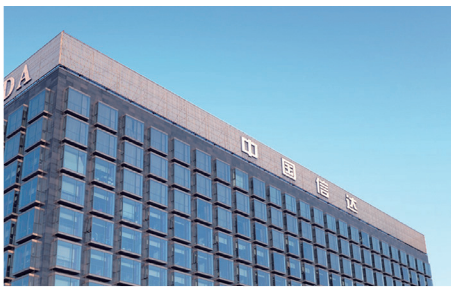
中国信达资产管理股份有限公司
CHINA CINDA ASSET MANAGEMENT CO., LTD.

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

Stock Code: 01359　Preference Shares Stock Code: 04607

2019 Annual Report





Company Profile

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

Our principal business segments include distressed asset management and financial services. Distressed asset management is the core business of the Company. The Company has 33 branches (including Hefei Operation Support Center) in 30 provinces, autonomous regions and municipalities in mainland China and eight subsidiaries as platforms for providing distressed asset management and financial services in mainland China and Hong Kong, including Nanyang Commercial Bank, Limited, Cinda Securities Co., Ltd., China Jingu International Trust Co., Ltd., Cinda Financial Leasing Co., Ltd., Happy Life Insurance Co., Ltd.[1], China Cinda (HK) Holdings Company Limited, Cinda Investment Co., Ltd and Zhongrun Economic Development Co., Ltd. The Group has approximately 16,000 employees.

In 2019, the Company was awarded the "China Top 100 Enterprises Award" and "China Ethical Enterprises Award" by the 19th China Listed Company Top 100 Summit Forum, the "Best Corporate Governance in Listed Companies" and the "Most Socially Responsible Listed Companies" of the 9th China Securities Golden Bauhinia Awards, the "Best Listed Company" of China Financing Awards, the "Prize for Case of Social Responsibility of the Year" of China Finance, as well as the "2019 Excellent Case for Private and SMEs in Financial Services" jointly awarded by the China Banking Association and the China Association of Small and Medium Enterprises.

[1] The Company is in the process of transferring its equity interests in Happy Life. Please see the "Significant Events" – "Major Acquisition and Disposal of Assets and Merger" in this report for details.

Contents

Definitions

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

"(our) Company"	China Cinda Asset Management Co., Ltd.
"(our) Group"	China Cinda Asset Management Co., Ltd. and its subsidiaries
"Articles"	the current articles of association of China Cinda Asset Management Co., Ltd.
"BOC"	Bank of China Limited, a company listed on the Hong Kong Stock Exchange (stock code: 03988) and Shanghai Stock Exchange (stock code: 601988)
"CBIRC"	China Banking and Insurance Regulatory Commission
"CBRC"	The former China Banking Regulatory Commission
"CCB"	China Construction Bank Corporation, a company listed on the Hong Kong Stock Exchange (stock code: 00939) and Shanghai Stock Exchange (stock code: 601939)
"Cinda Futures"	Cinda Futures Co., Ltd., a subsidiary of the Company
"Cinda Hong Kong"	China Cinda (HK) Holdings Company Limited, a subsidiary of the Company
"Cinda International"	Cinda International Holdings Limited, a subsidiary of the Company (a company listed on the Hong Kong Stock Exchange, stock code: 00111)
"Cinda Investment"	Cinda Investment Co., Ltd., a subsidiary of the Company
"Cinda Leasing"	Cinda Financial Leasing Co., Ltd., a subsidiary of the Company
"Cinda Real Estate"	Cinda Real Estate Co., Ltd., a subsidiary of the Company (a company listed on the Shanghai Stock Exchange, stock code: 600657)
"Cinda Securities"	Cinda Securities Co., Ltd., a subsidiary of the Company
"COVID-19"	Corona Virus Disease 2019

"Domestic Share(s)"	ordinary share(s) with nominal value of RMB1.00 each in the share capital of the Company, which is (are) subscribed for or credited as fully paid up in Renminbi
"First State Cinda Fund"	First State Cinda Fund Management Co., Ltd., a subsidiary of the Company
"H Share(s)"	ordinary share(s) with nominal value of RMB1.00 each in the share capital of our Company, which is (are) listed on the Hong Kong Stock Exchange
"Happy Life"	Happy Life Insurance Co., Ltd., a subsidiary of the Company. The Company entered into an equity transfer agreement with the relevant parties on December 13, 2019, by which it proposed to transfer all of its 50.995% equity interests in Happy Life. This transfer has been approved at the shareholders' general meeting of the Company, and is still subject to the approval from the CBIRC
"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
"Latest Practicable Date"	March 17, 2020, being the latest practicable date for the purpose of ascertaining certain information contained in this report prior to its publication
"MOF"	the Ministry of Finance of the PRC
"NCB China"	Nanyang Commercial Bank (China) Limited, a company established 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

"NCSSF"	National Council for Social Security Fund, PRC
"Offshore Preference Share(s)"	160,000,000 non-cumulative perpetual preference shares with a par value of RMB100 per share non-publicly issued by the Company in the offshore market on September 30, 2016, which are listed and traded on the Hong Kong Stock Exchange (stock code: 04607)
"PBOC"	the People's Bank of China
"PRC GAAP"	Accounting Standards for Business Enterprises and the Application Guidance thereof promulgated by MOF, as well as other relevant regulations
"Reporting Period"	the year ended December 31, 2019
"State Council"	the State Council of the People's Republic of China
"Zhongrun Development"	Zhongrun Economic Development Co., Ltd., a subsidiary of the Company

Important Notice

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

On March 31, 2020, at the 2020 first meeting and the 2020 first regular meeting, the Board considered and approved the 2019 Annual Report (2019 Annual Results Announcement) of the Company. There were 10 Directors eligible to attend the meeting, of whom 10 attended in person.

