refers to the risk that the Company may suffer losses due to adverse movements in interest rates, exchange rates and market prices such as stock and commodity prices, and the risk of business losses due to major crises. 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 to establish and refine the market risk management system, thereby controlling the market risk within acceptable range so as to maximize the risk-adjusted returns and constantly improve the standard of market risk management.

With respect to interest rates risk, the Company has managed interest rate risks mainly by flexibly adjusting the maturity and frequency of financing, reasonably controlling the asset delivery deadline and interest payment methods, and improving the match of asset-liability maturity structure.

With respect to foreign exchange risk, the Group has effectively 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 Company, investment assets are mainly denominated in USD or HKD which is pegged to the exchange rate of USD, which effectively controlled the foreign exchange risk.

In the first half of 2019, under the influence of multiple favorable factors, the risk appetite of the A-share market had seen a rebound, and all of main indexes in capital market ushered in different levels of rebound. The Company will closely monitor the impact of factors such as the trends of macroeconomy, tightness of market liquidity and the changes of regulations and requirements bring to the value of equity enterprises, increase its efforts in research and prejudgment, reasonably formulate and adjust the investment management strategies of listed companies and endeavor to enhance the 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 to the risk management department of the Group on a regular basis.

Management of Liquidity Risk

Liquidity risk refers to the risk that, while the Group remains solvent, it fails to obtain sufficient funds or obtain sufficient funds at reasonable cost to repay debts when they fall due, perform other payment obligation to meet the financial needs of normal business development. The potential resources of liquidity risk mainly include deferred payment from the debtor, limited depth of the market or market fluctuations, difficulties in realizing assets, maturity structure mismatch of assets and liabilities, insufficient liquidity reserves and operation losses.

Firmly adhering to the liquidity risk management requirements by regulatory authorities, the Group has established a liquidity risk management system under the overall planning of the Group, strengthened liquidity risk monitoring on subsidiaries, enhanced informatization of liquidity risks of the Group for the effective prevention of liquidity risks of the Group.

The Group earnestly managed the matching of asset and liability maturity structures and established two-way structural transmission mechanism of assets and liabilities. The Group has strengthened dynamic monitoring and forward-looking analysis on the indicators of liquidity risks, conducted regular liquidity stress tests, formulated liquidity risk contingency plan and adjusted strategies of assets and liabilities in a timely manner.

The Group further strengthened its financing capacity, continuously optimized and improved its liabilities structure with the effort to expand the diversified financing channels such as asset securitization, financial bonds, secondary capital bonds and borrowing, fully promoted standardized direct financing and increased the proportion of long-term liabilities and developed a stable and diversified innovative financing system. The Group attached importance to good communication with rating agencies and earnestly safeguarded its market reputation and the interests of investors.

Management of Operational Risk

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

In the first half of 2019, the Company continued to promote operational risk management system, and established operational risk management tools such as assessment, monitoring, mitigating and reporting so as to further strengthen the capabilities of proactive management. The Company sorted out the overall business operational risk points. It established the slight violation point management mechanism for employees who violate the company's rules and regulations but has not caused adverse consequences, in order to further enhance employees' awe of rules and regulations and strengthen the overall process risk prevention and control effect.

In the first half of 2019, the Company conducted risk detection within the Group according to the requirements of Administrative Measures for Risk Detection. The branches and subsidiaries of the Group has strictly analyzed and effectively rectified the identified risks and potential risks and thus eliminated some business and operational risks in time. Through risk detection, the branches and subsidiaries of the Group have achieved significant improvements in terms of risk awareness, risk responsiveness and professional qualities, thereby further strengthening control of operational risk.

In the first half of 2019, in accordance with the requirements of CBIRC on consolidating the achievements from rectification of chaos and promoting compliance, the Company formulated and issued the Working Plans for Consolidating the Achievements from Rectifying of Chaos and Promoting Compliance. Separation of roles and job descriptions were clearly defined. The comprehensive work of "Review" on rectification of the market chaos in 2018 was conducted. Key fields had been rectified largely and deeply and the work of strengthening the internal control and promoting the compliance had been implemented steadily with progresses. The awareness of operation compliance was further strengthened within the Company, which had refined the effectiveness construction of those long-term mechanisms.

Management of Reputation Risk

Reputation risk refers to the risks of negative comments on the Company from relevant stakeholders as a result of its operations, management and other activities or external events, which leads to losses of the brand and reputation of the Company.

In the first half of 2019, the Company amended and improved the Administrative Measures for Reputation Risk and the Contingency Plan for Handling Reputation Incidents so as to make quicker response to reputation incidents. It organized the branches and subsidiaries to carry out self-inspection of reputation risk to strengthen the source management of reputation risk. The reputation risk appraisal indicators for the branches were formulated so as to strengthen reputation risk management of the Group. The company actively responded to media concerns and do a good job in assessing and resolving reputation risks. During the Reporting Period, the Company steadily enhanced reputation risk management and safeguarded its positive image and reputation.

Anti-Money Laundering

The Company has strictly complied with the relevant anti-money laundering laws and regulations as well as regulatory policies, continuously improved the anti-money laundering awareness of all the staffs, deeply adhered to the principle of risk management and diligently performed its social responsibility of anti-money laundering.

At the beginning of 2019, the CBIRC issued Measures for the Administration of Combating Money Laundering and Financing of Terrorism by Banking Financial Institutions. Benchmarking to the latest regulatory policies of the PBOC and CBIRC, the Company continued to improve the money-laundering risk management system starting with both the management system and system development. In the first half of the year, the Company organized all business departments to comprehensively self-inspect anti-money laundering on a systematic basis, with spot checks conducted, so as to promote the effective implementation of anti-money laundering; it continued to optimize information system, and improve the connection and embedding between anti-money laundering system and business system, so as to enhance control effectiveness; it organized anti-money laundering related training to improve staffs' anti-money laundering awareness and working skills, and included anti-money laundering training courses into the Company's network college platform, so as to make such courses become a required one for all the staffs and ensure the comprehensive implementation of anti-money laundering basic training; it conducted a variety of promotion activities, so as to enhance anti-money laundering awareness of customers and neighboring social persons.

Capital Management

The Company has drawn on the advanced experience of the industry and established the capital constraint oriented development model with reference to the capital regulation by the regulatory authorities. In the process of business expansion, the awareness of capital cost has been continuously intensified. The Company has put emphasis on the return level of risk assets, promoted more efficient and high-quality resource allocation and strived for a more intensive operation model with less capital consumption, so as to create constant and stable value and returns for its shareholders.

Combined the Measures for the Capital Management of Financial Asset Management Companies (for Trial Implementation) (Yin Jian Fa [2017] No. 56) and the overall development strategy of the Group, the Company continued to promote the capital restraint-oriented development mechanism, improved the efficiency of capital utilization, monitored the real-time capital changes of each business sector and each 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 June 30, 2019	As at December 31, 2018
	(in millions of RMB)	
Core tier-1 capital adequacy ratio (%)	10.43	10.21
Tier-1 capital adequacy ratio (%)	13.65	13.49
Capital adequacy ratio (%)	15.96	16.01
Net core tier-1 capital	69,030.8	66,375.9
Net tier-1 capital	90,312.0	87,657.2
Net capital	105,560.0	104,035.7
Risk-weighted assets	661,534.9	649,881.2

As at December 31, 2018 and June 30, 2019, the leverage ratio of the Company[1] was: 6.6:1 and 6.3:1, respectively.

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

Prospects

In the second half of 2019, uncertainties and unstable factors such as economic and trade frictions, monetary policy and Brexit persist, with an increased risk of financial market bubble and debt. Although global economic growth has remained generally stable, the downside risks have increased. The external economic environment is generally tight, economic development faces new risks and challenges, and the downward pressure on the economy has increased. The Chinese government will continue to intensify reform and opening up, pursue supply-side structural reform as its main task, apply the new development philosophy and promote high-quality development. It will also continue the three critical battles, invigorate micro entities, make a good job of ensuring "six stabilities", speed up the clearing of "Zombie Enterprises" and promote sustained and sound economic development. Affected by the deepening of financial reform and opening up, continued strict regulation and economic slowdown, the hidden existing risks become explicit and financial risks emerge at a faster speed. Non-performing loans of commercial banks will keep a momentum of increase. The bond market, stock market, asset management product market and other financial markets are exposed to risks on a regular basis. The amount of accounts receivable from corporations and entities will continue to increase, and the proportion of bad debts also rises. The needs for mitigating the risks faced by distressed entities and distressed assets, particularly small and medium-sized financial institutions are rising. Financial asset management companies will continue to play an important role in preventing and mitigating financial risks, serving the real economy and supporting the supply-side structural reforms.

Guided by Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company will fully enforce the principles of 19th National Congress of CPC and the Central Economic Work Conference. With the supply-side structural financial reform deepening and under the requirements of the principle of "relative concentration, focusing on main business", the Company will pursue stable operation, deepen reform, strengthen management, and earnestly fulfill professional duties in preventing and mitigating financial risks, serving the real economy and supporting the supply-side structural reform, by adhering to the high-quality development ideas of "professional operation, efficiency first and value creation". First, the Company will focus on its core business and refine its professions to improve its capability in serving the real economy. The Company will boost reorganization of the core business and divestiture of the secondary business in reforms of state-owned enterprises and state capital and support real enterprise to optimize their operations and strengthen their capabilities; actively participate in the mixed ownership reform and the deleveraging of enterprises to help enterprises optimize capital structure and introduce them to the capital market; and get involved in the clearing of "Zombie Enterprises" and excess capacity and the closing, suspension, merger and switching to other production of high-polluting and high energy-consuming enterprises, and support the merger and restructuring as well as transforming and upgrading of enterprises. Second, the Company will focus on its core business and comprehensively enhance the capability to operate the "extensive distressed asset" business. The Company will hold the "battle position" in the business of financial distressed assets while actively expanding the channels and sources of acquiring distressed assets. It will accelerate asset turnover, and continue to maintain a leading position in the distressed asset industry. It will increase effective funding and focus on crisis rescue and substantial restructuring businesses. The Company will make strong moves to promote risk mitigation in areas such as financial institutions, capital markets, and local government debt, and work to improve the "extensive distressed asset" business system targeting distressed entities and distressed assets. Third, the Company will upgrade the Group synergy to improve the level of integrated financial services. The Company will continue to promote the integration and transformation of financial services business focusing on and serving the main businesses, to achieve differentiated, special and professional development; and comprehensively use financial tools to achieve deep integration of resources and stimulate vitality to create synergy.

The Company will adhere to consolidating the leadership enhancement of the Party with the improvement of corporate governance, and keep on optimizing corporate governance to improve the efficiency of governance decision-making; continuously optimize the organizational structure, reform the direct management of the headquarters, emphasize client orientation, strengthen the guidance and coordination functions of the headquarters and take advantage of the professionalism of the headquarters; firmly hold the bottom line of risks and the red line for compliance, strengthen comprehensive risk management, push forward mitigation of existing risks, strictly control incremental risks and enhance governance and internal control effectiveness; promote the optimization and integration of subsidiaries and accelerate market-oriented reforms and stimulate internal vitality; reinforce the level of refined management and intensive operation, improve the efficiency of capital and capital operation, expand channels for funding and capital supplement, optimize asset and liability structures and ensure liquidity safety; enhance the construction of information technology and increase the efficiency of operation and management; strengthen the construction of cadre teams to build a young, professional and high-quality team; and create the Group's special culture to inspire all staffs to embrace responsibility with passion and make a difference.

Changes in Share Capital and Information of Substantial Shareholders

Changes in Ordinary Share Capital

The ordinary share capital of the Company as at June 30, 2019 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 and De Facto Controller

Interests and Short Positions held by Substantial Shareholders and Other Persons

The Company had 1,660 registered Shareholders of Shares as at June 30, 2019. To the Directors' knowledge, the following persons had, or were deemed to have, an interest or short position in the Shares and underlying Shares as at June 30, 2019, which have been recorded in the register kept by the Company under the Section 336 of the Hong Kong 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 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) According to 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 owned by China COSCO Shipping Corporation Limited, for the purpose of Hong Kong 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 held by Oversea Lucky Investment Limited in the Company.

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, 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 Shareholdings

As at June 30, 2019, the Company had a total of one holder of preference shares (or proxy). Particulars of its shareholding are as follows:

Name of shareholder	Nature of shareholder	Class 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	100.0

Note:

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

Dividend Distribution of Preference Shares

Pursuant to the terms and conditions of the issuance of Offshore Preference Shares, each Offshore Preference Share shall entitle the holder thereof to receive payable and non-cumulative dividends in arrear 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.

The dividend distribution plan of Offshore Preference Shares was considered and approved at the eighth meeting and the third regular meeting of the Board for 2019 of the Company convened on August 28, 2019, approving the Company to distribute dividends of Offshore Preference Shares on September 30, 2019, at the rate of 4.45% per annum (after tax). The total amount of dividend is USD142.4 million (after tax). For details of the dividend distribution of Offshore Preference Shares, please refer to the relevant announcement dated August 28, 2019 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 compulsorily converted into certain number of 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 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 would be compulsorily converted to H Shares at the initial conversion price, the number will be 7,412,441,791 H Shares.

During the Reporting Period, there was no redemption or conversion of any Offshore Preference Shares.

Restoration of Voting Rights of Preference Shares

During the Reporting Period, there was no restoration of any voting right of Offshore Preference Shares.

Accounting Policy Adopted for Preference Shares and Rationale

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 recognized as profit distribution at the time of declaration.

Directors, Supervisors and Senior Management

General Information

Directors

As at September 23, 2019, the date of this report printed, the Board of the Company consisted of Mr. Zhang Zi'ai (Chairman of the Board) and Mr. Chen Xiaozhou as executive Directors, Mr. He Jieping, Mr. Xu Long, Ms. Yuan Hong, Mr. Zhang Guoqing and Mr. Liu Chong as non-executive Directors, and Mr. Chang Tso Tung, Stephen, Mr. Xu Dingbo, Mr. Zhu Wuxiang and Mr. Sun Baowen as independent non-executive Directors.

Supervisors

As at the date of this report, the Board of Supervisors of the Company consisted of Mr. Gong Jiande (Chairman of the Board of Supervisors) as shareholder representative Supervisor, Ms. Liu Yanfen, Mr. Zhang Zheng and Mr. Li Chun as external Supervisors, Ms. Gong Hongbing, Mr. Lu Baoxing and Mr. Yuan Liangming as employee Supervisors.

Senior Management

As at the date of this report, the senior management of the Company consisted of Mr. Chen Xiaozhou as President, Mr. Zhuang Enyue as Vice President, Mr. Liu Ligeng as Vice President, Mr. Liang Qiang as Vice President, Mr. Xiang Dang as Assistant to the President, Mr. Zhao Limin as Assistant to the President, Mr. Li Hongjiang as Assistant to the President, Mr. Luo Zhenhong as Chief Risk Officer, and Mr. Ai Jiuchao as Board Secretary.

Information on Changes

Directors

On June 25, 2019, Mr. Lu Zhengfei and Mr. Lin Zhiquan were elected at the annual general meeting for 2018 as independent non-executive Directors of the Company. They will begin to perform their duties after the qualifications of them are approved by the CBIRC. In order to ensure that the composition of the Board complies with the regulations and the Board perform duties normally, Mr. Xu Dingbo and Mr. Chang Tso Tung, Stephen, the independent non-executive Directors, will continue to perform their duties until the qualifications of new independent non-executive Directors are approved by the CBIRC.

During the Reporting Period, Mr. Xu Dingbo began to serve as a vice chairman of China Association of Chief Financial Officers.

During the Reporting Period, Mr. Sun Baowen ceased to be an independent director of the Dareway Software Co., Ltd.

Except for the above changes, the information regarding the appointments of Directors is consistent with the information disclosed in the annual report for 2018 of the Company and the announcements of the Company dated May 10, 2019, and there is no change on the information which shall be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

Supervisors

Mr. Lu Baoxing and Mr. Yuan Liangming were elected as the Company's employee Supervisors at the employees' representative meeting convened by the Company on August 6, 2019.

Since August 6, 2019, Mr. Lin Dongyuan and Ms. Jia Xiuhua ceased to be the Company's employee Supervisors.

The information regarding the appointments of Supervisors is consistent with the information disclosed in the annual report for 2018 and the announcement dated August 6, 2019 of the Company, and there is no change on the information which shall be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules.

Senior Management

As appointed by the eighth meeting of the Board for 2018 of the Company and approved by the CBIRC, Mr. Liang Qiang served as the Vice President of the Company from April 8, 2019.

As appointed by the third meetings of the Board for 2019 of the Company and approved by the CBIRC, Mr. Xiang Dang, Mr. Zhao Limin and Mr. Li Hongjiang served as the Assistant to the President of the Company from August 9, 2019.

Since January 11, 2019, Mr. Chen Yanqing ceased to be the Company's assistant to the President due to other work arrangement.

Corporate Governance

The Company has strictly complied with the requirements of the Company Law of the PRC, the Hong Kong Listing Rules, other laws and regulations, regulatory documents and the Articles. Uphold the principles of good corporate governance, the Company has continued optimizing its corporate governance mechanism in pursuit of continuously enhanced corporate governance efficiency. In order to maintained stable operation, the Company has promoted the comprehensive risk management system steadily and improved internal control system continuously, and strengthened its awareness of operation compliance, so as to protect the legitimate rights and interests of investors.

During the Reporting Period, the Company continued to strive for comprehensive protection of the rights of Shareholders by focusing on information disclosure and investor relationship management. The Company strictly complied with the rules and regulations of the places where its shares were listed, upheld the principles of openness and transparency, with sufficient disclosure of information related to Shareholders' interests in a timely manner to protect investors' rights to know and ensure that the domestic and overseas investors are fairly treated to protect the interests of all Shareholders.

Shareholders' General Meetings

The first extraordinary general meeting for 2019 of the Company was held in Beijing on January 11, 2019, at which three resolutions were considered and approved, including the remuneration settlement scheme for the Directors for the year of 2017 of the Company, the remuneration settlement scheme for the Supervisors for the year of 2017 of the Company and the proposed transfer of part of the equity interest in Jingu Trust and relevant authorization.

The annual general meeting for 2018 of the Company was held in Beijing on June 25, 2019, at which ten resolutions were considered and approved, including the work report of the Board for 2018, the report of the Board of Supervisors for 2018, the final financial account plan for 2018, the profit distribution plan for 2018, the budget of investment in capital expenditure for 2019, the appointment of accounting firms for 2019, election of directors, election of supervisors, the granting of general mandate to issue additional H Shares to the Board, and the transfer of equity interest in Happy Life and relevant authorization. The granting of general mandate to issue additional H Shares to the Board and the transfer of equity interest in Happy Life and relevant authorization were special resolutions. The work report of the independent non-executive Directors for 2018 was also received at the annual general meeting.

The convening and holding of the Shareholders' general meetings were in strict compliance with applicable laws and regulations and the Hong Kong Listing Rules. The Directors, Supervisors and Senior Management attended the relevant meetings and the Company published announcements regarding the poll results of the Shareholders' general meetings according to the regulatory requirements in a timely manner.

Board

As at the date of this report, the Board of the Company comprised 11 members, including two executive Directors, five non-executive Directors and four independent non-executive Directors. The independent non-executive Directors accounted for more than one-third of the total number of the Board members.