The annual financial reports for 2019 prepared by the Company according to the PRC GAAP and IFRS, respectively, were audited by Ernst & Young Hua Ming LLP and Ernst & Young in accordance with the Chinese and International Standards on Auditing, respectively, and they have issued the standard and unqualified audit reports for the Company.

The Board proposed to distribute a cash dividend for ordinary shares of RMB1.026 per 10 shares (tax inclusive) for 2019 to shareholders, which is subject to the approval at the annual general meeting for 2019.

Board of Directors of China Cinda Asset Management Co., Ltd.
March 31, 2020

The Chairman of the Company, ZHANG Zi'ai, the President of the Company, ZHANG Weidong, and the General Manager of the Finance and Accounting Department of the Company, YANG Yingxun, warrant that the financial statements in this report are true, accurate and complete.

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

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

Corporate Information

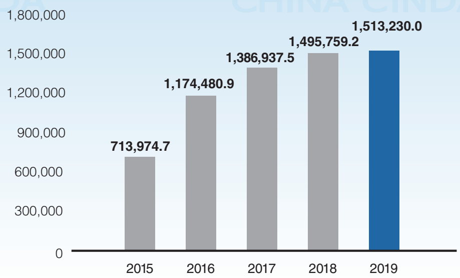
Official Chinese name	中國信達資產管理股份有限公司
Chinese abbreviation	中國信達
Official English name	China Cinda Asset Management Co., Ltd.
English abbreviation	China Cinda
Legal representative	Zhang Zi'ai
Authorized representatives	Zhang Zi'ai, Ai Jiuchao
Board Secretary	Ai Jiuchao
Company Secretary	Ai Jiuchao
Registered address	No. 1 Building, 9 Naoshikou Street, Xicheng District, Beijing, the PRC
Postal code of place of registration	100031
Company's website	www.cinda.com.cn
Principal place of business in Hong Kong	12/F, AIA Central, 1 Connaught Road Central, Central, Hong Kong
Website of Hong Kong Stock Exchange for publishing annual reports	www.hkexnews.hk
Place for maintaining annual reports available for inspection	Board of Directors' Office of the Company
Place of listing of H Shares	The Stock Exchange of Hong Kong Limited
Stock Short Name	China Cinda

Corporate Information

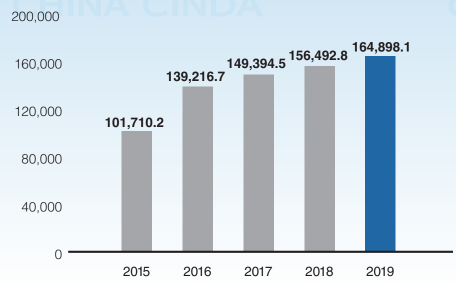
Stock Code	01359
Place of listing of Offshore Preference Shares	The Stock Exchange of Hong Kong Limited
Stock Short Name	CINDA 16USDPREF
Stock Code	04607
Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Social Credit Code	91110000710924945A
Registration number of Financial License	J0004H111000001
Legal advisors as to PRC Law	Haiwen & Partners
	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

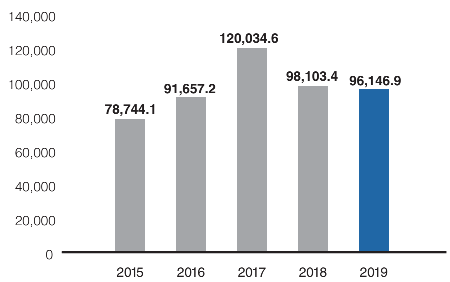
Total assets
Unit: in millions of RMB



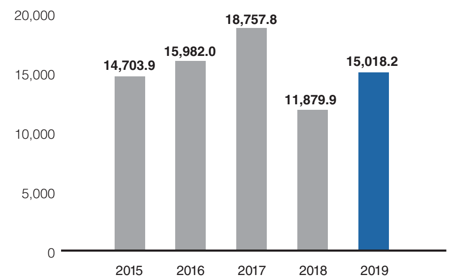
Equity attributable to equity holders of the Company
Unit: in millions of RMB



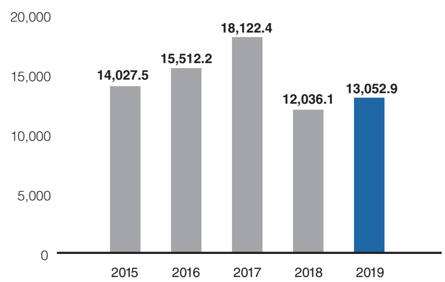
Total income from continuing operations
Unit: in millions of RMB



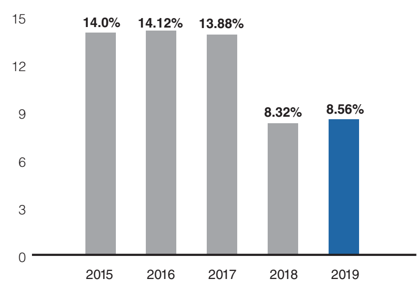
Net profit
Unit: in millions of RMB



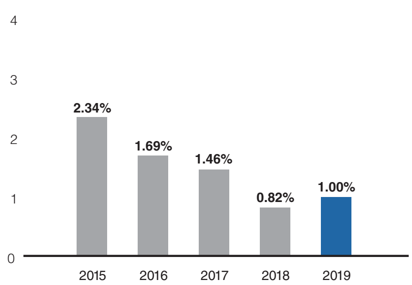
Net profit attributable to equity holders of the Company
Unit: in millions of RMB



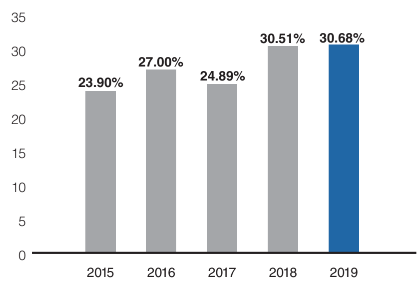
Return on average Shareholder's equity
Unit: %



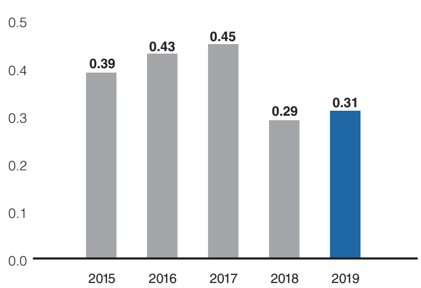
Return on average assets
Unit: %



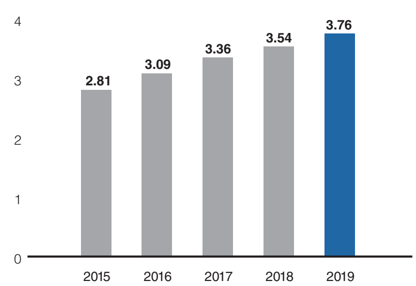
Cost-to-income ratio
Unit: %



Earnings per share
Unit: RMB



Net assets per share
Unit: RMB



The financial information contained in this report was prepared in accordance with the IFRS. Unless otherwise specified, the financial information herein is the consolidated data of the Group and denominated in RMB. Since January 1, 2018, the Group has adopted IFRS 9 – Financial Instruments, and the differences arising from the adoption of IFRS 9 were directly reflected in shareholders' equity on January 1, 2018. As at and for the years ended December 31, 2018 and 2019, 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.

The Group has adopted IFRS 16 – Leases from January 1, 2019 and applied the modified retrospective approach without restating comparative figures. The comparative figures continued to be reported under the requirements of the previous standard, IAS 17, and related interpretations. 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 Note III. "Standards, amendments and interpretations effective in 2019" to the Consolidated Financial Statements.

On December 13, 2019, the Company entered into an equity transfer agreement with independent third parties for the purpose of transfer of 50.995% equity interests in Happy Life held by the Company. As of December 31, 2019, the Company had entered into a legally binding transfer agreement with the transferees, and thus its equity interests in Happy Life were eligible to be classified as assets held for sale. After such classification, insurance was no longer a business segment of the Group, and accordingly, the results of Happy Life are presented as our discontinued operation. For the Group's financial data for 2019, the results of discontinued operation and the results of continuing operations are presented separately, of which, the profit or loss after tax from a discontinued operation are charged into income statement separately. The comparative consolidated statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

	As at and for the year ended December 31,				
	2019	2018	2017	2016	2015
	(in millions of RMB)				
Continuing operations					
Income from distressed debt assets at amortized cost	16,403.6	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	13,645.3	11,451.5	8,266.4	5,716.2	4,420.1
Fair value changes on other financial instruments	14,840.1	16,085.0	2,582.2	2,656.3	1,971.2
Investment income	464.5	152.9	29,465.7	17,991.3	13,552.2
Net insurance premiums earned	–	–	19,266.9	16,635.8	12,912.2
Interest income	25,401.6	25,005.7	20,640.8	14,506.5	13,516.5
Revenue from sales of inventories	18,169.4	17,446.4	14,425.5	10,954.6	7,637.0
Other income and other net gains or losses	7,222.4	8,653.6	7,614.0	7,657.3	5,851.0
Total income	**96,146.9**	**98,103.4**	**120,034.6**	**91,657.2**	**78,744.1**
Impairment losses on assets	(8,924.2)	(8,156.2)	(11,404.7)	(4,813.7)	(4,376.5)
Insurance costs	–	–	(20,913.7)	(17,549.0)	(13,766.9)
Interest expense	(44,366.6)	(46,286.5)	(35,911.1)	(23,223.8)	(20,185.3)
Purchases and changes in inventories	(12,868.8)	(11,382.2)	(10,355.8)	(8,455.8)	(5,587.1)
Other costs and expenses	(12,398.2)	(11,549.3)	(15,651.5)	(14,315.4)	(13,285.6)
Total costs and expenses	**(78,557.8)**	**(77,374.2)**	**(94,236.7)**	**(68,357.7)**	**(57,201.4)**
Change in net assets attributable to other holders of consolidated structured entities	(237.5)	(519.8)	(1,284.7)	(2,331.7)	(2,557.0)
Share of results of associates and joint ventures	1,920.8	2,488.4	1,617.7	797.7	312.2
Profit before tax from continuing operations	19,272.4	22,697.8	26,130.8	21,765.5	19,297.9
Income tax expense	(5,754.6)	(6,951.9)	(7,373.0)	(5,783.5)	(4,594.0)
Profit for the year from continuing operations	**13,517.8**	**15,745.9**	**18,757.8**	**15,982.0**	**14,703.9**
Discontinued operation					
Profit/(loss) after tax for the year from a discontinued operation	**1,500.4**	**(3,866.0)**			
Profit for the year	**15,018.2**	**11,879.9**	**18,757.8**	**15,982.0**	**14,703.9**
Profit attributable to:					
—Equity holders of the Company	13,052.9	12,036.1	18,122.4	15,512.2	14,027.5
—Non-controlling interests	1,965.3	(156.2)	635.4	469.8	676.4