During the Reporting Period, the Board convened seven meetings, at which 31 resolutions were reviewed and passed, including, among others, the 2019 consolidated operation plan for the Group, the budget of investment in capital expenditure for 2019, the 2018 annual report, profit distribution plan for 2018, internal audit work plan for 2019, the internal control evaluation report for 2018, nomination of director candidates and appointment of assistant to the President.

During the Reporting Period, the Board strictly complied with relevant laws and regulations, regulatory requirements and the Articles, adhered to the overall working principle of steady progress, uphold the principle of compliance operation, performed its obligation in a diligent manner and made decisions in a scientific way. The Board continued to enhance the level of the Company's corporate governance, constantly strengthened the construction of comprehensive risk management and internal control system, focused on our main business of distressed assets, expanded the scope of "extensive distressed asset" business and firmly improved the capabilities in preventing and mitigating financial risks and serving the real economy.

Board of Supervisors

As at the date of this report, the Board of Supervisors comprised seven members, including one shareholder representative Supervisor, three external Supervisors and three employee Supervisors.

The Board of Supervisors duly performs its supervision duties and diligently considers and reviews relevant proposals. During the Reporting Period, the Financial and Internal Control Supervision Committee under the Board of Supervisors convened three meetings and the Performance and Due Diligence Supervision Committee also convened three meetings, at which the relevant proposals to be considered and approved by the Board of Supervisors were reviewed. The Board of Supervisors held four meetings and considered and approved 15 resolutions, including, among others, the annual work plan of the Board of Supervisors for 2019, the legal compliance for 2018, the final financial account plan for 2018, the profit distribution plan for 2018, the use of fund raised, the internal control evaluation report for 2018, the report on the due diligence of Directors, Supervisors and senior management for 2018, the report of the Board of Supervisors for 2018, the annual report for 2018, and the focus of due diligence supervision on Directors and senior management for 2019.

During the Reporting Period, the Board of Supervisors performed its supervision duties in compliance with laws and rules and further strengthened due diligence supervision. It actively promoted the effective implementation of various tasks in strict accordance with the regulatory requirements. It also strengthened investigation and inspection as well as risk prevention and control to meet the Company's needs of focusing on its main business as well as transformation and development. It paid close attention to areas such as compliance risk, credit risk and liquidity risk to promote the Company to improve asset quality. In addition, it followed up the implementation of internal and external audits and rectification and continuously strengthened the effectiveness of supervision, to assist the Company in performing its responsibilities in mitigating financial risks, serving the real economy and supporting the supply-side structural reform.

Senior Management

During the Reporting Period, the senior management of the Company organized and implemented operation and management of the Company under the Articles and authorizations of the Board. In accordance with the business targets set by the Board and with a view to accomplish the second Five-Year Plan of the Company, it consolidated and innovated the business of distressed assets, promoted the business transformation and asset structure optimization. It enhanced risk management awareness, strengthened synergy effects of the Group to better accomplish business tasks set by the Board, resulting in outstanding operation management results.

Code of Corporate Governance

During the Reporting Period, the Company has complied with the code provisions set out in the Corporate Governance Code (Appendix 14 to the Hong Kong Listing Rules) and most of the recommended best practices therein.

Information of Risk Management

The Company endeavours to develop a comprehensive risk management system which is in line with the scale and complexity of its business, and has developed a comprehensive risk management framework consisting of four levels and three lines of defense. Four levels are the Board and the Board of Supervisors, the senior management, the risk management department and relevant functional departments at the head office, and the branches and subsidiaries. The three lines of defense are the business operation departments, the functional departments of risk management and the internal audit departments.

Details of the Company's establishment of risk management system, risk management structure and control measures during the Reporting Period are set out in the "Management Discussion and Analysis" – "Risk Management" in this interim report.

Internal Control

In the first half of 2019, the Company implemented regulatory requirements in respect of internal control as stipulated by relevant regulatory authorities and strengthened its internal control system continuously. The internal control system of the Company was further improved and the internal control efficiency was further enhanced.

Firstly, the Company optimized the internal control system. The Company conducted annual re-inspection on the internal control system, comprehensively reviewed the issues discovered in the internal and external inspection work of last year, made an annual plan for the construction of internal control system in 2019, regularly tracked the completion of the plan, established a feedback mechanism from the inspection work to the system, to continuously improve the internal control system.

Secondly, the Company strengthened the monitoring on compliance risk. The Company collected information on the regulatory penalties suffered by our peer companies, and announced the results within the whole Group for drawing lessons from the negative cases; the Company also established a reporting mechanism for regulatory penalties on its branches and subsidiaries to strengthen compliance management.

Thirdly, the Company promoted the establishment of compliance culture. The Company organized warning education and training in respect of the cases within the whole Group, issued a compilation of warning education cases, and organized all the employees to participate in the system understanding test, with a view to strengthen the employees' awareness of compliance and shape a compliance operation culture.

Internal Audit

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

In the first half of 2019, the Company carried out internal audit in an organized and orderly manner in accordance with the annual internal audit plan, regulatory requirements on listed companies, with targets of promoting the establishment and continued improvement of effective risk management, internal control compliance, corporate governance and effective performance of the relevant audit targets. To this end, the Company: implemented regulatory requirements and organized audits on the transferred assets in the downsizing process of the Group and the winding-up and integrating process of subsidiaries; cooperated in external inspections and then organized and implemented rectification according to inspection results; conducted audit on the economic responsibilities of certain members of the mid-level and senior management during their term of offices; completed the evaluation on the Company's internal control efforts in 2018, formed a report and made relevant briefing, making a contribution to the promotion of related rectifications. At the same time, the Company further improved the comprehensive skills of internal audit team by paying attention to development of internal audit team and strengthening competence training of internal audit personnel, so as to promote sustainable capability of its internal audit.

Profit and Dividend Distribution

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

Upon the approval of the annual general meeting for 2018 held on June 25, 2019, the cash dividends for 2018 would be distributed by the Company to all shareholders at RMB0.95 (tax inclusive) per 10 shares, representing total cash dividends of RMB3.626 billion. On August 16, 2019, the Company distributed cash dividends of RMB0.95 per 10 Shares (tax inclusive) to all holders of H Shares whose names appear on the register of members on July 4, 2019. No interim dividend will be declared for 2019 by the Company and no capital reserves will be converted to the share capital of the Company.

Material Litigation and Arbitration

During the Reporting Period, the Company was not involved in any litigation or arbitration which might have material and adverse effects on its business, financial condition or operating results.

Major Acquisition and Disposal of Assets and Merger of Enterprises

On June 11, 2019, the Board of the Company announced that, in order to further focus on main businesses and to optimize and integrate platform resources of subsidiaries, the Company intends to transfer all its equity interests held in Happy Life, i.e. 5,165,985,442 shares and accounting for 50.995% of equity interests of Happy Life, by way of public bidding through the provincial or above level equity exchange. The base price for listing shall be no less than the asset valuation result of Happy Life, as of March 31, 2019, being the evaluation benchmark date. All shares will be transferred to a single buyer or a group of joint buyers in a single transaction.

Except for the above, during the Reporting Period, the Company did not undertake any material acquisition, disposal of assets or merger of enterprises.

Implementation of Share Incentive Plan

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

Major Connected Transactions

The Company did not conduct any connected transaction or continuing connected transaction which was required to be reported, disclosed or approved by independent shareholders under Chapter 14A to the Hong Kong Listing Rules during the Reporting Period.

Material Contracts and their Implementation

Material Custodies, Contracting and Leasing

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

Material Guarantees

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

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

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

Purchase, Sale and Redemption of Listed Securities

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

Securities Transactions by Directors, Supervisors and Senior Management

The Company has adopted the code of conduct regarding the securities transactions by Directors, Supervisors and senior management on terms no less exacting than the standard set out in the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Hong Kong Listing Rules. After making enquiries to all Directors and Supervisors by the Company, all Directors and Supervisors confirmed that they have complied with the required standard set out in its code of conduct during the Reporting Period.

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

As at June 30, 2019, none of the Directors, Supervisors and Chief Executive Officer of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Hong Kong SFO) as recorded in the register pursuant to Section 352 of the Hong Kong SFO or as otherwise notified to the Company and Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in Appendix 10 to the Hong Kong Listing Rules.

Review of Interim Report

The interim condensed consolidated financial statements for 2019 prepared by the Company according to IFRS have been reviewed by Ernst & Young in accordance with International Standards on Review Engagements.

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

Statement for Changes in Auditors in the Preceding Three Years

The annual general meeting for 2018 of the Company held on June 25, 2019 approved the re-appointment of Ernst & Young Hua Ming LLP and Ernst & Young as the domestic and international auditors for 2019, respectively, which are responsible for the audit of annual financial statements, review of interim financial statements, audit of internal control and other professional services for the Company for 2019. The Company did not change its auditors in the preceding three years.

Review Report and Condensed Consolidated Financial Statements

For the six months ended June 30, 2019

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Report on Review of Interim Condensed Consolidated Financial Statements

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

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

Introduction

We have reviewed the interim condensed consolidated financial statements of China Cinda Asset Management Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the interim condensed consolidated statement of financial position as at June 30, 2019, the related interim condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board.

The directors of the Company are responsible for the preparation and presentation of these interim condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these interim condensed consolidated financial statements based on our review. Our report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of Review

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

Conclusion

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

Ernst & Young
Certified Public Accountants
Hong Kong

August 28, 2019

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2019
(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30, 2019 (Unaudited)	2018 (Unaudited) (Restated)
Income from distressed debt assets at amortized cost	1	**8,437,539**	9,109,285
Fair value changes on distressed debt assets	2	**6,270,257**	5,478,192
Fair value changes on other financial instruments	3	**11,647,241**	11,724,264
Investment income	4	**125,219**	500,096
Net insurance premiums earned	5	**5,571,745**	6,727,943
Interest income	6	**12,969,542**	12,781,580
Revenue from sales of inventories	7	**4,919,144**	4,879,542
Commission and fee income	8	**1,846,649**	1,917,603
Net gains on disposal of subsidiaries, associates and joint ventures	9	**87,351**	744,968
Other income and other net gains or losses	10	**1,393,803**	908,212
Total		**53,268,490**	54,771,685
Interest expense	11	**(23,060,786)**	(23,036,891)
Insurance costs	12	**(5,800,585)**	(7,340,584)
Employee benefits		**(2,424,257)**	(3,181,939)
Purchases and changes in inventories	7	**(3,105,721)**	(3,178,168)
Commission and fee expense		**(999,962)**	(1,446,380)
Taxes and surcharges		**(280,658)**	(277,337)
Depreciation and amortization expenses		**(787,422)**	(471,336)
Other expenses		**(1,536,949)**	(1,589,120)
Impairment losses on assets	13	**(3,450,116)**	(3,164,560)
Total		**(41,446,456)**	(43,686,315)
Change in net assets attributable to other holders of consolidated structured entities	28	**(167,089)**	(320,491)

Interim Condensed Consolidated Statement of Profit or Loss

For the six months ended June 30, 2019
(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30, 2019 (Unaudited)	For the six months ended June 30, 2018 (Unaudited) (Restated)
Profit before share of results of associates and joint ventures and tax		**11,654,945**	10,764,879
Share of results of associates and joint ventures		**1,754,211**	1,051,032
Profit before tax		**13,409,156**	11,815,911
Income tax expense	14	**(3,863,277)**	(3,323,023)
Profit for the period		**9,545,879**	8,492,888
Profit attributable to:			
Equity holders of the Company		**8,685,265**	8,620,322
Non-controlling interests		**860,614**	(127,434)
		9,545,879	8,492,888
Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)	15		
– Basic		**0.23**	0.23
– Diluted		**0.23**	0.23

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

Interim Condensed Consolidated Statement of Comprehensive Income

For the six months ended June 30, 2019
(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Profit for the period	**9,545,879**	8,492,888
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 period	**224,611**	(175,743)
Amount reclassified to profit or loss upon disposal	**(116,576)**	(3,739)
Amount of profit or loss upon impairment	**34,596**	1,452
	142,631	(178,030)
Exchange differences arising on translation of foreign operations	**(153,833)**	148,947
Share of other comprehensive income of associates and joint ventures	**50,703**	12,352
Subtotal	**39,501**	(16,731)
Items that will not to be reclassified subsequently to profit or loss:		
Fair value changes on equity instruments designated as at fair value through other comprehensive income	**527,536**	(1,595,905)
Subtotal	**527,536**	(1,595,905)
Other comprehensive income for the period, net of income tax	**567,037**	(1,612,636)
Total comprehensive income for the period	**10,112,916**	6,880,252
Total comprehensive income attributable to:		
Equity holders of the Company	**9,269,299**	6,971,110
Non-controlling interests	**843,617**	(90,858)
	10,112,916	6,880,252

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

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2019

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Assets			
Cash and balances with central banks	17	**13,442,610**	16,651,911
Deposits with banks and financial institutions	18	**72,326,528**	80,102,582
Deposits with exchanges and others		**1,250,864**	967,699
Placements with banks and financial institutions	19	**8,833,100**	18,470,497
Financial assets at fair value through profit or loss	20	**431,870,020**	428,791,036
Financial assets held under resale agreements	21	**24,284,136**	33,805,064
Financial assets at fair value through other comprehensive income	22	**139,865,838**	116,827,578
Loans and advances to customers	23	**345,468,516**	336,616,502
Financial assets at amortized cost	24	**240,627,263**	252,416,716
Accounts receivable	25	**4,719,548**	4,893,602
Properties held for sale	26	**62,858,907**	61,724,050
Investment properties	27	**4,407,340**	4,267,513
Interests in associates and joint ventures		**71,317,265**	74,295,710
Property and equipment	30	**12,001,562**	11,794,234
Goodwill	31	**23,128,653**	23,038,817
Other intangible assets		**4,169,783**	4,242,718
Deferred tax assets	32	**4,031,746**	6,159,808
Other assets	33	**23,638,287**	20,693,172
Total assets		**1,488,241,966**	1,495,759,209
Liabilities			
Borrowings from the central bank	34	**1,010,836**	986,058
Accounts payable to brokerage clients		**14,562,030**	10,315,842
Financial liabilities at fair value through profit or loss	35	**4,234,714**	4,523,349
Financial assets sold under repurchase agreements	36	**12,108,089**	12,970,207
Placements from banks and financial institutions	37	**17,608,751**	20,218,650
Borrowings	38	**541,478,311**	570,870,150
Due to customers	39	**272,059,119**	254,099,918
Deposits from banks and financial institutions	40	**15,769,776**	22,380,749
Accounts payable	41	**4,170,809**	5,313,813
Investment contract liabilities for policyholders	42	**8,180,569**	13,206,016
Tax payable		**3,493,626**	5,474,956
Insurance contract liabilities	43	**40,819,441**	37,606,574
Bonds issued	44	**292,660,273**	283,115,066
Contract liabilities	45	**28,340,370**	25,040,984
Deferred tax liabilities	32	**2,195,983**	2,387,044
Other liabilities	46	**45,779,550**	48,681,367
Total liabilities		**1,304,472,247**	1,317,190,743

Interim Condensed Consolidated Statement of Financial Position

As at June 30, 2019

(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Equity			
Share capital	47	**38,164,535**	38,164,535
Other equity instruments	48	**21,281,215**	21,281,215
Capital reserve	49	**20,498,380**	21,257,033
Other comprehensive income	50	**(568,098)**	(1,152,132)
Surplus reserve		**7,857,883**	7,857,883
General reserve	51	**15,783,165**	15,043,296
Retained earnings		**58,360,766**	54,041,001
Equity attributable to equity holders of the Company		**161,377,846**	156,492,831
Non-controlling interests		**22,391,873**	22,075,635
Total equity		**183,769,719**	178,568,466
Total equity and liabilities		**1,488,241,966**	1,495,759,209

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

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

CHAIRMAN

PRESIDENT

Interim Condensed Consolidated Statement of Changes in Equity

For the six months ended June 30, 2019

(Amounts in thousands of RMB, unless otherwise stated)

	(Unaudited)									
	Equity attributable to equity holders of the Company									
	Share capital (Note IV.47)	Other equity instruments (Note IV.48)	Capital reserve (Note IV.49)	Other comprehensive income (Note IV.50)	Surplus reserve	General reserve (Note IV.51)	Retained earnings	Subtotal	Non-controlling interests	Total
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
Profit for the period	–	–	–	–	–	–	8,685,265	8,685,265	860,614	9,545,879
Other comprehensive income for the period	–	–	–	584,034	–	–	–	584,034	(16,997)	567,037
Total comprehensive income for the period	–	–	–	584,034	–	–	8,685,265	9,269,299	843,617	10,112,916
Capital contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	20,000	20,000
Appropriation to general reserve	–	–	–	–	–	739,869	(739,869)	–	–	–
Dividends recognized as distribution	–	–	–	–	–	–	(3,625,631)	(3,625,631)	–	(3,625,631)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(344,507)	(344,507)
Dividends paid to capital securities	–	–	–	–	–	–	–	–	(203,335)	(203,335)
Adjustments to interests in associates and joint ventures	–	–	(758,190)	–	–	–	–	(758,190)	–	(758,190)
Others	–	–	(463)	–	–	–	–	(463)	463	–
As at June 30, 2019	38,164,535	21,281,215	20,498,380	(568,098)	7,857,883	15,783,165	58,360,766	161,377,846	22,391,873	183,769,719

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

(Amounts in thousands of RMB, unless otherwise stated)

	(Unaudited)									
	Equity attributable to equity holders of the Company									
	Share capital (Note IV.47)	Other equity instruments (Note IV.48)	Capital reserve (Note IV.49)	Other comprehensive income (Note IV.50)	Surplus reserve	General reserve (Note IV.51)	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 period	–	–	–	–	–	–	8,620,322	8,620,322	(127,434)	8,492,888
Other comprehensive income for the period	–	–	–	(1,649,212)	–	–	–	(1,649,212)	36,576	(1,612,636)
Total comprehensive income for the period	–	–	–	(1,649,212)	–	–	8,620,322	6,971,110	(90,858)	6,880,252
Capital contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	83,607	83,607
Retained earnings transferred from other comprehensive income	–	–	–	375,397	–	–	(375,397)	–	–	–
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	3,714,234	3,714,234
Appropriation to general reserve	–	–	–	–	–	2,516,990	(2,516,990)	–	–	–
Dividends recognized as distribution	–	–	–	–	–	–	(5,419,364)	(5,419,364)	–	(5,419,364)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(300,625)	(300,625)
Others	–	–	(5,543)	–	–	–	–	(5,543)	(46,500)	(52,043)
As at June 30, 2018	38,164,535	21,281,215	21,230,508	(2,329,693)	6,942,226	15,023,615	52,637,580	152,949,986	22,208,855	175,158,841