	As at and for the year ended December 31,				
	2019	2018	2017	2016	2015
	(in millions of RMB)				
Assets					
Cash and balances with central banks	19,002.1	16,651.9	21,511.1	17,368.0	46.8
Deposits with banks and financial institutions	70,837.6	80,102.6	54,429.2	75,801.3	64,590.9
Financial assets at fair value through profit or loss	412,164.6	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	136,803.0	116,827.6	–	–	–
Financial assets at amortized cost	227,645.1	252,416.7	–	–	–
Financial assets classified as receivables	–	–	234,226.9	198,787.2	181,058.3
Loans and advances to customers	337,859.1	336,616.5	312,117.5	294,936.6	104,738.5
Assets held for sale	61,394.2	–	–	6,018.9	2,245.6
Other assets	247,524.3	264,352.9	277,674.2	220,027.5	123,402.9
Total assets	**1,513,230.0**	**1,495,759.2**	**1,386,937.5**	**1,174,480.9**	**713,974.7**
Liabilities					
Borrowings from the central bank	1,010.9	986.1	986.1	986.1	986.1
Accounts payable to brokerage clients	14,320.3	10,315.8	12,393.8	16,272.1	21,533.2
Borrowings	536,591.3	570,870.2	580,352.1	450,514.8	317,070.7
Due to customers	275,205.8	254,099.9	226,220.8	204,629.0	–
Accounts payable	5,050.8	5,303.8	3,220.9	3,053.9	4,970.8
Bonds issued	304,849.6	283,115.1	206,482.6	152,497.6	111,773.4
Liabilities held for sale	57,924.1	–	–	3,628.6	–
Other liabilities	129,866.7	192,499.8	189,016.6	194,928.8	146,746.5
Total liabilities	**1,324,819.5**	**1,317,190.7**	**1,218,672.9**	**1,026,510.9**	**603,080.7**
Equity					
Equity attributable to equity holders of the Company	164,898.1	156,492.8	149,394.5	139,216.7	101,710.2
Non-controlling interests	23,512.3	22,075.6	18,870.2	8,753.3	9,183.7
Total equity	**188,410.5**	**178,568.5**	**168,264.7**	**147,970.0**	**110,893.9**
Total equity and liabilities	**1,513,230.0**	**1,495,759.2**	**1,386,937.5**	**1,174,480.9**	**713,974.7**

	As at and for the year ended December 31,				
	2019	2018	2017	2016	2015
	(in millions of RMB)				
Financial indicators					
Return on average shareholders' equity (1)(%)	8.56	8.32	13.88	14.12	14.40
Return on average assets (2)(%)	1.00	0.82	1.46	1.69	2.34
Cost-to-income ratio (3)(%)	30.68	30.51	24.89	27.00	23.90
Earnings per share (4) (RMB)	0.31	0.29	0.45	0.43	0.39
Net assets per share (5) (RMB)	3.76	3.54	3.36	3.09	2.81

Notes:

(1) Represents the percentage of net profit (including net profit for the year from a discontinued operation) 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 and net profit for the year from a discontinued operation) in the average balance of total assets as at the beginning and the end of the period.

(3) Represents the ratio of the sum of employee benefits, depreciation and amortization and other expenses for the period to total income net of insurance costs, commission and fee expense, purchases and changes in inventories and interest expense for the period. The amounts above included amounts from both continuing operations and a discontinued operation.

(4) Represents the net profit for the period (including net profit for the year from a discontinued operation) attributable to ordinary shareholders of the Company divided by the weighted average number of ordinary shares in issue.

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

Chairman's Statement

Chairman
ZHANG Zi'ai

2019 saw a more complex landscape with economic and financial risks and challenges rising both at home and abroad. Globally, economic growth continued to slow down; loose monetary policies expedited debt accumulation; and the economy became ever more vulnerable. Domestically, the economy came under increasing downward pressure, but the economic fundamentals, with stability ensured, were sound and would remain sound over the long term. Facing an economic environment with increasing uncertainties and a financial situation with complexity, the Company adhered to steady operation, resolutely streamlined its systems and improved both quality and efficiency, in an effort to firmly take the path of sustainable development giving priority to efficiency, quality and safety. As of the end of 2019, the total assets of the Group reached RMB1,513.23 billion, representing a year-on-year increase of 1.2%; net profit attributable to equity holders of the Company for the year was RMB13.05 billion, representing a year-on-year increase of 8.4%, with return on average shareholders' equity of 8.56%, up by 0.24 percentage points year-on-year.

We thoroughly implemented the new development philosophy and promoted the high-quality development of the Company. The Company implemented the high-quality development philosophy of "professional operation, efficiency first and value creation" and focused on two strategic priorities, namely the core business of distressed assets and the collaboration of financial services, to create the Company's competitive advantages. Our focus was on the primary duty and core business. Drawing on the valuable experience from the Company's 20 years' operation and learning from advanced practices internationally, we managed to improve our capability in project restructuring and investment banking operation and effectively defuse risks in the financial sector and real economy. By prioritizing quality and efficiency and improving the system and mechanism in line with high-quality development, we constantly turned the advantages of corporate governance, business operation, group coordination and other mechanisms into the efficiency of effective operation. The accelerated integration of the Group's internal resources, the optimized structure of asset allocation and saved capital, laid a foundation for the quality and sustainability of profit-making.

We facilitated the upgrading of core business model and effectively forestalled and defused financial risks. We worked hard on and refined the distressed asset business and strove for a "Professional Cinda", giving full play to the unique financial service functions such as countercyclical financial instruments and financial aid. With close attention paid to the distressed asset market, we expanded the channels for acquiring distressed asset in combination with innovative and upgraded methods for disposal, thus constantly improving the initiative and effectiveness in defusing financial risks. We actively explored the "extensive distressed asset" business mode, and, based on distressed entities and distressed assets, reasonably expanded the merger and restructuring, bankruptcy and reorganization, mezzanine investment, bridging financing, periodic shareholding and other alternative investment banking businesses related to corporate restructuring. In the cross operation of the new and old modes, the business mode has been upgraded steadily, focusing on structural adjustment, project operation and value creation, so as to create a competitive advantage with the capability in project restructuring and investment banking operation as the core. Through the comprehensive application of "financial advisory + bridging financing", "mergers and acquisitions in association with industry leaders + financial services", "acquisition + restructuring" and other tool combinations, we helped distressed entities to restructure and revive, thus boosting industrial merger and reorganization. Relying on professional advantages, we actively participated in the bankruptcy and reorganization of large enterprises and the crisis relief of high-risk financial institutions, thereby effectively and accurately handling risks in key areas.

We deepened reform of our systems and mechanisms and created a new engine for improving efficiency. We strengthened internal management and market-oriented reform and strove for an "Efficient Cinda", with a view to improve the overall operational efficiency. A quality-first business orientation was established and the inadequacies in our systems were made up for. The rate of asset turnover and the resolution of internal risks regarding existing assets accelerated significantly, the quality of existing assets has been continuously optimized. Our adherence to prudent and effective investments helped improve the quality of newly increased businesses. We deepened the pilot market-oriented reforms in subsidiaries and reformed and improved the Group's mode of management and control with a successful transformation to the management of capital and personnel. A mechanism of market-oriented recruitment and tenure management was implemented within team management to activate potential developmental capability. Support was given to subsidiaries to gradually form distinctive advantages of differentiation and to maintain and strengthen collaboration among the Group with excellent expertise, thereby providing a variety of financial tools for adding to the value of the core business. We sped up the integration and optimization of subsidiaries, specifically the integration of Cinda International and Cinda Securities, promoted the equity transfer of Happy Life, and actively pushed the clearing of certain legal entities affiliated to the Group, which laid a foundation for strengthening the Group's management and control and streamlining its systems.

We actively fulfilled our social responsibilities to be a responsible corporate citizen. We were firm in sharing value while creating value and strove for a "Valuable Cinda". We assumed economic responsibility and contributed to economic development, shared development with customers and employees, advocated green development, and furthered targeted precise poverty alleviation to improve social welfare. By serving customers and paying heed to the reorganization and relief of distressed entities, we helped customers achieve "online revitalization" by virtue of our high-quality comprehensive financial services and helped solve social and economic pain points and difficulties. Talents have always been the foundation for the Company's development. We offered a broad development platform for employees and created a positive, entrepreneurial and fair employment ecology, in an aim to promote the common growth of employees and the Company. Green, low-carbon and environmentally friendly concepts were integrated into our business development, operation and management. Green financial businesses were carried out to provide financial support for green enterprises and projects of energy conservation and environmental protection. We unswervingly pursued the poverty alleviation plan and struck a balance between poverty alleviation and confidence and knowledge support to make solid progress in the poverty alleviation tasks in such places as Qinghai and Xinjiang. Outstanding cadres were assigned to fight in the front line of poverty alleviation and the "Jinhui Rural Financial Education Project" was put into effect to help the people in poverty-stricken areas solve their problems and improve their abilities to get rid of poverty. In addition, we actively participated in all sorts of charity activities, supported and encouraged employees to convey love to the society in various forms. In 2019, the Company was granted the "Award for Best Case of Social Responsibility Practice" in China's banking industry, the "Award for Annual Case of Social Responsibility" in China Finance, and the honorary title of "Most Socially Responsible Listed Company" of China Securities Golden Bauhinia Awards.