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

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2019

(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
OPERATING ACTIVITIES		
Profit before tax	**13,409,156**	11,815,911
Adjustments for:		
Impairment losses on assets	**3,450,116**	3,164,560
Depreciation of property and equipment, and investment properties and right-of-use assets	**638,185**	318,663
Amortization of intangible assets and other long-term assets	**149,237**	152,673
Share of results of associates and joint ventures	**(1,754,211)**	(1,051,032)
Net gains on disposal of property and equipment, and investment properties	**(22,929)**	(67,953)
Net gains on disposal of subsidiaries, associates and joint ventures	**(87,351)**	(744,968)
Fair value changes on financial assets	**(14,648,962)**	(9,558,991)
Investment income	**(158,712)**	(500,095)
Interest income	**(2,037,227)**	(1,658,264)
Borrowing costs	**7,997,042**	6,961,375
Change in reserves for insurance contracts	**3,163,850**	(3,118,015)
Operating cash flows before movements in working capital	**10,098,194**	5,713,864
Decrease in balances with central banks and deposits with banks and financial institutions	**6,128,797**	588,719
Increase in financial assets at fair value through profit or loss	**(18,208,095)**	(20,498,569)
Increase in placements with financial institutions	**(145,078)**	(2,549,813)
(Increase)/decrease in financial assets held under resale agreements	**(1,601,603)**	7,155,318
Decrease/(increase) in financial assets measured at amortized cost	**11,709,666**	(11,969,250)
Increase in loans and advances to customers	**(10,132,099)**	(22,450,509)
Increase in accounts receivable	**(567,245)**	(974,076)
Increase in properties held for sale	**(1,194,191)**	(5,891,389)
Increase in due to customers and deposits from banks and financial institutions	**11,348,228**	10,914,525
Increase/(decrease) in accounts payable to brokerage clients	**4,246,188**	(57,777)
Increase in financial assets sold under repurchase agreements	**2,118,197**	1,246,710
(Decrease)/increase in borrowings	**(29,457,391)**	1,759,082
Decrease in accounts payable	**(1,143,004)**	(544,609)
Increase in contract liabilities	**3,299,386**	5,709,525
(Increase)/decrease in other operating assets	**(712,046)**	4,332,483
Decrease in other operating liabilities	**(14,065,932)**	(8,167,849)
Cash outflow from operations	**(28,278,028)**	(35,683,615)
Income taxes paid	**(4,847,357)**	(3,251,950)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(33,125,385)**	(38,935,565)

(Amounts in thousands of RMB, unless otherwise stated)

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
INVESTING ACTIVITIES		
Cash receipts from disposals and recovery of investment securities	**146,533,247**	106,539,076
Dividends received from investment securities	**3,019,415**	2,985,417
Dividends received from associates and joint ventures	**456,143**	111,133
Interest received from investment securities	**1,788,684**	1,512,784
Cash receipts from disposals of property and equipment, investment properties and other intangible assets	**56,674**	73,272
Net cash flows from disposals of subsidiaries	**83,078**	–
Net cash flows from disposals of associates and joint ventures	**1,705,209**	1,627,080
Cash payments to acquire investment securities	**(141,046,483)**	(114,569,492)
Net cash outflows due to acquisition of subsidiaries	**–**	(2,300,100)
Net cash flows from consolidated structured entities	**(1,429,667)**	(5,570,863)
Cash payments for purchase of property and equipment, investment properties and other intangible assets	**(792,434)**	(181,429)
Cash payments for establishment and acquisition of interests in associates and joint ventures	**(158,721)**	(1,974,710)
NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES	**10,215,145**	(11,747,832)
FINANCING ACTIVITIES		
Capital contribution from non-controlling interests of subsidiaries of the Company	**20,000**	83,607
Cash receipts from borrowings raised	**17,591,369**	10,097,818
Cash receipts from bonds issued	**50,066,197**	65,501,930
Cash receipts from financial assets sold under repurchase agreements	**1,251,240**	338,359
Cash repayments on financial assets sold under repurchase agreements	**(4,231,555)**	(1,088,267)
Cash repayments of borrowings	**(15,636,985)**	(13,306,248)
Cash repayments of bonds	**(39,370,494)**	(20,410,484)
Interest expenses on borrowings and bonds	**(10,714,795)**	(8,853,110)
Dividends paid to non-controlling interests of subsidiaries	**(546,163)**	(309,255)
Cash payments for other financing activities	**(288,544)**	(327,287)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	**(1,859,730)**	31,727,063

Interim Condensed Consolidated Statement of Cash Flows

For the six months ended June 30, 2019
(Amounts in thousands of RMB, unless otherwise stated)

	Notes IV	For the six months ended June 30, 2019 (Unaudited)	2018 (Unaudited)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(24,769,970)**	(18,956,334)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD		**106,066,408**	119,930,341
Effect of foreign exchange changes		**290,387**	(23,469)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	52	**81,586,825**	100,950,538
Net cash flows from operating activities include:			
Interest received		**10,932,315**	11,123,317
Interest paid		**15,230,833**	16,396,007

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

I. GENERAL INFORMATION

China Cinda Asset Management Co., Ltd. (the "Company") was transformed from China Cinda Asset Management Corporation (the "Former Cinda"), which was a wholly state-owned financial enterprise established in the People's Republic of China (the "PRC") by the Ministry of Finance (the "MOF") on April 19, 1999 as approved by the State Council of the PRC (the "State Council"). On June 29, 2010, China Cinda Asset Management Co., Ltd. was established after the completion of the financial restructuring of the Former Cinda as approved by the State Council. As at June 30, 2019, 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 AND PRINCIPAL ACCOUNTING POLICIES

1. Basis of preparation

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

The interim condensed consolidated financial statements of the Group do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's consolidated financial statements for the year ended December 31, 2018.

The interim condensed 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)

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

2. Principal accounting policies

Except as described below, the accounting policies and methods of computation used in the interim condensed consolidated financial statements for the six months ended June 30, 2019 are the same as those followed in the preparation of the Group's consolidated financial statements for the year ended December 31, 2018.

3. Standards, amendments and interpretations effective in 2019

In the current interim period, 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, 2019.

IFRS 16	Leases
IFRIC Interpretation 23	Uncertainty over Income Tax Treatments
IAS 19 Amendments	Plan amendment, curtailment or settlement
IAS 28 Amendments	Long-term Interests in Associates and Joint Ventures
Annual Improvements to IFRSs 2015-2017 cycle (issued in December 2017)	

In January 2016, the IASB issued IFRS 16 Leases, which replaced IAS 17 and IFRIC 4. Under IFRS 16, the classifications of finance lease and operating lease for lessees is removed, and lessees recognize right-of-use assets and lease liabilities for all leases (except short-term leases and low-value assets leases elected to be accounted for using a practical expedient) and recognize depreciation and interest expense respectively. The Group has adopted IFRS 16 from January 1, 2019 and applied the modified retrospective approach without restating comparative figures. The Group has not reassessed existing contracts before the date of initial application and adopted several specified practical expedients, including applying a single discount rate to a portfolio of leases with reasonably similar characteristics; accounting for leases for which the lease term ends within 12 months of the date of initial application in the same way as short-term leases; excluding initial direct costs from the measurement of the right-of-use assets at the date of initial application; and using hindsight, such as in determining the lease term if the contract contains options to extend or terminate the lease. As a lessee, the Group has elected to exercise the recognition exemption not to recognize the right-of-use assets and lease liabilities for the leases of which the underlying assets are of low value or for which the contract would end within 12 months from the date of initial application, and has recognized the profit or loss on a straight-line basis over the lease term. Therefore, the financial information for the six month period ended 30 June 2019 related to leasing presented in the interim financial report is not comparable with the financial information presented in the 2018 audit report in accordance with the former lease standards.

(Amounts in thousands of RMB, unless otherwise stated)

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

3. Standards, amendments and interpretations effective in 2019 (continued)

For the minimum lease payment for the operating leases disclosed in the financial statements of 2018, the Group used its incremental borrowing interest rate on January 1, 2019 as the discount rate of the lease payment, which was between 3.20% and 6.31%. The reconciliation to the opening balance for the lease liabilities as at January 1, 2019 is as follows:

Minimum lease payment for operating leases as at December 31, 2018	949,960
Less: minimum lease payment with recognition exemption – short-term lease	54,983
Less: minimum lease payment with recognition exemption – leases of low value assets	210
Less: the impact of lease payment discounted at incremental borrowing interest rate as at January 1, 2019	113,574
Add: Increase of minimum lease payment if a lessee is reasonably certain to exercise an option to extend a lease	550,142
Less: other adjustments	53,994
Leases liabilities as at January 1, 2019	1,277,341
Right-of-use assets as at January 1, 2019	1,408,609

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.

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

3. Standards, amendments and interpretations effective in 2019 (continued)

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.

Annual Improvements to IFRSs 2015-2017 Cycle were 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 adoption of the above standards, amendments and interpretations did not have a significant impact on the amounts reported and disclosures set out in these interim condensed consolidated financial statements.

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

3. Standards, amendments and interpretations effective in 2019 (continued)

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 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

The Group is considering the impact of these standards, amendments and interpretations on the consolidated financial statements.

(Amounts in thousands of RMB, unless otherwise stated)

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

4. Change in presentation of the financial statements

In accordance with the requirements of the Circular on Revising and Issuing 2018 Versions of Financial Statement Templates for Financial Enterprises (Cai Kuai [2018] No. 36), the Group has restated the financial statements for the six months ended June 30, 2018.

Items in the Group's consolidated statement of profit or loss for the six months ended June 30, 2018 affected by the above adjustment are as follows. The above adjustments have no impact on the Group's profit and equity.

	For the six months ended June 30, 2018		
	Before restatement	Impact of restatement	Restated
Interest income	10,360,188	2,421,392	12,781,580
Investment income	2,921,488	(2,421,392)	500,096
Total	13,281,676	–	13,281,676

III. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION

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

The significant judgments made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the year ended December 31, 2018.

IV. EXPLANATORY NOTES

1. Income from distressed debt assets at amortized cost

The amounts mainly represent interest incomes and gains or losses from disposal of distressed debt assets at amortized cost, which were acquired from financial institutions and non-financial institutions (see Note IV.24 Financial assets at amortized cost).

For the six months ended June 30, 2019, the net loss on the derecognition of distressed debt assets at amortized cost is RMB966 million (For the six months ended June 30, 2018, the net gain is RMB114 million).

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 period (see Note IV.20 Financial assets at fair value through profit or loss).

The fair value changes comprise both realized gains and 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)

IV. 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 IV.20 Financial assets at fair value through profit or loss and IV.35 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) 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. Unrealized fair value changes of loans and advances to customers at fair value through profit or loss are also included in fair value changes on other financial assets.

For the six months ended June 30, 2019 and 2018, the fair value changes on financial liabilities at fair value through profit or loss were insignificant.

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Financial assets classified as at fair value through profit or loss	**11,647,241**	11,724,264
Total	**11,647,241**	11,724,264

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

4. Investment income

	For the six months ended June 30,	
	2019 Unaudited	2018 Unaudited (Restated)
Net realized gains/(losses) on disposal of		
– Financial assets at fair value through other comprehensive income	**126,767**	(221)
– Loans and advances to customers	**(33,522)**	–
– Other debt assets at amortized cost[1]	**29**	–
Dividend income from		
– Financial assets at fair value through other comprehensive income	**1,256**	1,209
Others	**30,689**	499,108
Total	**125,219**	500,096

(1) The net gains recognized from derecognition of other debt assets at amortized cost resulted from disposing of bonds for the six months ended June 30, 2019.

5. Net insurance premiums earned

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Gross written premiums	**5,633,037**	6,791,136
Less: Premiums ceded to reinsurers	**14,912**	6,076
Change of unearned premium reserves	**46,380**	57,117
Total	**5,571,745**	6,727,943

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

5. Net insurance premiums earned (continued)

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

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Life insurance	**5,633,037**	6,791,136
Total	**5,633,037**	6,791,136

6. Interest income

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

	For the six months ended June 30,	
	2019 Unaudited	2018 Unaudited (Restated)
Loans and advances to customers		
– Corporate and personal loans and advances	**6,820,028**	6,475,659
– Finance lease receivables	**1,354,037**	1,285,877
– Loans to margin clients	**235,532**	305,183
Financial assets at fair value through other comprehensive income	**1,798,983**	1,658,263
Financial assets at amortized cost	**1,085,479**	763,129
Placements with banks and financial institutions	**542,345**	334,022
Deposits with banks and financial institutions	**487,362**	688,556
Financial assets held under resale agreements	**374,382**	1,031,457
Balances with central banks	**69,165**	86,733
Accounts receivable	**13,908**	24,392
Others	**188,321**	128,309
Total	**12,969,542**	12,781,580

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Revenue from sales of inventories	**4,919,144**	4,879,542
Purchases and changes in inventories	**(3,105,721)**	(3,178,168)
Including:		
Revenue from sales of properties held for sale	**4,905,360**	4,876,540
Purchases and changes in properties held for sale	**(3,092,257)**	(3,175,636)
Gross profit from sales of properties held for sale	**1,813,103**	1,700,904
Revenue from other trading operations	**13,784**	3,002
Purchases and changes in inventories of other trading operations	**(13,464)**	(2,532)
Gross profit from other trading operations	**320**	470

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

7. Revenue from sales of inventories and purchases and changes in inventories (continued)

Recognition time of revenue from sales of properties held for sale

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Recognized revenue at a point in time		
Sales of properties held for sale	**4,905,360**	4,876,540

Information relating to the estimated recognition of revenue for the remaining contract performance obligations for which consideration has been obtained is as follows:

	Year ended June 30, 2020	Year ended June 30, 2021	Year ended June 30, 2022 and after	Total
Sales of properties held for sale	24,002,391	2,354,472	1,445,033	27,801,896

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

8. Commission and fee income

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Securities and futures brokerage	**492,181**	423,975
Banking business	**425,980**	372,836
Fund and asset management business	**376,746**	459,361
Agency business	**305,192**	306,236
Trustee services	**128,460**	169,102
Consultancy and financial advisory services	**39,395**	102,860
Securities underwriting	**37,667**	14,314
Others	**41,028**	68,919
Total	**1,846,649**	1,917,603

9. Net gains on disposal of subsidiaries, associates and joint ventures

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Net gains on disposal of subsidiaries	**83,362**	(4,860)
Net gains on disposal of associates and joint ventures	**3,989**	749,828
Total	**87,351**	744,968

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

10. Other income and other net gains or losses

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Rental income	**365,342**	213,700
Revenue from hotel operation	**236,896**	256,449
Net gains/(losses) on exchange differences	**218,173**	(23,469)
Revenue from property management business	**142,598**	124,641
Government grants and compensation	**119,019**	89,211
Net gains on disposal of other assets	**13,920**	68,485
Net gains on disposal of investment properties	**5,919**	–
Others	**291,936**	179,195
Total	**1,393,803**	908,212

11. Interest expense

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Borrowings	**13,589,319**	15,502,179
Bonds issued	**6,416,537**	4,979,588
Due to customers	**2,371,649**	1,441,980
Financial assets sold under repurchase agreements	**125,148**	124,553
Accounts payable to brokerage clients	**21,781**	19,780
Others	**536,352**	968,811
Total	**23,060,786**	23,036,891

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

12. Insurance costs

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Reserves/(reverses) for insurance contracts	**3,117,470**	(3,175,132)
Policyholder dividends	**387,629**	623,465
Refund of reinsurance premiums	**(5,184)**	(910)
Other insurance expenses	**2,300,670**	9,893,161
Total	**5,800,585**	7,340,584

13. Impairment losses on assets

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Financial assets at amortized cost		
– Distressed debt assets	**(51,852)**	1,807,111
– Other debt investments	**76,644**	63,256
Interests in associates and joint ventures	**1,423,000**	–
Loans and advances to customers	**1,280,085**	889,060
Accounts receivable	**617,288**	354,246
Deposits with banks and financial institutions	**63,044**	2,165
Property and equipment	**60,595**	–
Financial assets at fair value through other comprehensive income	**2,271**	14,223
Dividends receivable	**(90,521)**	–
Other assets	**69,562**	34,499
Total	**3,450,116**	3,164,560

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

14. Income tax expense

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Current income tax:		
– PRC Enterprise Income Tax	**1,193,308**	2,526,453
– PRC Land Appreciation Tax	**426,767**	457,336
– Hong Kong Profits Tax	**260,506**	261,439
– Overseas taxation	**2,774**	–
Overprovision in prior years	**(44,654)**	(63,044)
Subtotal	**1,838,701**	3,182,184
Deferred income tax *(Note IV.32)*	**2,024,576**	140,839
Total	**3,863,277**	3,323,023

The statutory income tax rate applicable to PRC enterprises was 25% for the period (for the six months ended June 30, 2018: 25%).

Hong Kong Profits Tax was calculated at 16.5% (for the six months ended June 30, 2018: 16.5%) of the estimated assessable profit for the period.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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

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

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Earnings:		
Profit attributable to equity holders of the Company	**8,685,265**	8,620,322
Number of shares:		
Weighted average number of ordinary shares in issue *(in thousand)*	**38,164,535**	38,164,535
Basic earnings per share *(RMB Yuan)*	**0.23**	0.23
Diluted earnings per share *(RMB Yuan)*	**0.23**	0.23

There were no potential ordinary shares outstanding for the six months ended June 30, 2019 and June 30, 2018.

16. Dividends

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Final dividends	**3,625,631**	5,419,364
Dividends recognized as distribution during the period	**3,625,631**	5,419,364

A cash dividend of approximately RMB3,625.63 million in total for the year of 2018 was approved, after the required appropriations for the general reserve on the net profit of the Company for the year of 2018 as determined under China Accounting Standards, at the annual general meeting for 2018 held on June 25, 2019.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

17. Cash and balances with central banks

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Cash	**622,015**	540,490
Mandatory reserve deposits with central banks[1]	**8,431,157**	10,045,805
Surplus reserve deposits with central banks	**3,109,635**	4,322,828
Other deposits with central banks	**1,279,803**	1,742,788
Total	**13,442,610**	16,651,911
Including:		
Restricted		
– Balances with central banks	**8,463,313**	10,243,576

(1) In accordance with relevant regulations, Nanyang Commercial Bank, Limited, a subsidiary of the 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 June 30, 2019, the mandatory deposits were calculated at 11% of customer deposits denominated in RMB (December 31, 2018: 12.5%) and 5% of customer deposits denominated in foreign currencies (December 31, 2018: 5%). Mandatory reserve deposits are not available for use by the Group in its daily operations.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

18. Deposits with banks and financial institutions

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Deposits with banks		
– House accounts	**56,628,828**	68,434,427
– Cash held on behalf of clients	**11,523,594**	7,907,350
Clearing settlement funds		
– House accounts	**626,460**	694,075
– Clients	**2,679,833**	2,177,804
Deposits with other financial institutions		
– House accounts	**656,112**	702,227
Interest receivable	**276,910**	188,864
Subtotal	**72,391,737**	80,104,747
Less: Allowance for impairment losses	**65,209**	2,165
Total	**72,326,528**	80,102,582
Including:		
Restricted	**25,787,746**	30,286,755

Pledged bank deposits represent deposits that have been pledged to secure bank borrowings. As at June 30, 2019, the Group's pledged bank deposits amounted to RMB477.00 million (December 31, 2018: RMB630.10 million).

Clearing settlement funds bear interest at prevailing market interest rates and are mainly deposited in China Securities Depository and Clearing Corporation Limited. As at June 30, 2019, the Group's restricted clearing settlement funds amounted to RMB2,679.83 million (December 31, 2018: RMB2,177.80 million).