We constantly improved corporate governance and took the lead in the industry with best practices. Our corporate governance system and operation mechanism were constantly improved, which laid a solid foundation for the high-quality development of the Company. We strengthened the leadership of the Party while improving corporate governance, and integrated the leadership of the Party into all aspects of our corporate governance. The foundation for managing the Company in accordance with laws was further strengthened, and the Articles and relevant governance systems were revised pursuant to regulatory regulations and we strived for a higher level, so as to constantly improve the scientific, standardized and effective governance systems. We advanced the standardized and effective operation of the Board, improved the mechanism for evaluating Directors, strengthened the overall performance assessment of Directors, and improved the Directors' ability to perform their duties diligently and make scientific decisions. In 2019, the Company gained recognition once again in its continuous exploration of best practices in corporate governance, and won the honorary title of "Best Corporate Governance in Listed Companies" of China Securities Golden Bauhinia Awards.

In 2019, the Company completed the election of the Board in accordance with laws and regulations and the Articles, during which the fourth session of the Board was elected and Mr. Zhang Weidong, Mr. Lu Zhengfei and Mr. Lam Chi Kuen joined the new Board. On behalf of the Board, I would like to extend a warm welcome to the new directors and express my heartfelt thanks to the outgoing directors Mr. Chen Xiaozhou, Ms. Yuan Hong, Mr. Chang Tso Tung, Stephen and Mr. Xu Dingbo for their significant contributions to the development of the Company during their tenure!

At the beginning of 2020, COVID-19 epidemic has imposed a huge impact on the world economy and social life, and also brought severe challenges to the Chinese economy. We firmly believe that the impact of the epidemic will be short-term and will not change the long-term development trend of the Chinese economy. We will change pressure into power, turn crisis into opportunity, promote business model upgrading, promote market-oriented reform, strengthen the construction of talent team, fully tap the potential of the Company, and actively respond to external shocks through self-enhancement, in order to provide returns to shareholders and the society through high-quality development!

At this critical moment, we sincerely wish all shareholders, investors and friends from all walks of life safe and healthy! We will work together to overcome the epidemic and usher in an even better tomorrow.

Chairman: **ZHANG Zi'ai**
March 31, 2020

President's Statement

President

Zhang Weidong

In 2019, confronted with a complex situation in which risks and challenges domestic and abroad increased significantly, the Group closely focused on forestalling and defusing financial risks, serving the real economy and supporting supply-side structural reform, and followed the new development philosophy of "professional operation, efficiency first and value creation". With insistence on deepening reform and emphasis on our primary duty and core business, the Group promoted the transformation and upgrading of the "extensive distressed asset" business and actively carried out crisis relief. The asset turnover was expedited and progress was made in capital saving. As a result, the Company's business experienced an all-out transformation from scale- and quantity-oriented to quality- and profit-oriented.

Profits and assets were on the rise with stability ensured. In 2019, the Group recorded a net profit attributable to equity holders of the Company of RMB13.05 billion, representing an increase of 8.4% over the previous year; the return on average shareholders' equity of the Group was 8.56%. As of the end of 2019, the total assets of the Group was RMB1,513.23 billion, representing an increase of 1.2% over the beginning of the year; the core tier-1 capital adequacy ratio of the Company was 11.20%, which had a better margin of safety compared with regulatory requirements.

The advantage of distressed assets as the core business was further expanded. Keeping a close eye on the changes in market situation, the Company developed the distressed assets business of banking financial institutions, actively engaged in the acquisition of the distressed assets of non-banking financial institutions and strengthened the disposal of existing assets, thus making further progress in the transformation of Acquisition-operation Business. The acquisition cost of Acquisition-operation Distressed Asset was RMB52.16 billion in the year. As of the end of 2019, the net balance of Acquisition-operation Distressed Asset reached RMB198.15 billion. The Company actively explored effective ways to dissolve risks of, conduct reorganization on and provide assistances to distressed financial institutions, contributing Cinda's wisdom to forestalling systemic financial risks.

The coverage of the "extensive distressed asset" business was expanded and the business structure was optimized. Focusing on distressed entities and distressed assets, efforts have been made to develop businesses such as separation of secondary business from principal business for central enterprises, crisis relief for corporations, industrial mergers and acquisitions and reorganization, bailing out for listed companies in difficulty, bankruptcy and reorganization, acquisition of defaulting bonds. New breakthroughs have been made in business transformation. Meanwhile, the accelerated turnover has helped form a virtuous cycle of investment and collection.

The strategic integration of subsidiaries' resources was accelerated and the Group's management and control was strengthened. Continuous progress was made in the integration of resources and capital allocation for subsidiaries to further improve the Group's management and control. Guidance was made to subsidiaries to keep their focus on the core business and improve quality and efficiency. We pushed forward the reduction of the levels of affiliated legal entities and the clearing of institutions to strictly control diversification risks. We strengthened the cooperation between subsidiaries to take advantage of the Group's joint efforts.