As at June 30, 2019, the Group's deposits with banks and financial institutions in Stage I, II and III amounted to RMB72,196.33 million, nil and RMB130.20 million, respectively (December 31, 2018: RMB80,102.58 million, nil and nil, respectively). The allowance for impairment losses amounted to RMB1.27 million, nil and RMB63.94 million, respectively (December 31, 2018: RMB2.17 million, nil and nil, respectively).

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

19. Placements with banks and financial institutions

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Banks	**8,113,331**	16,926,311
Other financial institutions	**700,000**	1,530,000
Interest receivable	**26,011**	25,287
Subtotal	**8,839,342**	18,481,598
Less: Allowance for impairment losses	**6,242**	11,101
Total	**8,833,100**	18,470,497

As at June 30, 2019, the Group's placements with banks and financial institutions in Stage I, II and III amounted to RMB8,788.44 million, nil and RMB44.66 million, respectively (December 31, 2018: RMB18,470.50 million, nil and nil, respectively). The allowance for impairment losses on placements with banks and financial institutions in Stage I, II and III amounted to RMB1.81 million, nil and RMB4.43 million, respectively (December 31, 2018: RMB11.10 million, nil and nil, respectively).

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

20. Financial assets at fair value through profit or loss

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Financial assets classified as at fair value through profit or loss		
Listed investments:		
Equity investments	**9,787,105**	9,262,107
Debt securities		
– Government bonds	**4,258,292**	4,826,641
– Public sector and quasi-government bonds	**562,287**	280,475
– Financial institution bonds	**122,014**	–
– Corporate bonds	**5,617,098**	5,484,535
Funds	**3,024,861**	2,694,955
Corporate convertible bonds	**408,877**	107,788
	23,780,534	22,656,501
Unlisted investments:		
Distressed debt assets	**185,151,696**	189,113,890
Funds	**97,324,412**	101,548,345
Equity investments	**61,479,678**	56,426,584
Trust products and asset management plans	**35,058,329**	35,776,180
Debt instruments	**24,488,726**	17,458,309
Wealth management products	**1,925,511**	3,072,818
Security investments	**1,664,823**	2,044,751
Derivative financial assets(1)	**773,571**	620,429
Others	**222,740**	73,229
	408,089,486	406,134,535
Total	**431,870,020**	428,791,036

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

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

(1) Derivative financial assets

	As at June 30, 2019 (Unaudited)			As at December 31, 2018 (Audited)		
	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	**21,744,946**	**623,012**	**(311,580)**	30,659,252	553,874	(268,965)
Currency options	**3,015,442**	**14,507**	**(14,512)**	2,472,512	21,842	(22,068)
Subtotal	**24,760,388**	**637,519**	**(326,092)**	33,131,764	575,716	(291,033)
Interest rate derivatives						
Interest rate swaps	**119,747,575**	**13,812**	**(117,314)**	48,008,610	18,904	(19,103)
Interest rate futures	**–**	**–**	**–**	99,542	–	–
Subtotal	**119,747,575**	**13,812**	**(117,314)**	48,108,152	18,904	(19,103)
Equity derivatives	**121,386**	**35,693**	**–**	73,413	2,679	–
Commodity derivatives and others	**848,638**	**86,547**	**(6,904)**	513,255	23,130	(4,582)
Total	**145,477,987**	**773,571**	**(450,310)**	81,826,584	620,429	(314,718)

21. Financial assets held under resale agreements

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
By collateral type		
Bonds	**22,625,623**	31,371,483
Stocks	**1,649,793**	2,397,079
Interest receivable	**21,898**	50,468
Subtotal	**24,297,314**	33,819,030
Less: Allowance for impairment losses	**13,178**	13,966
Total	**24,284,136**	33,805,064

As at June 30, 2019, the carrying amount of financial assets held under resale agreements was in Stage I, amounting to RMB24,284.14 million (December 31, 2018: RMB33,805.06 million). The allowance for impairment losses amounted to RMB13.18 million (December 31, 2018: RMB13.97 million).

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

22. Financial assets at fair value through other comprehensive income

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Debt investments at fair value through other comprehensive income		
Debt securities		
– Government bonds	**45,216,146**	40,803,900
– Public sector and quasi-government bonds	**12,867,159**	12,286,782
– Financial institution bonds	**49,782,879**	41,043,939
– Corporate bonds	**26,453,303**	18,014,096
Interest receivable	**1,435,662**	1,271,835
Subtotal	**135,755,149**	113,420,552
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	**4,110,689**	3,407,026
Subtotal	**4,110,689**	3,407,026
Total	**139,865,838**	116,827,578

As at June 30, 2019, the Group's debt investments at fair value through other comprehensive income in Stage I, II and III amounted to RMB135,741.22 million, nil and RMB13.93 million, respectively (December 31, 2018: RMB113,406.04 million, nil, and RMB14.51 million, respectively). The allowance for impairment losses amounted to RMB64.97 million, nil and RMB186.51 million, respectively (December 31, 2018: RMB54.87 million, nil, and RMB185.80 million, respectively).

As at June 30, 2019, the Group's equity investments at fair value through other comprehensive income amounted to RMB4,110.69 million (December 31, 2018: RMB3,407.03 million). 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 six months ended June 30, 2019, the Group received dividends at the amount of RMB1.26 million from equity investments designated as at fair value through other comprehensive income.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

23. Loans and advances to customers

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
At amortized cost		
Corporate loans and advances		
– Loans and advances	**232,643,487**	238,020,434
– Discounted bills	**9,224,268**	1,222,268
Personal loans and advances		
– Mortgages	**24,881,355**	25,305,237
– Personal consumption loans	**19,570,155**	13,572,686
Loans to margin clients	**6,568,109**	5,803,632
Finance lease receivables	**43,180,186**	47,830,493
Subtotal	**336,067,560**	331,754,750
Interest accrued	**1,992,828**	1,908,181
Total loans and advances to customers at amortized cost	**338,060,388**	333,662,931
At fair value through profit or loss		
Corporate loans and advances	**16,017,745**	10,615,171
Total loans and advances to customers	**354,078,133**	344,278,102
Less: Allowance for impairment losses on loans and advances to customers at amortized cost	**8,609,617**	7,661,600
Net loans and advances to customers	**345,468,516**	336,616,502

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

23. Loans and advances to customers (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 June 30, 2019				
Gross loans and advances	**318,540,359**	**12,008,890**	**7,511,139**	**338,060,388**
Less: Allowances for impairment losses	**2,950,248**	**1,571,029**	**4,088,340**	**8,609,617**
Net loans and advances to customers	**315,590,111**	**10,437,861**	**3,422,799**	**329,450,771**

	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

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

23. Loans and advances to customers (continued)

The movements of allowance for loans and advances to customers are as follows:

	For the six months ended June 30, 2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	3,668,159	959,304	3,034,137	7,661,600
Convert to Stage I	999	(999)	–	–
Convert to Stage II	(119,013)	119,024	(11)	–
Convert to Stage III	(34,380)	(235,369)	269,749	–
Impairment losses recognized	298,494	346,785	1,104,799	1,750,078
Impairment losses reversed	(876,322)	(48,104)	(288,557)	(1,212,983)
Stage conversion	(1,163)	474,329	269,824	742,990
Write-off and transfer out	–	(58,555)	(329,342)	(387,897)
Recovery of loans and advances written off in previous years	–	–	11,733	11,733
Unwinding of discount on allowance	–	–	(1,126)	(1,126)
Exchange differences	13,474	14,614	17,134	45,222
As at June 30	2,950,248	1,571,029	4,088,340	8,609,617

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 for the six months ended June 30, 2019 was not significant.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

23. Loans and advances to customers (continued)

	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)

IV. EXPLANATORY NOTES (continued)

23. Loans and advances to customers (continued)

Finance lease receivables are analyzed as follows:

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Minimum finance lease receivables:		
Within 1 year (inclusive)	**20,146,600**	23,134,980
1 year to 5 years (inclusive)	**25,503,287**	27,453,858
Over 5 years	**2,306,285**	2,415,066
Gross amount of finance lease receivables	**47,956,172**	53,003,904
Less: Unearned finance income	**4,775,986**	5,173,411
Subtotal	**43,180,186**	47,830,493
Interest accrued	**236,728**	281,650
Net amount of finance lease receivables	**43,416,914**	48,112,143
Less: Allowance for impairment losses	**2,480,963**	1,851,469
Carrying amount of finance lease receivables	**40,935,951**	46,260,674
Present value of minimum lease receivables:		
Within 1 year (inclusive)	**18,169,919**	21,059,345
1 year to 5 years (inclusive)	**23,235,555**	24,953,462
Over 5 years	**2,011,440**	2,099,336
Total	**43,416,914**	48,112,143
Including:		
Finance lease receivables pledged for borrowings	**649,579**	881,110

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

24. Financial assets at amortized cost

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Distressed debt assets		
– Acquired from financial institutions	**11,333,018**	14,294,061
– Acquired from non-financial institutions	**195,764,073**	211,064,002
Subtotal	**207,097,091**	225,358,063
Interest accrued	**2,969,054**	2,382,607
Gross of distressed debt assets	**210,066,145**	227,740,670
Less: Allowance for impairment losses	**9,685,963**	12,887,465
Net of distressed debt assets	**200,380,182**	214,853,205
Other debt investments		
– Trust products and asset management plans	**20,368,848**	19,559,219
– Securities investments	**12,736,074**	12,727,687
– Others	**8,428,454**	6,792,730
Subtotal	**41,533,376**	39,079,636
Interest accrued	**667,705**	361,231
Gross of other debt investments	**42,201,081**	39,440,867
Less: Allowance for impairment losses	**1,954,000**	1,877,356
Net of other debt investments	**40,247,081**	37,563,511
Total	**240,627,263**	252,416,716

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

24. Financial assets at amortized cost (continued)

Distressed debt assets are analyzed as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at June 30, 2019				
Gross distressed debt assets	**186,147,330**	**19,143,380**	**4,775,435**	**210,066,145**
Less: Allowance for impairment losses	**5,886,027**	**1,837,832**	**1,962,104**	**9,685,963**
Net distressed debt assets	**180,261,303**	**17,305,548**	**2,813,331**	**200,380,182**

	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

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

24. Financial assets at amortized cost (continued)

The movements of allowance for distressed debt assets are as follows:

	For the six months ended June 30, 2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	6,774,824	1,811,341	4,301,300	12,887,465
Convert to Stage I	54,915	(54,915)	–	–
Convert to Stage II	(171,405)	171,405	–	–
Convert to Stage III	(1,295)	(65,169)	66,464	–
Impairment losses recognized	2,264,375	13,937	61,026	2,339,338
Impairment losses reversed	(2,844,965)	(579,134)	(64,940)	(3,489,039)
Stage conversion	(100,359)	741,229	456,979	1,097,849
Write-off and transfer out	(90,063)	(200,862)	(2,807,937)	(3,098,862)
Unwinding of discount on allowance	–	–	(50,788)	(50,788)
As at June 30	5,886,027	1,837,832	1,962,104	9,685,963

	For the year ended December 31, 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)

IV. EXPLANATORY NOTES (continued)

25. Accounts receivable

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Agreed repurchase trading receivables[1]	**2,748,845**	2,534,873
Accounts receivable relating to equity assets[2]	**1,335,933**	1,507,524
Notes receivable	**782,380**	741,668
Accounts receivable from sales of properties	**415,018**	479,165
Commission and fee receivables	**408,320**	190,669
Insurance premium and reinsurance refund receivables	**221,617**	133,801
Accounts receivable relating to distressed debt assets	**147,372**	175,229
Others	**336,761**	191,005
Subtotal	**6,396,246**	5,953,934
Less: Allowance for impairment losses	**1,676,698**	1,060,332
Total	**4,719,548**	4,893,602

(1) Agreed repurchase trading receivables show the overdue receivables of financial assets held under resale agreements.

(2) As at June 30, 2019, the major component comprised an outstanding amount of RMB425.52 million (As at December 31, 2018: RMB445.52 million) mainly arising from disposals of several debt-to-equity assets. These receivables bear interest at nil to 5.87% per annum (As at December 31, 2018: Nil to 7.5%). The outstanding balances are repayable no later than January 31, 2021 (December 31, 2018: no later than January 31, 2019).

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

25. Accounts receivable (continued)

The aging analysis of accounts receivable relating to distressed assets is as follows:

	As at June 30, 2019 (Unaudited)				As at December 31, 2018 (Audited)			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	–	–	–	–	27,857	4	–	27,857
1 year to 2 years (inclusive)	–	–	–	–	–	–	–	–
2 years to 3 years (inclusive)	–	–	–	–	–	–	–	–
Over 3 years	573,305	100	(91,450)	481,855	592,896	96	(91,450)	501,446
Total	573,305	100	(91,450)	481,855	620,753	100	(91,450)	529,303

Movements of allowance for impairment losses for the six months ended June 30, 2019 and for the year ended December 31, 2018 are as follows:

	For the six months ended June 30, 2019 (Unaudited)	For the year ended December 31, 2018 (Audited)
At beginning of the period/year	1,060,332	158,462
Impairment losses recognized	621,365	951,661
Impairment losses reversed	(4,077)	(1,693)
Amounts written off and transferred out	(922)	(48,098)
At end of the period/year	1,676,698	1,060,332

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

26. Properties held for sale

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Properties under development	**56,439,883**	54,662,458
Completed properties	**6,878,820**	7,542,289
Others	**15,877**	16,209
Subtotal	**63,334,580**	62,220,956
Less: Allowance for impairment losses	**475,673**	496,906
Total	**62,858,907**	61,724,050
Including:		
Pledged for borrowings	**18,843,611**	20,761,098

27. Investment properties

For the six months ended June 30, 2019, the Group acquired investment properties with an aggregate amount of RMB343.72 million at cost (for the six months ended June 30, 2018: RMB908.41 million), and disposed of investment properties with an aggregate amount of RMB26.04 million at net book value (for the six months ended June 30, 2018: RMB13.23 million).

As at June 30, 2019, the net book value of investment properties which the Group pledged for borrowings amounted to RMB1,356.64 million (December 31, 2018: RMB639.90 million).

As at June 30, 2019, the value of investment properties for which the Group has not obtained certificates of land use right or certificates of property ownership amounted to RMB7.49 million (December 31, 2018: RMB0.09 million).

IV. EXPLANATORY NOTES (continued)

28. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts, asset management plans, mutual funds. The judgments used by the Group to determine whether control exists are the same as those that are applied to the consolidated financial statements for the year ended December 31, 2018.

The financial impact of each of the private equity funds, trusts, asset management plans, mutual funds on the Group's financial position as at June 30, 2019 and December 31, 2018, and results and cash flows for the six months ended June 30, 2019 and the year ended December 31, 2018, though consolidated, is not significant individually and therefore not disclosed separately.

Interests held by other holders are presented as change in net assets attributable to other holders of consolidated structured entities in the interim condensed consolidated statement of profit or loss and included in other liabilities in the interim condensed consolidated statement of financial position as set out in Note IV.46 Other liabilities.

29. Interests in unconsolidated structured entities

Structured entities over which the Group had control by virtue of the Group serving as general partner, manager or trustee during the period include private equity funds, trusts, asset management plans, wealth management products, asset-backed securities, debt investment schemes. Except for the structured entities over which the Group has consolidated as detailed in Note IV.28 Interests in consolidated structured entities, in the opinion of the directors of the Company, the variable returns to which the Group is exposed over the structured entities that the Group has interests in are not significant nor the Group has the control over these entities. The Group therefore did not consolidate these structured entities.

30. Property and equipment

For the six months ended June 30, 2019, the Group acquired property and equipment with an aggregate amount of RMB402.69 million at cost (for the six months ended June 30, 2018: RMB77.32 million), and disposed of property and equipment with an aggregate amount of RMB7.00 million at net book value (for the six months ended June 30, 2018: RMB24.33 million).

As at June 30, 2019, the Group's construction in progress amounted to RMB209.62 million (December 31, 2018: RMB204.00 million).

As at June 30, 2019, the Group's property for which the Group has not obtained a certificate of property ownership amounted to RMB645.61 million (December 31, 2018: RMB658.12 million).

As at June 30, 2019, the net book value of property and equipment which the Group pledged for borrowings amounted to RMB202.81 million (December 31, 2018: RMB205.03 million).

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

31. Goodwill

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Carrying amount		
At beginning of the period/year	**24,169,379**	23,123,316
Disposal of subsidiaries	**–**	(35)
Exchange differences	**89,836**	1,046,098
At end of the period/year	**24,259,215**	24,169,379
Allowance for impairment losses		
At beginning of the period/year	**(1,130,562)**	(1,120,799)
Change for the year	**–**	(9,763)
At end of the period/year	**(1,130,562)**	(1,130,562)
Net book value		
At beginning of the period/year	**23,038,817**	22,002,517
At end of the period/year	**23,128,653**	23,038,817

32. Deferred taxation

For the purpose of presentation in the interim condensed consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances:

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Deferred tax assets	**4,031,746**	6,159,808
Deferred tax liabilities	**(2,195,983)**	(2,387,044)
Deferred taxation	**1,835,763**	3,772,764

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

32. Deferred taxation (continued)

The movements of deferred tax assets and deferred tax liabilities are set out below:

	(Unaudited)												
	Allowance for impairment losses	Withholding land appreciation tax	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	Temporary differences related to the cost of associates and joint ventures[(i)]	Changes in fair value and impairment losses on financial assets at FVOCI	Others	Total
As at January 1, 2019	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
Credit/(charge) to profit or loss	(91,633)	6,941	18,164	16,105	(28,117)	81,696	(66,752)	(83,979)	(1,519,038)	(278,601)	–	(79,362)	(2,024,576)
Charge to other comprehensive income/(expense)	–	–	–	–	–	–	–	–	–	(3,606)	(200,024)	–	(203,630)
Acquisitions of subsidiaries	–	–	–	–	–	–	–	–	–	–	–	–	–
Others	(20,622)	–	(3,017)	(2,256)	65	–	–	(19)	(442)	297,131	20,553	(188)	291,205
As at June 30, 2019	5,386,272	365,467	(955,700)	(968,720)	991,241	577,217	314,119	119,207	216,571	(4,252,691)	(2,541)	45,321	1,835,763

	(Audited)														
	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 to the cost of associates and joint ventures[(i)]	Changes in fair value and impairment losses on 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

(i) The temporary differences related to the costs of associates and joint ventures are temporary differences arising from the difference between the book value and the tax base for the associates and joint ventures not held for long term by the Group.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

33. Other assets

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Other receivables	**6,543,203**	6,623,815
Assets in satisfaction of debts	**4,192,520**	3,895,221
Prepaid taxes	**4,068,067**	2,709,262
Statutory deposits	**2,159,464**	2,142,147
Prepayments	**1,602,724**	1,245,776
Dividends receivable	**1,571,858**	1,458,337
Right-of-use assets	**1,417,613**	–
Assets with continuing involvement *(Note IV.54)*	**1,037,020**	1,399,434
Interest receivable	**307,865**	357,992
Long-term prepaid expenses	**216,248**	263,141
Precious metals	**177,353**	193,572
Land use rights	**–**	77,275
Others	**344,352**	327,200
Total	**23,638,287**	20,693,172

34. Borrowings from the central bank

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Borrowings from the central bank	**1,010,836**	986,058