Risk management and control was strengthened; risks of existing assets were defused; and risks of incremental assets were under control. Under the principle of "amount control, overall management, comprehensive coverage and activation of existing assets", we further strengthened the construction of risk management system, effectively defused risks regarding existing assets and strictly controlled new risks, with more emphasis put on liquidity risk prevention.

Market-oriented reforms of systems and mechanisms were deepened. We furthered reforms in the headquarters and implemented the market-oriented direct-operation reform of front offices to further improve the efficiency of the Group's management and control. As for the "extensive distressed asset" business, we strengthened the overall planning of key areas and business sectors, boosted the innovation of business models and actively promoted the market-oriented reform of subsidiaries.

What the Company faces in 2020 is a more complex economic and financial situation and market competition landscape internationally and domestically. The outbreak of the COVID-19 also adds to the challenges in the operation and business transformation throughout the year despite opportunities. The Company will better adapt to the economic downturn environment, establish a "downward thinking" and actively reform the business model, aiming to, under the business philosophy of "professional operation, efficiency first and value creation", focus on its primary duty and core business, operate in a prudent manner and strive for progress in stability. We will further strengthen the strategy of "client-centric" and endeavor to create an "extensive distressed asset" ecosystem. While improving collaboration within the Group, we will increase effective investment and optimize the asset structure. Through the high-quality development, we will fulfill the responsibilities entrusted to us by the state and strive to create greater value for shareholders, clients and the society.

President: **Zhang Weidong**
March 31, 2020

Statement of Chairman of the Board of Supervisors

Chairman of the Board of Supervisors
GONG Jiande

2019 was the 70th anniversary of the founding of the People's Republic of China, and also the 20th anniversary of the establishment of the Company. In face of a complex situation with obvious increase of risks and challenges domestic and aboard as well as greater downward pressure in economy, the Company, under the the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, enhanced the leadership of the Party by promoting the deep integration between party building and business operation, and enhanced the quality of its business by adhering to steady progress, focusing on its primary duty and core business, strengthening risk management, improving internal management and control, all of which brought the Company a better development in forestalling and defusing financial risks, serving real economy, and supporting supply-side structural reform.

In 2019, the Board of Supervisors deeply implemented the supervision requirements of the CBIRC, and seriously fulfilled all of its supervisory duties centering on the Company's high-quality development ideas of "professional management, efficiency first and value creation". It exerted itself to improve its ability of corporate governance by strengthening the communication with external regulators as well as the Board, the Board of Supervisors and Senior Management, improving and supervising the system of unite conference, conducting supervision and inspection on subsidiaries within the Group, so as to improve the supervisory mechanism in a continuous manner. It exerted itself to improve the effectiveness of supervision by promoting the implementation of regulators' various requirements in "strict regulation and supervision", supervising the implementation of various rectification measures, highlighting the supervisory emphases on focus of core business, improvement of incentive and restraint mechanism, so as to serve the high-quality development of the Company. It also exerted itself to improve its capacity of duty fulfillment by optimizing the personnel structure of the Board of Supervisors, amending systems such as the Procedural Rules of the Meetings of the Board of Supervisors, developing the Management Measures on Implementation of Supervisory Opinions and Suggestions of the Board of Supervisors, strengthening investigation and inspection, giving supervisory opinions, and organizing special training programs, so as to co-ordinate and improve institution and capacity building.

We are strong and firm though struck and beaten without rest, careless of the wind from north or south, east or west. 2020 is the final year for China to build a moderately prosperous society in all respects and implement the 13th Five-Year Plan, a runoff and difficult period to achieve the First Centennial Goal, and also a critical year for the Company to comprehensively deepen its reform. Facing the sudden outbreak of COVID-19, under the firm leadership of the Party Central Committee, we are confident to achieve the Company's overall development goals. The Board of Supervisors will comprehensively implement all of the guidelines and policies issued by the central government, strictly carry out regulatory requirements. To this end, it will focus on the Company's development orientation by promoting the Company to implement various national policies, improving the corporate governance structure, implementing the 2nd Five-Year Strategy of the Company, so as to enhance the corporate governance of the Company. It will focus on the high-quality development of the Company by stirring concerns on business explorations such as "extensive distressed asset"business, promoting the rational allocation of assets and capitals, improving internal control and compliance systems, so as to provide a solid infrastructure for various governances. It will focus on problem rectification by promoting the implementation of problem rectification proposed in external supervision and inspection, strengthening supervision and accountability, emphasizing key risk management, so as to improve the risk management and control capability of the Company. It will also focus on its own capability building by improving its abilities in supervising duty fulfillment, enhancing the coordinated operation system of supervisory, and improving the implementation effect of supervisory proposals, so as to further realize the functions of the Board of Supervisors, and make contributions for the Company to achieve high-quality transformation and development and fulfill its responsibilities in new era.