The borrowings from the central bank are the outstanding interest on the loans from The People's Bank of China for purchasing the non-performing assets of commercial banks and the rediscount of the central bank.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

35. Financial liabilities at fair value through profit or loss

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Derivative financial liabilities *(Note IV.20.(1))*	**450,310**	314,718
Short positions in exchange fund bills and notes	**3,784,404**	4,208,631
Total	**4,234,714**	4,523,349

36. Financial assets sold under repurchase agreements

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
By collateral type:		
Debt securities	**12,108,678**	11,956,611
Loans to margin clients	**–**	1,001,658
Subtotal	**12,108,678**	12,958,269
Interest payable	**(589)**	11,938
Total	**12,108,089**	12,970,207

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

37. Placements from banks and financial institutions

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Banks	**17,471,793**	19,799,625
Other financial institutions	**–**	325,204
Subtotal	**17,471,793**	20,124,829
Interest payable	**136,958**	*93,821*
Total	**17,608,751**	20,218,650

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

38. Borrowings

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Borrowings from banks and financial institutions		
Unsecured loans	**508,503,401**	535,913,172
Loans secured by properties	**4,123,378**	4,659,428
Other secured loans	**24,959,910**	26,857,385
Subtotal	**537,586,689**	567,429,985
Interest payable	**3,891,622**	3,440,165
Total	**541,478,311**	570,870,150

Loans secured by properties were collateralized by properties held for sale, property and equipment, investment properties at an aggregate carrying amount of RMB20,403.06 million as at June 30, 2019 (December 31, 2018: RMB21,606.03 million). Other secured loans were collateralized by financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, finance lease receivables, bank deposits, and interests in associates and joint ventures at an aggregate carrying amount of RMB2,236.58 million as at June 30, 2019 (December 31, 2018: RMB3,636.21 million). The variable rates of borrowings used by the Group were floating based on the benchmark interest rates of deposits or loans published by the PBOC, Shanghai Inter-bank Offered Rate ("SHIBOR"), Hong Kong Inter-bank Offered Rate ("HIBOR"), London Inter-bank Offered Rate ("LIBOR") or prime interest rates.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

38. Borrowings (continued)

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

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Fixed-rate borrowings	**3.26%-8.20%**	1.40%-8.40%
Variable-rate borrowings	**2.49%-8.40%**	1.85%-7.83%

39. Due to customers

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Demand deposits		
Corporate	**40,028,706**	47,376,723
Personal	**39,546,474**	39,407,741
Time deposits		
Corporate	**93,388,366**	86,118,498
Personal	**88,422,805**	70,787,827
Guarantee deposits	**9,179,166**	9,265,403
Subtotal	**270,565,517**	252,956,192
Interest payable	**1,493,602**	1,143,726
Total	**272,059,119**	254,099,918

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

40. Deposits from banks and financial institutions

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Banks	**1,336,651**	2,872,080
Other financial institutions	**14,266,289**	19,241,357
Subtotal	**15,602,940**	22,113,437
Interest payable	**166,836**	267,312
Total	**15,769,776**	22,380,749

41. Accounts payable

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Accounts payable associated with real estate business(1)	**3,071,036**	4,206,861
Asset purchase payable	**150,508**	171,126
Reinsurance premium payable	**27,889**	17,333
Notes payable	**–**	10,000
Others	**921,376**	908,493
Total	**4,170,809**	5,313,813

(1) Accounts payable associated with real estate business mainly comprise construction costs payable to contractors.

No aging analysis is disclosed, as in the opinion of the directors of the Company, the aging analysis of these items does not give additional value to the users of this report in view of the nature of these items.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

42. Investment contract liabilities for policyholders

	For the six months ended June 30, 2019 (Unaudited)	For the year ended December 31, 2018 (Audited)
At beginning of the period/year	**13,206,016**	19,961,369
Deposits received	**1,334,711**	4,118,398
Deposits withdrawn	**(6,360,158)**	(10,873,577)
Others	**–**	(174)
At end of the period/year	**8,180,569**	13,206,016

43. Insurance contract liabilities

	2019 (Unaudited)			
	As at January 1,	Increase	Decrease	As at June 30,
Short-term life and property insurance contracts				
– Unearned premium reserves	**123,291**	**134,555**	**(87,669)**	**170,177**
– Outstanding claim reserves	**145,769**	**69,048**	**(77,816)**	**137,001**
Long-term life insurance contracts	**37,337,514**	**6,360,868**	**(3,186,119)**	**40,512,263**
Total	**37,606,574**	**6,564,471**	**(3,351,604)**	**40,819,441**

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

43. Insurance contract liabilities (continued)

	2018 (Audited)			
	As at January 1,	Increase	Decrease	As at December 31,
Short-term life and property 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

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

	As at June 30, 2019 (Unaudited)			As at December 31, 2018 (Audited)		
	Within 1 year	**Over 1 year**	**Total**	Within 1 year	Over 1 year	Total
Short-term life and property insurance contracts						
– Unearned premium reserves	**160,689**	**9,488**	**170,177**	112,824	10,467	123,291
– Outstanding claim reserves	**132,172**	**4,829**	**137,001**	138,810	6,959	145,769
Long-term life insurance contracts	**13,546**	**40,498,717**	**40,512,263**	13,916	37,323,598	37,337,514
Total	**306,407**	**40,513,034**	**40,819,441**	265,550	37,341,024	37,606,574

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

44. Bonds issued

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
2014 Financial bonds (5-year)	(1)	10,000,000	RMB	2014/5	2019/5	5.35%	–	10,308,577
2015 Financial bonds (5-year)	(1)	10,000,000	RMB	2015/5	2020/5	4.30%	**10,037,483**	10,249,017
2015-II Financial bonds (5-year)	(1)	4,000,000	RMB	2015/9	2020/9	3.75%	**4,113,038**	4,038,254
2015-II Financial bonds (10-year)	(1)	10,000,000	RMB	2015/9	2025/9	4.60%	**10,342,899**	10,114,314
2016 Tier-II Capital bonds (10-year)	(2)	10,000,000	RMB	2016/6	2026/6	3.70%	**10,001,080**	10,183,114
2017 Financial bonds (3-year)	(1)	2,000,000	RMB	2017/4	2020/4	4.30%	**2,017,722**	2,060,684
2017 Financial bonds (5-year)	(1)	4,000,000	RMB	2017/4	2022/4	4.40%	**4,035,023**	4,123,232
2017 Financial bonds (10-year)	(1)	24,000,000	RMB	2017/4	2027/4	4.75%	**24,220,968**	24,793,825
2017 Cinda Ningyuan-I ABS	(18)	4,530,943	RMB	2017/11	2018/3-2019/3	4.80%-5.15%	–	1,013,626
2018-I Financial bonds (10-year)	(1)	15,000,000	RMB	2018/1	2028/1	5.50%	**15,342,234**	15,762,217
2018-II Financial bonds (10-year)	(1)	11,000,000	RMB	2018/3	2028/3	5.50%	**11,171,917**	11,477,707
2018 Cinda Ningyuan-II-1 ABS	(18)	9,517,000	RMB	2018/5	2018/9-2019/7	4.70%-5.05%	**3,046**	4,732,416
2018 Cinda Ningyuan-II-2 ABS	(18)	10,318,000	RMB	2018/6	2019/3-2019/12	5.00%-5.15%	**5,605,531**	10,618,367
2018 Cinda Ningyuan-II-3 ABS	(18)	9,818,000	RMB	2018/7	2018/12-2021/6	4.20%-5.15%	**7,728,504**	8,600,459
2018 Cinda Ningyuan-II-4 ABS	(18)	9,650,000	RMB	2018/9	2018/12-2021/6	3.20%-4.80%	**6,629,205**	7,625,188
2018 Cinda Ningyuan-II-5 ABS	(18)	9,920,000	RMB	2018/11	2019/3-2020/10	3.55%-4.35%	**5,810,568**	9,962,690
2019 Cinda Xinze-I-1 ABS	(18)	9,767,950	RMB	2019/3	2019/6-2021/10	3.10%-3.95%	**8,797,414**	–
2019 Cinda Xinze-I-2 ABS	(18)	9,920,000	RMB	2019/5	2019/12-2022/1	3.33%-4.15%	**9,962,859**	–
2019 Cinda Xinze-I-3 ABS	(18)	9,920,000	RMB	2019/6	2019/9-2022/1	3.25%-3.95%	**9,934,510**	–
2019 Cinda Xinhe-I-1 ABS	(18)	5,790,000	RMB	2019/6	2022/1-2022/7	4.80%-7.00%	**5,790,000**	–
2015 Capital supplement bonds	(3)	3,000,000	RMB	2015/12	2025/12	4.00%	**3,061,067**	3,001,055
2018 Capital supplement bonds	(3)	3,000,000	RMB	2018/11	2023/11	5.20%	**3,092,585**	3,014,616
2017-I Subordinate bonds	(4)	3,000,000	RMB	2017/2	2020/2	4.99%	**3,052,498**	3,127,963
2017-II Subordinate bonds	(4)	3,000,000	RMB	2017/3	2020/3	5.12%	**3,044,607**	3,122,038
2019-I Subordinate bonds	(4)	1,700,000	RMB	2019/3	2022/3	4.55%	**1,722,251**	–

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

44. Bonds issued (continued)

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
2017-I Corporation bonds (3-year)	(19)	2,500,000	RMB	2017/7	2020/7	5.05%	**2,617,603**	2,554,997
Beneficiary certificates-VII	(4)	1,000,000	RMB	2017/5	2019/5	5.50%	**–**	1,033,151
Beneficiary certificates-VIII	(4)	500,000	RMB	2017/6	2019/5	5.48%	**–**	500,826
Beneficiary certificates-IX	(4)	380,000	RMB	2017/6	2019/6	5.35%	**–**	380,613
Beneficiary certificates-X	(4)	120,000	RMB	2017/6	2019/6	5.35%	**–**	120,193
Beneficiary certificates-XII	(4)	600,000	RMB	2018/3	2020/3	6.27%	**108,366**	105,256
HKD bonds	(11)	10,000	HKD	2013/12	2020/9	4.00%	**8,917**	8,875
HKD bonds	(11)	20,000	HKD	2014/7	2019/7	4.00%	**17,834**	17,843
HKD bonds	(11)	12,000	HKD	2014/9	2019/9	4.00%	**10,699**	8,870
HKD bonds	(11)	10,000	HKD	2014/10	2019/9	4.00%	**8,917**	10,595
HKD bonds	(11)	10,000	HKD	2016/3	2021/3	4.00%	**8,917**	8,861
2015 Corporation bonds	(5)	3,000,000	RMB	2015/12	2023/12	3.80%	**3,050,668**	2,993,197
2016-I Corporation bonds (8-year)	(5)	2,000,000	RMB	2016/1	2024/1	3.70%	**2,026,560**	2,063,238
2016-I Corporation bonds (5-year)	(26)	3,000,000	RMB	2016/5	2021/5	4.70%	**–**	3,081,846
2016-II Corporation bonds (5-year)	(6)	5,000,000	RMB	2016/8	2021/8	4.00%	**5,162,981**	5,062,935
2015-I Mid-term notes	(7)	1,500,000	RMB	2015/6	2020/6	5.80%	**1,512,537**	1,550,152
2015-II Mid-term notes	(7)	1,400,000	RMB	2015/8	2020/8	5.50%	**1,458,138**	1,427,513
2015-III Mid-term notes	(7)	100,000	RMB	2015/12	2020/12	5.50%	**103,569**	100,804
2019-I Corporation bonds	(6)	3,000,000	RMB	2019/5	2022/5	4.94%	**3,016,803**	–
2016-I Corporation bonds (5-year)	(8)	2,500,000	RMB	2016/3	2021/2	3.80%	**2,520,558**	2,578,144
2016-II Corporation bonds (5-year)	(8)	500,000	RMB	2016/3	2021/3	3.50%	**462,573**	513,711
2016-I Corporation bonds (3-year)	(9)	3,000,000	RMB	2016/5	2019/5	6.70%	**–**	3,028,521
2016-II Corporation bonds (3-year)	(9)	3,000,000	RMB	2016/8	2019/8	6.99%	**1,602,883**	1,550,233
2018-I Debt financing plans	(20)	900,000	RMB	2018/11	2020/11	6.80%	**936,815**	906,213
2018-I Mid-term notes	(21)	2,000,000	RMB	2018/12	2021/12	4.56%	**2,041,683**	1,994,602
2018-I Debt financing instruments	(22)	1,000,000	RMB	2018/12	2021/12	5.68%	**1,030,968**	1,002,801
2018-II Debt financing instruments	(22)	1,000,000	RMB	2018/12	2021/12	5.97%	**1,030,750**	1,001,145
2019 Cinda-I ABN	(23)	950,000	RMB	2019/1	2019/7-2028/1	5.20%-5.50%	**973,137**	–
2019-I Corporation bonds (3-year)	(24)	1,497,000	RMB	2019/1	2022/1	5.50%	**1,535,497**	–
2019-II Corporation bonds (3-year)	(9)	2,694,600	RMB	2019/5	2022/5	4.98%	**2,713,445**	–
2016-I Financial bonds (3-year)	(10)	2,000,000	RMB	2016/6	2019/6	3.81%	**–**	2,042,946
2016-II Financial bonds (3-year)	(10)	3,000,000	RMB	2016/8	2019/8	3.15%	**3,081,593**	3,034,083
2019 Financial bonds (3-year)	(10)	3,000,000	RMB	2019/3	2022/3	3.78%	**3,024,232**	–
USD Guaranteed senior notes	(12)	1,000,000	USD	2014/5	2019/5	4.00%	**–**	6,863,911
USD Guaranteed senior notes	(12)	500,000	USD	2014/5	2024/5	5.625%	**3,416,693**	3,412,609
USD Guaranteed senior notes	(13)	230,000	USD	2014/12	2029/12	5.20%	**1,568,510**	1,564,951
USD Guaranteed senior notes	(13)	90,000	USD	2015/2	2029/12	5.20%	**617,036**	615,751
USD Guaranteed senior notes	(13)	1,300,000	USD	2015/4	2020/4	3.125%	**8,974,089**	8,995,150

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

44. Bonds issued (continued)

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
USD Guaranteed senior notes	(13)	1,700,000	USD	2015/4	2025/4	4.25%	**11,726,177**	11,659,361
USD Guaranteed senior notes	(13)	100,000	USD	2015/2	2030/2	5.20%	**695,779**	694,304
USD Guaranteed senior notes	(13)	80,000	USD	2015/3	2022/3	4.45%	**555,782**	554,547
USD Guaranteed senior notes	(13)	300,000	USD	2017/3	2020/3	3.00%	**2,078,261**	2,138,490
USD Guaranteed senior notes	(13)	1,300,000	USD	2017/3	2022/3	3.65%	**9,009,777**	8,905,821
USD Guaranteed senior notes	(13)	700,000	USD	2017/3	2024/3	4.10%	**4,852,521**	4,846,346
USD Guaranteed senior notes	(13)	700,000	USD	2017/3	2027/3	4.40%	**4,847,582**	4,787,676
USD Guaranteed senior notes	(12)	545,000	USD	2017/12	2037/12	4.75%	**3,730,119**	3,733,677
USD Guaranteed senior notes	(13)	800,000	USD	2018/2	2023/2	3.88%	**5,547,892**	5,511,730
USD Guaranteed senior notes	(13)	300,000	USD	2018/2	2025/2	4.38%	**2,085,398**	2,202,149
USD Guaranteed senior notes	(13)	1,200,000	USD	2018/2	2028/2	4.75%	**8,348,683**	8,279,761
USD Guaranteed senior notes	(13)	200,000	USD	2018/2	2048/2	5.00%	**1,375,076**	1,381,762
USD Guaranteed senior notes	(13)	700,000	USD	2019/2	2022/2	3.75%	**1,390,726**	–
USD Guaranteed senior notes	(13)	700,000	USD	2019/2	2024/2	4.00%	**1,384,681**	–
USD Guaranteed senior notes	(13)	545,000	USD	2019/2	2029/2	4.75%	**4,191,840**	–
2016 Corporation bonds (5-year)	(14)	600,000	RMB	2016/4	2021/4	4.60%	**601,716**	618,111
2016 Corporation bonds (4-year)	(15)	800,000	RMB	2016/4	2020/4	4.98%	**313,397**	322,836
2019 Corporation bonds (2-year)	(25)	2,800	RMB	2019/4	2021/4	4.60%	**1,762**	–
2016-I Financial bonds	(16)	500,000	RMB	2016/12	2021/12	4.67%	**512,341**	500,766
2017-I Financial bonds	(16)	2,500,000	RMB	2017/3	2022/3	5.03%	**2,537,518**	2,600,929
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%	**299,830**	293,664
18 NCB China CD024	(17)	400,000	RMB	2018/7	2019/7	4.30%	**399,639**	391,461
18 NCB China CD025	(17)	100,000	RMB	2018/10	2019/4	3.30%	**–**	98,986
19 NCB China CD001	(17)	100,000	RMB	2019/1	2020/1	3.10%	**98,319**	–
19 NCB China CD002	(17)	100,000	RMB	2019/2	2020/2	3.10%	**98,081**	–
19 NCB China CD003	(17)	290,000	RMB	2019/2	2020/2	3.10%	**284,332**	–
19 NCB China CD004	(17)	200,000	RMB	2019/2	2020/3	3.13%	**195,943**	–
19 NCB China CD006	(17)	200,000	RMB	2019/3	2019/12	3.10%	**197,070**	–
2018-I Financial bonds	(16)	2,500,000	RMB	2018/10	2021/10	4.15%	**2,571,438**	2,519,722
2018-II Financial bonds	(16)	500,000	RMB	2018/10	2023/10	4.40%	**515,404**	504,493
2018-III Financial bonds	(16)	2,000,000	RMB	2018/11	2023/11	4.35%	**2,053,209**	2,009,953
Total							**292,660,273**	283,115,066

IV. EXPLANATORY NOTES (continued)

44. 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 and 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 China Banking Regulatory Commission.

(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 be increased to 5% per annum 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., a subsidiary of Cinda Investment, have fixed coupon rates, payable annually.

(8) The corporation bonds issued by Cinda Real Estate Co., Ltd., 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 Co., Ltd., 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 Cinda Securities, 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.

IV. EXPLANATORY NOTES (continued)

44. Bonds issued (continued)

(13) The 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 the 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 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.

(23) The asset-backed medium-term notes are issued by Cinda Real Estate Co., Ltd., a subsidiary of Cinda Investment.

(24) The corporation bonds issued by Cinda Real Estate Co., Ltd., a subsidiary of Cinda Investment, have fixed coupon rates, payable annually.

(25) The corporation bonds issued by Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually.

(26) 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. If the investors did not exercise this option, the coupon rate of the bonds would be dropped to 4.0% per annum from May 2019 onwards. The investors exercised the option to sell the corporation bonds in whole in May 2019 and June 2019.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

45. Contract liabilities

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Sales proceeds received in advance[1]	**26,888,731**	23,486,561
Others	**1,451,639**	1,554,423
Total	**28,340,370**	25,040,984

(1) Sales proceeds received in advance

	For the six months ended June 30, 2019 (Unaudited)	For the year ended December 31, 2018 (Audited)
At beginning of the period/year	**23,486,561**	13,941,442
Deferred during the period/year	**8,563,074**	25,004,035
Recognized as revenue during the period/year	**(5,160,904)**	(15,458,916)
At end of the period/year	**26,888,731**	23,486,561

As at June 30, 2019, all contract liabilities of the Group were held by Cinda Real Estate and Cinda Securities, the subsidiaries of the Company, the contract liabilities are mainly sales proceeds received in advance by Cinda Real Estate.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

46. Other liabilities

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Other payables	**13,294,480**	12,265,735
Payables to interest holders of consolidated structured entities *(Note IV.28)*	**7,770,177**	9,199,844
Staff costs payable	**5,364,651**	6,268,145
Risk deposit	**4,468,865**	5,132,210
Dividends payable	**3,628,667**	1,357
Long-term payable	**2,854,164**	2,833,637
Liabilities related to insurance business	**1,593,142**	1,580,915
Leases liabilities	**1,329,600**	–
Liabilities with continuing involvement *(Note IV. 54)*	**904,020**	1,399,434
Deferred income related to leasing business	**836,305**	1,018,064
Provisions	**808,806**	1,107,868
Items in the process of clearance and settlement	**593,035**	4,781,470
Sundry taxes payable	**586,696**	974,435
Receipts in advance associated with disposal of distressed assets	**558,801**	678,341
Receipts in advance	**385,868**	493,067
Interest payable	**6,991**	735
Others	**795,282**	946,110
Total	**45,779,550**	48,681,367

IV. EXPLANATORY NOTES (continued)

47. Share capital

	For the six months ended June 30, 2019 (Unaudited)	For the year ended December 31, 2018 (Audited)
Authorized, issued and fully paid:		
At beginning of the period/year	**38,164,535**	38,164,535
Issue of shares	**–**	–
At end of the period/year	**38,164,535**	38,164,535

A summary of the movements of the Company's issued shares (in thousands of shares) during the six months ended June 30, 2019 and the year ended December 31, 2018 is as follows:

	2019 (Unaudited)			
	As at January 1,	**Issuance**	**Transfer**	**As at June 30,**
Domestic shares				
– MOF	**24,596,932**	**–**	**–**	**24,596,932**
H shares	**13,567,603**	**–**	**–**	**13,567,603**
Total	**38,164,535**	**–**	**–**	**38,164,535**

	2018 (Audited)			
	As at January 1,	Issuance	Transfer	As at December 31,
Domestic shares				
– MOF	24,596,932	–	–	24,596,932
H shares	13,567,603	–	–	13,567,603
Total	38,164,535	–	–	38,164,535

As at June 30, 2019 and December 31, 2018, there were no shares subject to the lock-up restriction of the Group.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

48. Other equity instruments

For the period ended June 30, 2019, the movements of the Company's other equity instruments were as follows:

	2019 (Unaudited)							
	As at January 1,		Increase		Decrease		As at June 30,	
	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

Pursuant to the approvals by the relevant domestic and overseas authorities, the Company issued the U.S. dollar settled non-cumulative perpetual offshore preference shares on September 30, 2016.

49. Capital reserve

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

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

50. Other comprehensive income

Other comprehensive income attributable to equity holders of the Company is set out below:

	For the six months ended June 30, 2019 (Unaudited)	For the year ended December 31, 2018 (Audited)
At end of previous year	**(1,152,132)**	(1,685,551)
Changes in accounting policies	**–**	629,673
At beginning of the year	**(1,152,132)**	(1,055,878)
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 period	**249,861**	598,745
Amounts reclassified to profit or loss upon disposal	**(101,959)**	(47,862)
Amounts of profit or loss upon impairment	**34,417**	145,476
Income tax effect	**(23,453)**	(180,858)
	158,866	515,501
Exchange differences arising on translation of foreign operations	**(153,833)**	297,234
Share of other comprehensive income of associates and joint ventures	**55,071**	9,934
Income tax effect	**(3,606)**	(41,437)
Subtotal	**56,498**	781,232
Items that will not to be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	**–**	(6,094)
Fair value changes on equity instruments designated as at fair value through other comprehensive income	**703,564**	(1,664,292)
Retained earnings transferred from other comprehensive income	**–**	500,529
Income tax effect	**(176,028)**	292,371
Subtotal	**527,536**	(877,486)
Other comprehensive income for the period	**584,034**	(96,254)
At end of the period/year	**(568,098)**	(1,152,132)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

51. General reserve

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

For the six months ended June 30, 2019 and 2018, as approved in the general meetings, the Company transferred RMB739.87 million and RMB2,516.99 million to the general reserve pursuant to the regulatory requirements in the PRC, respectively.

52. Cash and cash equivalents

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

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Cash	**622,015**	540,490
Balances with central banks	**4,357,282**	5,867,845
Deposits with banks and financial institutions	**46,327,081**	49,629,128
Placements with financial institutions	**6,473,135**	16,260,468
Financial assets held under resale agreements	**22,621,786**	33,768,477
Financial assets at fair value through other comprehensive income	**1,185,526**	–
Cash and cash equivalents	**81,586,825**	106,066,408

IV. EXPLANATORY NOTES (continued)

53. Contingent liabilities and commitments

(1) Legal proceedings

The Group is involved as a defendant in certain lawsuits arising from its normal business operations. As at June 30, 2019, the total claim amount of pending litigations for the Group was RMB2,196.12 million (December 31, 2018: RMB2,243.71 million), and provisions of RMB49.84 million (December 31, 2018: RMB136.34 million) for the Group were made based on court judgments 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.

The total claim amount of pending litigations for the Group as at June 30, 2019 and December 31, 2018 included the lawsuit between Cinda Investment, which is a subsidiary of the Group, and Beijing Junefield Real Estate Development Co., Ltd. ("Junefield Real Estate"), which claim amount was approximately RMB1 billion. Upon receival of the the second trial judgment on the litigation made by the Supreme People's Court (the "Second Trial Judgment") in March 2017, Cinda Investment, Cinda Properties and Cinda Beijing Branch were of the view that there were mistakes in the fact-finding and laws application process in the Second Trial Judgment and therefore, they filed a formal retrial petition to the Supreme People's Court. As of the reporting date of the interim report, the retrial petition of the lawsuit was still in review. The Second Trial Judgement had specified that Cinda Investment should pay RMB1 billion as the liquidated damage to Junefield Real Estate and Junefield Real Estate should return the contract amount and resettlement fee of about RMB2.7 billion to Cinda Investment. Therefore, in August 2019, Cinda Investment agreed to offset RMB1 billion which should pay to Junefield Real Estate as liquidated damage and about RMB2.7 billion which Junefield Real Estate should return to Cinda Investment as the contract amount and resettlement fee pursuant to the ruling on enforcement from the Third Intermediate People's Court of Beijing. The Group currently assesses that the litigation will not have material adverse effect on its operating results and financial conditions, and will not affect the normal operation of the Company. For detailed information of the litigation, please refer to related announcements of the Group.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

53. Contingent liabilities and commitments (continued)

(2) Credit commitments

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Bank bill acceptance	**17,378,900**	16,025,796
Loan commitments[i]	**15,520,831**	14,005,787
Letters of guarantee issued	**3,997,888**	5,385,417
Letters of credit issued	**3,304,284**	3,320,298
Undrawn credit card commitments	**571,143**	669,394
Others	**671,603**	9,512
Total	**41,444,649**	39,416,204
Impairment of credit commitments	**(189,844)**	(174,978)

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 June 30, 2019, the unconditionally revocable loan commitments of the Group amounted to RMB64,287.03 million (December 31, 2018: RMB59,877.65 million).

(3) Other commitments

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Contracted but not provided for		
– Commitments for the acquisition of property and equipment	**105,912**	94,109
Total	**105,912**	94,109

IV. EXPLANATORY NOTES (continued)

54. Transfers of financial assets

The Group enters into transactions in the normal course of business, by which it transfers recognized financial assets to third parties or to structured entities. In some cases where these transferred financial assets qualify for derecognition, the transfers may give rise to full or partial derecognition of the financial assets concerned. In other cases where the transferred assets do not qualify for derecognition as the Group has retained substantially all the risks and rewards of these assets, the Group continued to recognize the transferred assets on the statement of financial position.

Asset-backed securities

The Group enters into securitization transactions, 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 is recorded as a financial liability. As at June 30, 2019, the Group' s carrying amount of transferred assets that did not qualify for derecognition was RMB51,564.41 million (December 31, 2018: RMB35,934.44 million), and the carrying amount of their associated liabilities was RMB54,471.64 million (December 31, 2018: RMB42,552.75 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 RMB661.24 million as at June 30, 2019 (December 31, 2018: RMB588.51 million), which also approximated to the Group's maximum exposure to loss.

Continuing involvement

For those in which the Group has neither transferred nor retained substantially all the risks and rewards of the financial assets transferred to third parties or to structured entities, and retained control of the financial assets, the transferred financial assets are recognized to the extent of the Group's continuing involvement. For the six month period ended June 30, 2019, the carrying amount at the time of transfer of the original financial assets, which the Group determined that it has continuing involvement, was RMB2,828.77 million (for the six month period ended June 30, 2018: Nil). As at June 30, 2019, the carrying amounts of continuing involvement assets recognized by the Group were RMB1,037.02 million (As at December 31, 2018: RMB1,399.43 million) and the carrying amounts of continuing involvement liabilities were RMB904.02 million (As at December 31, 2018: RMB1,399.43 million), which were recognized in other assets and other liabilities respectively.

IV. EXPLANATORY NOTES (continued)

55. Segment information

Information relating to business lines is reported to the Board of Directors of the Company and its relevant management committees, being the chief operating decision makers, for the purposes of resource allocation and assessment of segment performance. Profit before tax is the measure of segment profit or loss reviewed by the chief operating decision makers.

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, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

During the reporting period, the Group has reclassified the business segments, and the prior period comparative.

Distressed asset management operations

The distressed asset management segment comprises the relevant business operated by the Company and certain of its subsidiaries, including (1) management and disposal of distressed debt assets acquired from financial institutions and non-financial enterprises; (2) operation, management and disposal of DES Assets; (3) restructuring, special opportunity business and other debt businesses and equity businesses related to distressed assets and distressed entities in comprehensive operation method; and (4) custody and liquidation businesses.

Financial services operations

The Group's financial services segment comprises the relevant business of the Group, including the provision of financial services in sectors such as banking, securities, future, public offering fund, trust, lease and insurance businesses. These operations were mainly carried out by the subsidiaries of the Company.

There is no significant customer concentration of the Group's business. There is no customer contributing more than 10% to the Group's revenue.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

55. Segment information (continued)

	(Unaudited)			
	Distressed asset management	Financial services	Elimination	Consolidated
For the six months ended June 30, 2019				
Income from distressed debt assets at amortized cost	8,437,539	–	–	8,437,539
Fair value changes on distressed debt assets	6,270,257	–	–	6,270,257
Fair value changes on other financial instruments	9,807,680	1,928,039	(88,478)	11,647,241
Investment income	(205,152)	330,371	–	125,219
Net insurance premiums earned	–	5,571,745	–	5,571,745
Interest income	4,264,663	9,144,291	(439,412)	12,969,542
Revenue from sales of inventories	4,919,144	–	–	4,919,144
Commission and fee income	250,354	1,698,160	(101,865)	1,846,649
Net gains on disposal of subsidiaries, associates and joint ventures	87,351	–	–	87,351
Other income and other net gains or losses	1,312,053	109,226	(27,476)	1,393,803
Total	35,143,889	18,781,832	(657,231)	53,268,490
Interest expense	(18,605,895)	(4,978,026)	523,135	(23,060,786)
Insurance costs	–	(5,800,585)	–	(5,800,585)
Employee benefits	(823,136)	(1,601,121)	–	(2,424,257)
Purchases and changes in inventories	(3,105,984)	–	263	(3,105,721)
Commission and fee expense	(147,119)	(869,531)	16,688	(999,962)
Taxes and surcharges	(236,811)	(43,847)	–	(280,658)
Depreciation and amortization expenses	(373,470)	(447,807)	33,855	(787,422)
Other expenses	(855,433)	(690,528)	9,012	(1,536,949)
Impairment losses on assets	(2,047,590)	(1,402,526)	–	(3,450,116)
Total	(26,195,438)	(15,833,971)	582,953	(41,446,456)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

55. Segment information (continued)

	(Unaudited)			
	Distressed asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	(169,508)	2,419	–	(167,089)
Profit before share of results of associates and joint ventures and tax	8,778,943	2,950,280	(74,278)	11,654,945
Share of results of associates and joint ventures	1,733,039	21,172	–	1,754,211
Profit before tax	10,511,982	2,971,452	(74,278)	13,409,156
Income tax expense				(3,863,277)
Profit for the period				9,545,879
Capital expenditure	212,282	579,437	–	791,719
As at June 30, 2019				
Segment assets	951,282,499	569,932,174	(37,004,453)	1,484,210,220
Including: Interests in associates and joint ventures	70,110,453	1,206,812	–	71,317,265
Unallocated assets				4,031,746
Total assets				1,488,241,966
Segment liabilities	841,161,494	494,868,059	(35,314,921)	1,300,714,632
Unallocated liabilities				3,757,615
Total liabilities				1,304,472,247

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

55. Segment information (continued)

	(Restated)			
	Distressed asset management	Financial services	Elimination	Consolidated
For the six months ended June 30, 2018 (Unaudited)				
Income from distressed debt assets at amortized cost	9,109,285	–	–	9,109,285
Fair value changes on distressed debt assets	5,478,192	–	–	5,478,192
Fair value changes on other financial instruments	11,220,400	538,152	(34,288)	11,724,264
Investment income	227,544	272,552	–	500,096
Net insurance premiums earned	–	6,727,943	–	6,727,943
Interest income	5,050,528	8,069,614	(338,562)	12,781,580
Revenue from sales of inventories	4,879,542	–	–	4,879,542
Commission and fee income	286,038	1,858,061	(226,496)	1,917,603
Net gains on disposal of subsidiaries, associates and joint ventures	744,968	–	–	744,968
Other income and other net gains or losses	986,292	(60,296)	(17,784)	908,212
Total	37,982,789	17,406,026	(617,130)	54,771,685
Interest expense	(19,050,948)	(4,321,422)	335,479	(23,036,891)
Insurance costs	–	(7,340,584)	–	(7,340,584)
Employee benefits	(1,681,727)	(1,500,212)	–	(3,181,939)
Purchases and changes in inventories	(3,177,765)	(6,260)	5,857	(3,178,168)
Commission and fee expense	(712,893)	(735,073)	1,586	(1,446,380)
Taxes and surcharges	(233,785)	(43,552)	–	(277,337)
Depreciation and amortization expenses	(289,992)	(181,066)	(278)	(471,336)
Other expenses	(824,174)	(878,474)	113,528	(1,589,120)
Impairment losses on assets	(2,547,249)	(617,311)	–	(3,164,560)
Total	(28,518,533)	(15,623,954)	456,172	(43,686,315)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

55. Segment information (continued)

	(Restated)			
	Distressed asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	(208,867)	(111,624)	–	(320,491)
Profit before share of results of associates and joint ventures and tax	9,255,389	1,670,448	(160,958)	10,764,879
Share of results of associates and joint ventures	1,046,089	4,943	–	1,051,032
Profit before tax	10,301,478	1,675,391	(160,958)	11,815,911
Income tax expense				(3,323,023)
Profit for the period				8,492,888
Capital expenditure	941,130	133,364	–	1,074,494
As at December 31, 2018 (Audited)				
Segment assets	958,365,635	566,999,156	(35,765,390)	1,489,599,401
Including: Interests in associates and joint ventures	73,096,880	1,198,830	–	74,295,710
Unallocated assets				6,159,808
Total assets				1,495,759,209
Segment liabilities	849,423,941	494,516,489	(32,889,740)	1,311,050,690
Unallocated liabilities				6,140,053
Total liabilities				1,317,190,743

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Related party transactions

(1) The MOF

As at June 30, 2019, the MOF directly owned 64.45% (December 31, 2018: 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 entered into the following transactions with the MOF in its ordinary course of business.

The Group had the following balances with the MOF:

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Financial assets at fair value through other comprehensive income	**19,421,114**	16,227,033
Financial assets at amortized cost	**3,735,429**	3,867,294
Financial assets at fair value through profit or loss	**190,444**	658,429
Accounts receivable	**1,597**	1,597

The Group entered into the following transactions with the MOF:

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Interest income	**366,541**	184,581
Investment income	**24,705**	863

Transactions between the Group and the MOF are mainly investments of treasury bonds issued by the MOF and held by the Group.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Related party transactions (continued)

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Amounts due from subsidiaries	**42,187,388**	37,943,416
Financial assets at fair value through profit or loss	**2,704,943**	2,694,721
Financial assets at amortized cost	**962,525**	936,308
Right-of-use assets	**723,882**	–
Leases liabilities	**728,648**	–
Bonds issued	**394,416**	407,844
Property and equipment	**149,940**	16,836
Other payables	**121,233**	*129,491*
Accounts payable	**–**	*1,633*

The Company had entered into the following transactions with its subsidiaries:

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Interest income	**698,854**	539,941
Fair value changes on other financial instruments	**39,112**	24,934
Dividend income	**20,221**	79,644
Fair value changes on distressed debt assets	**17,497**	14,940
Rental income	**16,539**	15,840
Interest expense	**71,131**	30,699
Depreciation expenses of right-of-use assets	**61,839**	–
Impairment losses on assets	**48,752**	–
Commission and fee expense	**12,775**	2,002
Business and management fees	**7,357**	144,127
Other income and other net gains or losses	**–**	19,991

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Related party transactions (continued)

(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 exercises significant influence or joint control. These transactions were carried out in the ordinary course of business.

The Group had the following balances with its associates and joint ventures:

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Loans and advances to customers	**12,183,937**	11,148,825
Accounts receivable	**1,230**	1,950
Dividend receivable	**69,500**	174,978
Other receivables	**35,131**	59,113
Other payables	**339,055**	271,135
Risk deposit	**122,816**	97,500
Deferred income related to leasing business	**18,425**	13,277

The Group entered into the following transactions with its associates and joint ventures:

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Interest income	**509,616**	379,773
Dividend income	**107,998**	78,072
Commission and fee income	**1,277**	–
Business and management fees	**8,170**	3,760

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

56. Related party transactions (continued)

(4) Government related entities

Other than those disclosed above, the Group has 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.

(5) Annuity scheme

The Group had the following transactions with the Annuity scheme set up by the Company:

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Contribution to the Annuity scheme	**56,991**	59,038

(6) Key management remuneration

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

	For the six months ended June 30,	
	2019 (Unaudited)	2018 (Unaudited)
Emoluments of key management personnel	**3,563**	5,202

IV. EXPLANATORY NOTES (continued)

57. Financial risk management

The types of risk to which the Group is exposed include credit risk, market risk and liquidity risk. Market risk includes interest rate risk, foreign exchange risk and price risk. The Group's primary objectives and policies of risk management, risk management framework is the same as those set out in the Group's consolidated financial statements for the year ended December 31, 2018.

57.1 Credit risk

57.1.1 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 distressed debt assets at amortized cost, loans and advances to customers and other debt or security investments held by the Group.

57.1.2 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 the 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 advances to customers and treasury services. At the end of the reporting period, the maximum exposure to credit risk is as follows:

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Financial risk management (continued)

57.1 Credit risk (continued)

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

The maximum exposure to credit risk at the end of each reporting period is as follows:

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
On-balance sheet		
Balances with central banks	**12,820,595**	16,111,421
Deposits with banks and financial institutions	**72,326,528**	80,102,582
Deposits with exchanges and others	**1,250,864**	967,699
Placements with banks and financial institutions	**8,833,100**	18,470,497
Financial assets at fair value through profit or loss	**125,189,653**	134,400,443
Financial assets held under resale agreements	**24,284,136**	33,805,064
Financial assets at fair value through other comprehensive income	**135,755,149**	113,420,552
Financial assets at amortized cost	**240,627,263**	252,416,716
Loans and advances to customers	**345,468,516**	336,616,502
Accounts receivable	**4,719,548**	4,893,602
Other assets	**11,802,941**	13,599,672
Subtotal	**983,078,293**	1,004,804,750
Off-balance sheet		
Bank bill acceptance	**17,378,900**	16,025,796
Loan commitments	**15,520,831**	14,005,787
Letters of guarantee issued and other credit commitments	**8,544,918**	9,384,621
Subtotal	**41,444,649**	39,416,204
Total	**1,024,522,942**	1,044,220,954

IV. EXPLANATORY NOTES (continued)

57. Financial risk management (continued)

57.1 Credit risk (continued)

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

Among the distressed debt assets at fair value through profit or loss, the distressed assets contain certain elements of credit risk. The risks that such assets are exposed to are the same as those set out in the Group's consolidated financial statements for the year ended December 31, 2018. The carrying amount of distressed debt assets at fair value through profit or loss for the Group as at June 30, 2019 amounted to RMB185,151.70 million (December 31, 2018: RMB189,113.89 million).

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)

IV. EXPLANATORY NOTES (continued)

57. Financial risk management (continued)

57.1 Credit risk (continued)

57.1.3 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Distressed debt assets	**210,277,425**	227,906,360
Loans and advances to customers	**338,060,388**	333,662,931
Subtotal	**548,337,813**	561,569,291
Allowance for impairment losses		
Distressed debt assets	**(9,685,963)**	(12,887,465)
Loans and advances to customers	**(8,609,617)**	(7,661,600)
Subtotal	**(18,295,580)**	(20,549,065)
Net carrying amounts		
Distressed debt assets	**200,591,462**	215,018,895
Loans and advances to customers	**329,450,771**	326,001,331
Total	**530,042,233**	541,020,226

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Financial risk management (continued)

57.1 Credit risk (continued)

57.1.3 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By geographical area

Area	As at June 30, 2019 (Unaudited) Gross amount	%	As at December 31, 2018 (Audited) Gross amount	%
Overseas	**159,098,424**	**29.1**	159,281,362	28.4
Yangtze River Delta	**89,019,270**	**16.2**	94,447,354	16.8
Central Region	**81,675,630**	**14.9**	89,430,989	15.9
Pearl River Delta	**81,209,458**	**14.8**	79,228,387	14.1
Bohai Rim	**70,426,334**	**12.8**	67,963,286	12.1
Western Region	**58,342,697**	**10.6**	62,676,447	11.2
Northeastern Region	**8,566,000**	**1.6**	8,541,466	1.5
Total	**548,337,813**	**100.0**	561,569,291	100.0

Notes:

Overseas:	Including Hong Kong and other overseas regions.
Yangtze River Delta:	Including Shanghai, Jiangsu and Zhejiang.
Central Region:	Including Shanxi, Henan, Hunan, Hubei, Anhui, Jiangxi and Hainan.
Pearl River Delta:	Including Guangdong, Shenzhen and Fujian.
Bohai Rim:	Including Beijing, Tianjin, Hebei and Shandong.
Western Region:	Including Chongqing, Sichuan, Guizhou, Yunnan, Shaanxi, Guangxi, Gansu, Qinghai, Xinjiang, Ningxia and Inner Mongolia.
Northeastern Region:	Including Liaoning, Jilin and Heilongjiang.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Financial risk management (continued)

57.1 Credit risk (continued)

57.1.3 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By industry

Industry	As at June 30, 2019 (Unaudited) Gross amount	%	As at December 31, 2018 (Audited) Gross amount	%
Corporate business				
Real estate	**211,264,087**	**38.5**	214,329,344	38.3
Manufacturing	**68,403,294**	**12.5**	71,054,990	12.7
Leasing and commercial services	**54,082,867**	**9.9**	61,944,527	11.0
Mining	**26,519,976**	**4.8**	29,450,420	5.2
Finance	**24,768,426**	**4.5**	32,203,821	5.7
Transportation, logistics and postal services	**17,550,612**	**3.2**	22,541,922	4.0
Construction	**15,526,104**	**2.8**	16,947,569	3.0
Production and supply of power, heat, gas and water	**13,825,679**	**2.5**	14,360,850	2.6
Others	**64,942,438**	**11.9**	53,612,902	9.5
Subtotal	**496,883,483**	**90.6**	516,446,345	92.0
Personal business				
Mortgage	**24,937,631**	**4.5**	25,355,662	4.5
Personal consumption loans	**19,595,854**	**3.6**	13,594,368	2.4
Subtotal	**44,533,485**	**8.1**	38,950,030	6.9
Loans to margin clients	**6,920,845**	**1.3**	6,172,916	1.1
Total	**548,337,813**	**100.0**	561,569,291	100.0

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Financial risk management (continued)

57.1 Credit risk (continued)

57.1.3 Risk concentration of distressed debt assets and loans and advances to customers at amortized cost (continued)

By security type

	As at June 30, 2019 (Unaudited)		As at December 31, 2018 (Audited)	
	Gross amount	**%**	Gross amount	%
Unsecured	**120,133,358**	**21.9**	115,608,682	20.6
Guaranteed	**81,481,877**	**14.9**	91,657,442	16.3
Mortgaged	**239,679,166**	**43.7**	251,224,086	44.7
Pledged	**107,043,412**	**19.5**	103,079,081	18.4
Total	**548,337,813**	**100.0**	561,569,291	100.0

57.1.4 Past due distressed debt assets and loans and advances to customers at amortized cost

	As at June 30, 2019 (Gross amount) (Unaudited)				
	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	**5,791,128**	**5,416,010**	**1,447,106**	**867,725**	**13,521,969**
Loans and advances to customers	**3,528,256**	**4,201,901**	**3,258,972**	**585,042**	**11,574,171**
Total	**9,319,384**	**9,617,911**	**4,706,078**	**1,452,767**	**25,096,140**

	As at December 31, 2018 (Gross amount) (Audited)				
	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
Loans and advances to customers	1,234,180	1,871,500	4,338,209	681,171	8,125,060
Total	8,533,962	3,363,618	7,937,164	1,386,669	21,221,413

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Financial risk management (continued)

57.1 Credit risk (continued)

57.1.5 Credit quality of distressed assets and loans and advances to customers at amortized cost

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Neither past due nor impaired	**522,807,385**	540,347,878
Past due but not impaired[(1)]	**13,213,007**	6,823,058
Impaired[(2)]	**12,317,421**	14,398,355
Subtotal	**548,337,813**	561,569,291
Allowance for impairment losses	**(18,295,580)**	(20,549,065)
Net carrying amount	**530,042,233**	541,020,226

(1) Past due but not impaired

	As at June 30, 2019 (Gross amount) (Unaudited)				
	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	**5,734,126**	**2,981,561**	**–**	**–**	**8,715,687**
Loans and advances to customers	**2,886,647**	**1,610,673**	**–**	**–**	**4,497,320**
Total	**8,620,773**	**4,592,234**	**–**	**–**	**13,213,007**

	As at December 31, 2018 (Gross amount) (Audited)				
	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
Loans and advances to customers	1,050,619	2	–	–	1,050,621
Total	6,823,056	2	–	–	6,823,058

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Financial risk management (continued)

57.1 Credit risk (continued)

57.1.5 Credit quality of distressed assets and loans and advances to customers at amortized cost (continued)

(2) Impaired

	As at June 30, 2019 (Unaudited) Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	**4,806,282**	**(1,962,104)**	**2,844,178**
Loans and advances to customers	**7,511,139**	**(4,088,340)**	**3,422,799**
Total	**12,317,421**	**(6,050,444)**	**6,266,977**

	As at December 31, 2018 (Audited) 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 June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Distressed debt assets		
Impaired	**4,806,282**	7,323,917
– Portion covered	**3,956,439**	5,589,220
– Portion not covered	**849,843**	1,734,697
Impaired as % of total distressed debt assets	**2.3**	3.2
Fair value of collateral	**4,162,403**	7,043,338
Loans and advances to customers		
Impaired	**7,511,139**	7,074,438
– Portion covered	**4,929,388**	5,559,858
– Portion not covered	**2,581,751**	1,514,580
Impaired as % of total loans and advances to customers	**2.2**	2.1
Fair value of collateral	**6,529,781**	6,520,677

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Financial risk management (continued)

57.1 Credit risk (continued)

57.1.5 Credit quality of distressed 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:

	As at June 30, 2019 (Unaudited) Gross amount	**%**	As at December 31, 2018 (Audited) Gross amount	%
Distressed debt assets				
Bohai Rim	**1,574,440**	**32.8**	2,109,344	28.9
Western Region	**1,360,876**	**28.3**	542,219	7.4
Yangtze River Delta	**968,798**	**20.1**	2,395,025	32.6
Pearl River Delta	**898,525**	**18.7**	1,939,557	26.5
Central Region	**3,643**	**0.1**	–	–
Northeastern Region	**–**	**–**	337,772	4.6
Total	**4,806,282**	**100.0**	7,323,917	100.0
Loans and advances to customers				
Overseas	**2,322,894**	**30.9**	1,699,703	24.0
Western Region	**2,228,893**	**29.7**	2,068,182	29.3
Northeastern Region	**777,058**	**10.3**	713,143	10.1
Central Region	**590,947**	**7.9**	588,601	8.3
Yangtze River Delta	**589,151**	**7.8**	376,563	5.3
Bohai Rim	**581,170**	**7.7**	540,354	7.6
Pearl River Delta	**421,026**	**5.7**	1,087,892	15.4
Total	**7,511,139**	**100.0**	7,074,438	100.0

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Financial risk management (continued)

57.1 Credit risk (continued)

57.1.6 Credit quality of investment products

The tables below set forth the credit quality of investment products, including mixed fund investment, debt securities and trust products.

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
Neither past due nor impaired[(1)]	**284,741,886**	265,423,182
Past due but not impaired[(2)]	**9,781,113**	12,516,487
Impaired[(3)]	**8,622,884**	9,322,192
Subtotal	**303,145,883**	287,261,861
Allowance for impairment losses	**(1,954,000)**	(1,877,356)
Net carrying amounts	**301,191,883**	285,384,505

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Financial risk management (continued)

57.1 Credit risk (continued)

57.1.6 Credit quality of investment products (continued)

(1) Neither past due nor impaired

	As at June 30, 2019 (Unaudited)				As at December 31, 2018 (Audited)			
	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	Financial assets at amortized cost	Financial assets at fair value through other comprehensive income	Total
Government bonds	4,258,292	5,316,293	45,529,676	55,104,261	4,826,641	3,924,588	41,063,983	49,815,212
Public sector and quasi-government bonds	562,287	3,876,989	13,031,478	17,470,754	280,475	2,109,196	12,613,925	15,003,596
Financial institution bonds	868,701	–	50,313,388	51,182,089	541,504	3,717,371	41,427,553	45,686,428
Corporate bonds	6,116,839	3,163,339	26,866,675	36,146,853	5,697,048	2,461,838	18,300,577	26,459,463
Trust products and rights to trust assets	16,645,402	16,054,809	–	32,700,211	18,081,745	16,230,820	–	34,312,565
Wealth management products	2,720,301	–	–	2,720,301	2,962,501	–	–	2,962,501
Asset management plans	8,047,144	704,399	–	8,751,543	10,660,652	910,731	–	11,571,383
Asset-backed securities	489,906	696,253	–	1,186,159	927,070	708,787	–	1,635,857
Derivative financial assets	773,571	–	–	773,571	617,750	–	–	617,750
Embedded derivatives debts	1,673,176	–	–	1,673,176	1,709,681	–	–	1,709,681
Debt investments	18,796,763	7,850,464	–	26,647,227	9,952,213	6,096,157	–	16,048,370
Mixed fund investment	48,792,540	–	–	48,792,540	57,743,378	–	–	57,743,378
Interbank negotiate certificate of deposit	49,752	–	–	49,752	39,246	–	–	39,246
Others	1,032,853	510,596	–	1,543,449	1,345,657	472,095	–	1,817,752
Subtotal	110,827,527	38,173,142	135,741,217	284,741,886	115,385,561	36,631,583	113,406,038	265,423,182
Allowance for impairment losses	–	(607,786)	–	(607,786)	–	(550,156)	–	(550,156)
Total	110,827,527	37,565,356	135,741,217	284,134,100	115,385,561	36,081,427	113,406,038	264,873,026

As at June 30, 2019, the gross amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB135,741.22 million, the allowances of RMB64.97 million was recognized in other comprehensive income.

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.

IV. EXPLANATORY NOTES (continued)

57. Financial risk management (continued)

57.1 Credit risk (continued)

57.1.6 Credit quality of investment products (continued)

(2) Past due but not impaired

As at June 30, 2019, investment products of the Group were financial assets at fair value through profit or loss. The gross amount of investment products was RMB781.11 million.

As at December 31, 2018, investment products of the Group were financial assets at fair value through profit or loss. The gross amount of investment products was RMB12,516.49 million.

(3) Impaired

As at June 30, 2019, the gross amount of the impaired investment products at fair value through profit or loss was RMB4,581.01 million, and the fair value loss of RMB1,721.85 million was recognized. The gross amount of the impaired investment products at fair value through other comprehensive income was RMB13.93 million and an allowance of RMB186.51 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB4,027.94 million, and an allowance of RMB1,346.21 million was recognized.

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 an allowance 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 an allowance of RMB1,317.20 million was recognized.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Financial risk management (continued)

57.2 Market risk

Interest rate risk

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

	As at June 30, 2019 (Unaudited)						
	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	11,577,012	–	–	–	–	1,865,598	13,442,610
Deposits with banks and financial institutions	59,300,563	5,276,658	6,704,355	232,754	762,315	49,883	72,326,528
Placements with banks and financial institutions	5,475,330	1,674,159	1,683,611	–	–	–	8,833,100
Deposits with exchanges and others	1,244,581	–	–	–	–	6,283	1,250,864
Financial assets at fair value through profit or loss	8,464,256	4,788,609	27,407,800	61,043,578	6,793,404	323,372,373	431,870,020
Financial assets at fair value through other comprehensive income	10,646,733	27,411,156	37,214,481	50,776,672	8,270,445	5,546,351	139,865,838
Loans and advances to customers	152,200,482	83,674,030	71,628,420	35,735,860	1,992,996	236,728	345,468,516
Financial assets at amortized cost	19,170,209	19,243,566	80,012,483	117,743,477	4,457,528	–	240,627,263
Accounts receivable	102,226	–	930,920	400,000	–	3,286,402	4,719,548
Financial assets held under resale agreements	22,715,022	451,862	1,095,354	–	–	21,898	24,284,136
Other financial assets	31,124	–	1,482,903	676,561	–	9,789,705	11,980,293
Total financial assets	290,927,538	142,520,040	228,160,327	266,608,902	22,276,688	344,175,221	1,294,668,716
Borrowings from the central bank	–	–	(24,778)	–	–	(986,058)	(1,010,836)
Accounts payable to brokerage clients	(11,740,853)	–	–	–	–	(2,821,177)	(14,562,030)
Due to customers	(125,945,379)	(44,639,132)	(81,545,007)	(8,850,019)	(282,255)	(10,797,327)	(272,059,119)
Deposits from banks and financial institutions	(2,002,830)	(2,878,110)	(7,942,000)	(2,780,000)	–	(166,836)	(15,769,776)
Placements from banks and financial institutions	(6,136,337)	(9,257,892)	(2,077,564)	–	–	(136,958)	(17,608,751)
Financial liabilities at fair value through profit or loss	(2,900,886)	(778,982)	(104,536)	–	–	(450,310)	(4,234,714)
Financial assets sold under repurchase agreements	(5,285,240)	(4,534,967)	(1,408,812)	–	–	(879,070)	(12,108,089)
Investment contract liabilities for policyholders	–	(355)	(3,705)	(2,330,178)	(5,846,331)	–	(8,180,569)
Borrowings	(57,299,476)	(72,720,193)	(275,464,005)	(114,336,786)	(17,766,229)	(3,891,622)	(541,478,311)
Bonds issued	(692,255)	(10,599,229)	(54,065,992)	(120,898,701)	(102,590,205)	(3,813,891)	(292,660,273)
Accounts payable	–	–	–	–	–	(4,170,809)	(4,170,809)
Other financial liabilities	(5,536,070)	(191,357)	(2,517,719)	(4,642,011)	(26,377)	(21,180,591)	(34,094,125)
Total financial liabilities	(217,539,326)	(145,600,217)	(425,154,118)	(253,837,695)	(126,511,397)	(49,294,649)	(1,217,937,402)
Interest rate gap	73,388,212	(3,080,177)	(196,993,791)	12,771,207	(104,234,709)	294,880,572	76,731,314

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Financial risk management (continued)

57.2 Market risk (continued)

Interest rate risk (continued)

	As at December 31, 2018 (Audited)						
	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 the 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)

IV. EXPLANATORY NOTES (continued)

57. Financial risk management (continued)

57.2 Market risk (continued)

Foreign exchange risk

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

The table below indicates the potential effect on profit before tax of a 5% appreciation or depreciation of RMB the spot and forward exchange rates against all other currencies.

	As at June 30, 2019 (Unaudited)	As at December 31, 2018 (Audited)
5% appreciation	**94,460**	(33,349)
5% depreciation	**(94,460)**	33,349

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 June 30, 2019, the Group's equity investments amounted to RMB125,639.36 million, among which an amount of RMB121,528.67 million was classified as at fair value through profit or loss. Additionally, an amount of RMB4,110.69 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.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Financial risk management (continued)

57.3 Liquidity risk

Analysis of the remaining maturity of the financial assets and financial liabilities

	As at June 30, 2019 (Unaudited)							
	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	8,463,327	4,979,283	–	–	–	–	–	13,442,610
Deposits with banks and financial institutions	1,239,482	52,831,634	6,043,239	5,276,419	6,703,000	232,754	–	72,326,528
Placements with banks and financial institutions	–	–	5,475,330	1,674,159	1,683,611	–	–	8,833,100
Deposits with exchanges and others	1,250,864	–	–	–	–	–	–	1,250,864
Financial assets at fair value through profit or loss	291,397,949	5,588,377	3,988,726	9,501,126	24,167,045	83,862,701	13,364,096	431,870,020
Financial assets at fair value through other comprehensive income	4,110,689	–	6,433,720	18,648,167	39,863,291	61,452,849	9,357,122	139,865,838
Loans and advances to customers	6,655,275	18,646,620	13,681,586	33,694,961	80,157,496	151,517,783	41,114,795	345,468,516
Financial assets at amortized cost	12,216,335	–	6,953,874	19,243,566	80,012,483	117,743,477	4,457,528	240,627,263
Accounts receivable	2,106,025	954,672	–	–	1,033,146	400,000	225,705	4,719,548
Financial assets held under resale agreements	–	–	22,700,280	460,569	1,123,287	–	–	24,284,136
Other financial assets	4,265,287	3,551,282	626,822	387	1,687,786	810,386	1,038,343	11,980,293
Total financial assets	331,705,233	86,551,868	65,903,577	88,499,354	236,431,145	416,019,950	69,557,589	1,294,668,716
Borrowings from the central bank	(986,058)	–	–	–	(24,778)	–	–	(1,010,836)
Accounts payable to brokerage clients	–	(14,562,030)	–	–	–	–	–	(14,562,030)
Due to customers	–	(87,597,594)	(48,964,084)	(44,761,464)	(81,559,162)	(8,886,785)	(290,030)	(272,059,119)
Deposits from banks and financial institutions	–	(728,592)	(1,275,530)	(2,906,445)	(7,995,840)	(2,863,369)	–	(15,769,776)
Placements from banks and financial institutions	–	–	(6,157,033)	(9,362,492)	(2,089,226)	–	–	(17,608,751)
Financial liabilities at fair value through profit or loss	–	(76,896)	(2,963,532)	(827,177)	(210,220)	(130,834)	(26,055)	(4,234,714)
Financial assets sold under repurchase agreements	–	(879,660)	(5,285,781)	(4,534,098)	(1,408,550)	–	–	(12,108,089)
Investment contract liabilities for policy holders	–	–	–	(355)	(3,705)	(2,330,178)	(5,846,331)	(8,180,569)
Borrowings	–	(98,407)	(51,118,501)	(74,256,912)	(279,794,919)	(118,208,722)	(18,000,850)	(541,478,311)
Bonds issued	–	–	(720,888)	(10,779,148)	(54,368,636)	(122,496,693)	(104,294,908)	(292,660,273)
Accounts payable	(244,401)	(3,672,837)	(121,514)	(131,723)	(334)	–	–	(4,170,809)
Other financial liabilities	(4,626,652)	(14,116,931)	(825,968)	(446,888)	(4,029,839)	(9,324,755)	(723,092)	(34,094,125)
Total financial liabilities	(5,857,111)	(121,732,947)	(117,432,831)	(148,006,702)	(431,485,209)	(264,241,336)	(129,181,266)	(1,217,937,402)
Net position	325,848,122	(35,181,079)	(51,529,254)	(59,507,348)	(195,054,064)	151,778,614	(59,623,677)	76,731,314

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Financial risk management (continued)

57.3 Liquidity risk (continued)

Analysis of the remaining maturity of the financial assets and financial liabilities (continued)

	As at December 31, 2018 (Audited)							
	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
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
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
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
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
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 the 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

IV. EXPLANATORY NOTES (continued)

57. Financial risk management (continued)

57.4 Risk management of distressed assets

Risk of distressed assets represents the potential loss that may arise from counterparty's failure to meet its obligation or changes in market conditions that lead to a decline in the 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.

The types of risk, their risk management procedures, fair value measurement techniques and impairment assessment are similar to those described in the consolidated financial statements for the year ended December 31, 2018.

57.5 Insurance risk

Insurance risk refers to the uncertainty of claim amounts and timing arising from the unpredictable occurrence of the insured events. The major insurance risk to which the Group is exposed arises from the insurance payment exceeding the associated insurance or investment contract liabilities which the Group recognizes. The uncertainty mainly arises from the claim ratio, significance of claim, actual payment and the progress of long-term claims. Insurance risk management is one of the risk management objectives of the Group. Solvency is the primary indicator for the Group's insurance operation. The Group manages to provide sufficient insurance or investment contract liabilities to meet the obligation for insurance payment.

The types of risk and their risk management measures are the same as those described in the consolidated financial statements for the year ended December 31, 2018.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

57. Financial risk management (continued)

57.5 Insurance risk (continued)

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

	For the six months ended June 30,			
	2019 (Unaudited)		2018 (Unaudited)	
	Amount	**%**	Amount	%
Life insurance	**5,633,037**	**100.0**	6,791,136	100.0
Total	**5,633,037**	**100.0**	6,791,136	100.0

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

	As at June 30, 2019 (Unaudited)		As at December 31, 2018 (Audited)	
	Amount	**%**	Amount	%
Life insurance	**39,371,650**	**96.5**	36,500,450	97.1
Health insurance	**1,350,378**	**3.3**	1,011,049	2.7
Others	**97,413**	**0.2**	95,075	0.2
Total	**40,819,441**	**100.0**	37,606,574	100.0

IV. EXPLANATORY NOTES (continued)

57. Financial risk management (continued)

57.6 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 the required minimum capital. Compliance with the requirement of minimum capital is the primary goal of capital management of the Group.

Minimum capital of the Group is the total of minimum capital of the Company and its subsidiaries after taking into account the percentage of shareholdings, after 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) and Capital Rules for Financial Asset Management Companies (Provisional) (Yinjianfa [2017] No. 56), issued by the CBIRC in 2016 and 2017 respectively, 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 June 30, 2019 and December 31, 2018, the Company complied with the regulatory requirements on the minimum CAR.

IV. EXPLANATORY NOTES (continued)

58. 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 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)

IV. EXPLANATORY NOTES (continued)

58. Fair values of financial instruments (continued)

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

Except as detailed in the following table, the directors of the Company considered that the carrying amounts of financial assets and financial liabilities in the interim condensed consolidated financial statements approximate to their fair values.

	As at June 30, 2019 (Unaudited)	
	Carrying amount	Fair value
Financial assets		
Financial assets at amortized cost		
– Distressed debt assets	**200,380,182**	**198,040,384**
– Other debt instruments	**40,247,081**	**40,244,091**
Accounts receivable	**4,719,548**	**4,710,945**
Total	**245,346,811**	**242,995,420**
Financial liabilities		
Borrowings	**(541,478,311)**	**(542,887,241)**
Bonds issued	**(292,660,273)**	**(296,042,229)**
Total	**(834,138,584)**	**(838,929,470)**

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

58. Fair values of financial instruments (continued)

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

	As at December 31, 2018 (Audited)	
	Carrying amount	Fair value
Financial assets		
Financial assets at amortized cost		
– Distressed debt assets	214,853,205	212,848,831
– Other debt instruments	37,563,511	37,563,511
Accounts receivable	4,893,602	4,891,889
Total	257,310,318	255,304,231
Financial liabilities		
Borrowings	(570,870,150)	(573,323,035)
Bonds issued	(283,115,066)	(285,145,053)
Total	(853,985,216)	(858,468,088)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

58. Fair values of financial instruments (continued)

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

	As at June 30, 2019			
	(Unaudited) Level 1	**(Unaudited) Level 2**	**(Unaudited) Level 3**	**(Unaudited) Total**
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	**–**	**–**	**198,040,384**	**198,040,384**
– Other debt instruments	**3,193,853**	**6,205,296**	**30,844,942**	**40,244,091**
Accounts receivable	**–**	**–**	**4,710,945**	**4,710,945**
Total	**3,193,853**	**6,205,296**	**233,596,271**	**242,995,420**
Financial liabilities				
Borrowings	**–**	**–**	**(542,887,241)**	**(542,887,241)**
Bonds issued	**–**	**(210,233,239)**	**(85,808,990)**	**(296,042,229)**
Total	**–**	**(210,233,239)**	**(628,696,231)**	**(838,929,470)**

	As at December 31, 2018			
	(Audited) Level 1	(Audited) Level 2	(Audited) Level 3	(Audited) Total
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	–	–	212,848,831	212,848,831
– Other debt instruments	3,075,150	5,803,613	28,684,748	37,563,511
Accounts receivable	–	–	4,891,889	4,891,889
Total	3,075,150	5,803,613	246,425,468	255,304,231
Financial liabilities				
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)

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)

IV. EXPLANATORY NOTES (continued)

58. Fair values of financial instruments (continued)

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

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of the reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined, including their fair value hierarchy, valuation technique(s) and key input(s) used.

Financial assets/ financial liabilities	Fair value As at June 30, 2019 (Unaudited)	Fair value As at December 31, 2018 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
1) Financial assets classified as at fair value through profit or loss	**431,870,020**	428,791,036				
Debt securities	**11,815,449**	11,359,204				
– Traded in stock exchanges	**5,029,188**	4,566,686	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inter-bank markets	**2,619,312**	2,515,534	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	**4,066,756**	4,158,723				
– Traded in inactive markets	**100,193**	118,261	Level 3	• Discounted cash flows for the debt component and binomial option pricing model for the option component. • Future cash flows are estimated based on contractual amounts and coupon rates discounted at a rate that reflects the credit risk of the counterparty.	• Discount rates that correspond to the 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 higher the volatility rate, the higher the fair value.
Equity investments listed or traded on exchanges	**9,787,105**	9,262,107				
Unrestricted listed equity investments	**6,500,531**	6,016,773	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Manufacturing	**1,497,666**	1,412,653				
– Financial services	**1,332,300**	1,282,102				
– Leasing and commercial services	**441,045**	189,799				
– Mining	**874,090**	785,699				
– Transportation, warehousing and postal services	**532,308**	559,631				

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

58. Fair values of financial instruments (continued)

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

Financial assets/ financial liabilities	Fair value As at June 30, 2019 (Unaudited)	Fair value As at December 31, 2018 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
– Information transmission, software and information technology services	**380,032**	327,662				
– Culture, sports and entertainment	**333,268**	500,761				
– Health and social security industry	**276,554**	221,160				
– Real estate	**336,936**	234,223				
– Others	**496,332**	503,083				
Preference shares	**468,292**	460,647	Level 2	• Quoted market prices from dealers or independent pricing service vendors	N/A	N/A
– Financial service	**468,292**	460,647				
Restricted listed equity investments	**2,818,282**	2,784,687	Level 3	• Option Pricing Model	• Stock volatility	• The lower the stock volatility, the higher the fair value.
– Manufacturing	**314,500**	640,615				
– Culture, sports and entertainment	**233,400**	234,600				
– Mining	**2,103,727**	1,723,797				
– Others	**166,655**	185,675				
Equity investments in unlisted companies	**61,479,678**	56,426,584				
	57,713,994	52,745,526	Level 3	• Comparable listed company method, comparable transaction case, 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.
	3,765,684	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.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

58. Fair values of financial instruments (continued)

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

Financial assets/ financial liabilities	Fair value: As at June 30, 2019 (Unaudited)	Fair value: As at December 31, 2018 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
Mutual funds	**100,349,273**	104,243,300				
– Mutual funds with open or active quotations	**9,576,129**	10,410,470	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	6,064,281	4,195,827	Level 2	• Quoted market prices from dealers or independent pricing service vendors	N/A	N/A
– Investing in debt instruments	**68,975,480**	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. • 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.
– Investing in unrestricted listed equity	**84,643**	63,151	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Investing in restricted listed equity	**752,541**	697,844	Level 3	• Option Pricing Model	• Stock volatility	• The lower the stock volatility, the higher the fair value.
– Investing in other equity instruments	**14,896,199**	15,851,945	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)

IV. EXPLANATORY NOTES (continued)

58. Fair values of financial instruments (continued)

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

Financial assets/ financial liabilities	Fair value As at June 30, 2019 (Unaudited)	Fair value As at December 31, 2018 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
Debt instruments	**24,488,726**	17,458,309				
– Other debt instruments	**22,815,550**	15,748,628	Level 3	• Discounted cash flows 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.
– Embedded derivative debts	**1,673,176**	1,709,681	Level 3	• Discounted cash flows 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. • Stock price volatility	• The higher the future cash flows, the higher the fair value. • The lower the discount rate, the higher the fair value. • The higher the stock price volatility, the higher the fair value.
Derivative financial assets	**773,571**	620,429				
	623,012	553,874	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	150,559	66,555	Level 2	• Valuation techniques based on market data including interest rate and foreign exchange rate.	N/A	N/A
Interbank negotiate certificate of deposit	**49,752**	39,246	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

58. Fair values of financial instruments (continued)

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

Financial assets/ financial liabilities	Fair value As at June 30, 2019 (Unaudited)	Fair value As at December 31, 2018 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
Distressed debt assets	**185,151,696**	189,113,890	Level 3	• Discounted cash flows 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.
Wealth management products	**1,925,511**	3,072,818	Level 3	• Discounted cash flows 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 flows. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flows, 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.
Assets management plans	**9,454,319**	11,561,633				
– Assets management plans with open or active quotations	**2,516,252**	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	**973,014**	835,279	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

58. Fair values of financial instruments (continued)

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

Financial assets/ financial liabilities	Fair value As at June 30, 2019 (Unaudited)	Fair value As at December 31, 2018 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
– Investing in debt instruments	**4,125,295**	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	**1,839,758**	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.
Asset-backed securities	**768,190**	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. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

58. Fair values of financial instruments (continued)

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

Financial assets/ financial liabilities	Fair value As at June 30, 2019 (Unaudited)	Fair value As at December 31, 2018 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
Trust products and rights to trust assets	**25,604,010**	24,214,547				
– Investing in the portfolio with open or active market quotations	**4,852**	4,868	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**19,022,400**	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	**6,576,758**	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.
Others	**222,740**	73,229				
– Investing in the portfolio with open or active market quotations	**8,080**	8,049	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

58. Fair values of financial instruments (continued)

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

Financial assets/ financial liabilities	Fair value: As at June 30, 2019 (Unaudited)	Fair value: As at December 31, 2018 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
– Investing in debt instruments	**214,660**	65,180	Level 3	• Discounted cash flows 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 flows. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flows, 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) Loans and advances to customers at fair value through profit or loss						
– Loans and advances	**16,017,745**	10,615,171	Level 3	• Discounted cash flows 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.
3) Financial assets at fair value through other comprehensive income	**139,865,838**	116,827,578				
Debt investments at fair value through other comprehensive income	**135,755,149**	113,420,552				
Debt securities	**135,755,149**	113,420,552				
– Traded on stock exchanges	**21,349,957**	21,138,110	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inter-bank markets	**39,200,307**	32,918,490	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	**75,204,885**	59,363,952				

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

58. Fair values of financial instruments (continued)

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

Financial assets/ financial liabilities	Fair value As at June 30, 2019 (Unaudited)	Fair value As at December 31, 2018 (Audited)	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs and fair value
Equity instruments designated as at fair value through other comprehensive income	**4,110,689**	3,407,026				
Restricted listed equity investments	**4,083,244**	3,379,133				
– Manufacturing	**4,083,244**	3,379,133	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
Unlisted equity instruments	**27,445**	27,893				
– Financial service	**27,445**	27,893	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.
4) Financial liabilities at fair value through profit or loss	**(4,234,714)**	(4,523,349)				
– OTC derivative financial liabilities	**(450,310)**	(314,718)	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	**(3,784,404)**	(4,208,631)	Level 2	• Calculated based on the quoted prices of similar assets traded in an active market.	N/A	N/A

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

58. Fair values of financial instruments (continued)

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

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

	As at June 30, 2019 (Unaudited)			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	24,329,755	14,404,898	393,135,367	431,870,020
Loans and advances to customers	–	–	16,017,745	16,017,745
Financial assets at fair value through other comprehensive income	21,349,957	114,405,192	4,110,689	139,865,838
Total assets	45,679,712	128,810,090	413,263,801	587,753,603
Financial liabilities at fair value through profit or loss	–	(4,234,714)	–	(4,234,714)
Total liabilities	–	(4,234,714)	–	(4,234,714)

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

58. Fair values of financial instruments (continued)

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

	As at December 31, 2018 (Audited)			
	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)

There were no transfers between Level 1 and Level 2 for the assets and liabilities measured at fair value during the period/year.

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)

IV. EXPLANATORY NOTES (continued)

58. Fair values of financial instruments (continued)

58.3 Reconciliation of Level 3 fair value measurements

		(Unaudited)	
	Financial assets at FVTPL	Financial assets at FVOCI	Financial liabilities at FVTPL
As at January 1, 2019	391,312,050	3,407,026	–
Recognized in profit or loss	8,478,268	–	–
Recognized in other comprehensive income	–	703,663	–
Purchases	57,635,007	–	–
Settlements/disposals at cost	(63,987,882)	–	–
Transfer out from Level 3	(302,076)	–	–
As at June 30, 2019	393,135,367	4,110,689	–
Unrealized gains or losses for the period included in profit or loss for assets held as at June 30, 2019	5,201,160	–	–

(Amounts in thousands of RMB, unless otherwise stated)

IV. EXPLANATORY NOTES (continued)

58. Fair values of financial instruments (continued)

58.3 Reconciliation of Level 3 fair value measurements (continued)

		(Audited)	
	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	–
Unrealized gains or losses for the year included in profit or loss for assets held at the end of the year	(835,698)	–	–

Certain restricted equity instruments became tradable during the first half of year 2019, and quoted prices in active markets were available for these securities. Therefore, these securities were transferred from Level 3 to Level 1 of the fair value hierarchy at the end of the reporting period.

Total gains or losses for the six months ended June 30, 2019 and the year ended December 31, 2018 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 June 30, 2019 and December 31, 2018 are presented 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)

IV. EXPLANATORY NOTES (continued)

59. Disposal of subsidiaries

During the period, the Group disposed of some of its subsidiaries. None of these disposals were individually significant and their aggregated information is set out below:

Consideration received:

	Period ended June 30, 2019
Cash received	**84,889**

Analysis of assets and liabilities of the subsidiaries disposed of:

	Period ended June 30, 2019
Current assets	**33,993**
Non-current assets	**14,029**
Current liabilities	**35,442**
Non-current liabilities	**10,103**

Net cash flows arising on disposal:

	Period ended June 30, 2019
Cash consideration received	**84,889**
Less: Cash and cash equivalent balances disposed of	**1,811**
Net cash flows	**83,078**

V. EVENTS AFTER THE REPORTING PERIOD

The meeting of the Board of Directors approved the resolution on the dividend allocation of Offshore Preference Shares on August 28, 2019, allowing the Company to distribute dividends of Offshore Preference Shares on September 30, 2019, at the rate of 4.45% per annum (after tax). The aggregate dividend distribution amounted to USD142.4 million (after tax).

On 12 August 2019, Tongda Venture, an indirect non-wholly owned subsidiary of the Company, entered into the Agreement on Assets Acquisition by Issuance of Shares with Liu Yuanzheng, Liu Shuangzhong, Liu Yanzhen, Huijin Investment, Huizhi Investment, Huili Investment, Cinda Investment and Cinda Innovation. At the same time, Tongda Venture entered into the Performance Estimate Indemnification Agreement with Liu Yuanzheng, Liu Shuangzhong, Liu Yanzhen and Huizhi Investment. According to the Transaction Agreements, Tongda Venture will purchase from the Counterparties the aggregated 100% equity interests in Liaoning Censcience Industry Co., Ltd. ("LNSS") held by them by way of issuance of the Consideration Shares. Upon completion of the Transaction, LNSS will become a wholly-owned subsidiary of Tongda Venture, and Tongda Venture will cease to be a subsidiary of the Company.

VI. APPROVAL OF THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The interim condensed consolidated financial statements have been approved by the Board of Directors of the Company on August 28, 2019.

中国信达
CHINA CINDA

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