龚建德

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

March 31, 2020

Management Discussion and Analysis

Economic and Regulatory Environment

2019 witnessed a weak economic growth worldwide, hitting a new low after the financial crisis. The U.S. economy decelerated; economic growths in the Eurozone and Japan remained sluggish; and major emerging economies experienced a general slowdown in growth. Conflicts arising from tariff barriers were constant; international trade and global manufacturing industry were depressed; geopolitical risks were on the rise; and economic structural issues remained pronounced. Monetary policies in major economies shifted to easing, which further pushed up global debt level and financial asset prices, and in turn exacerbated financial vulnerability.

In 2019, China's economy made steady progress while maintaining overall stability. GDP grew at 6.1% year-on-year, representing a continuous medium-to-high growth. Major economic indicators were kept within a reasonable range, with a stable production in manufacturing industry, steady growth in service industry, accelerated social consumption, stable employment, and increased foreign trade and investment. Economic structure kept improving, with a continuously enhanced pull of domestic demand on economic growth, and the increasingly prominent role of consumption as a "ballast"; growths in high-tech industry, equipment manufacturing industry and modern service industry were significantly faster than that in the overall sector; investments in less developed sectors grew rapidly with growing new momentums.

Facing complex situations domestic and abroad, the Chinese government promoted high-quality development by continually adhering to the general tone of pursuing progress while ensuring stability and the main task of supply-side structural reforms, adhering to the new development philosophy and with reform and opening-up as the driving force, and maintained sustained and healthy economic and social development by coordinated efforts to achieve steady growth, promote continued reform, make structural adjustments, improve people's livelihood, guard against risks and maintain stability. First, China solidly implemented the principle of the six-pronged stable strategy and made good use of countercyclical macro policy regulation. China pursued a proactive fiscal policy and a prudent monetary policy, of which fiscal policies with greater intensity and enhanced performance were taken to specifically implement tax cuts and fee reductions, and monetary policies with appropriate tightness were taken to maintain a reasonable and sufficient liquidity. Economic and trade frictions were effectively coped with, with the completion of China-US economic and trade agreement. Reform of the economic system and mechanism was deepened and a new open economic system at a higher level was built. Second, China pressed ahead supply-side structural reform in finance and enhanced the quality and efficiency in serving real economy. China improved the services provided to small and micro businesses and private enterprises, reformed and refined formation mechanisms of quoted interest rates in loan markets and mediated monetary and credit transmission mechanisms, so as to reduce the comprehensive financing costs for enterprises. Financial institutions were guided to increase medium- and long-term financing for manufacturing and private enterprises; Science and Technology Innovation Board and pilot registration-based IPO system were established; and the financing and credit structures were optimized. China also strengthened opening up, relaxed restrictions on market access for foreign investments, so as to optimize the business environment. Third, China forestalled and defused risks in promoting high-quality development with the bottom line thinking. The excessive rise of total debt to GDP ratio was effectively curbed and the clearance of "zombie enterprises" was sped up. China kept a proper mastery of the pace and strength for risk control, specified the responsibilities of financial institutions, local governments and financial regulatory departments, and disposed of high-risk financial institutions in an appropriate manner.

To implement the spirit of the 19th National Congress of CPC and the second, third and fourth plenary sessions of the CPC Central Committee, as well as the Central Economic Work Conference and win the battle to forestall and defuse financial risks, regulatory authorities guided the gradual reduction and effective disposal of financial risks, so that risks were generally under control. First, classification on the risks of financial assets was carried out to give a true picture of banks' credit risks. The Interim Measures for Classification on the Risks of Financial Assets for Commercial Banks sought public opinions, expanded the range of financial assets on which classification of risks should be conducted and extended the objects in risks classification from loans to all financial assets bearing credit risks; a debtor-centered concept of risk classification was introduced and the standard to determine overdue days was defined. Efforts were made to continuously rectify the chaotic phenomena of non-performing loans management. It was strictly forbidden to conceal risks and cover up distressed assets, so as to promote the clean stripping of distressed assets from the balance sheet and assure the quality of assets. Second, operation of local asset management companies was standardized. The Notice on Strengthening the Supervision and Management of Local Asset Management Companies was issued to further strengthen the supervision and management of local asset management companies, clarify the regulatory responsibilities of local financial regulators, and require local asset management companies to return to their original profession and focus on their main businesses. Third, industry of distressed assets management was facilitated to open up. Foreign institutions were encouraged to engage in the disposal of distressed assets and the reform and restructuring of banking, insurance and non-banking financial institutions, especially the reform and restructuring of small and medium-sized institutions; reforms of foreign exchange management of cross-border trade and investment were deepened, and cross-border transfers of distressed bank debts were piloted. Fourth, financial asset management companies were encouraged to expand its investment banking business related to corporate structure adjustment, such as merger and reorganization, bankruptcy and reorganization, mezzanine investment, bridge financing, and staged shareholding. Taken together, the more complex internal and external environment and more systematic regulatory rules have brought opportunities and challenges to the development of the distressed assets market, promoted various market players to actively respond and proactively reform, and further released the industry's development potential.

Analysis of Financial Statements

Operating Results of the Group

In 2019, the Group made great efforts to promote business transformation and upgrading, continued to focus on the primary duty and core business, effectively controlled the growth rate of asset scale, focused on improving asset quality. Meanwhile, the Group accelerated the strategic integration of its internal resources, maintained sufficient capitals and a reasonable level of leverage, further optimized the structure of assets and liabilities, operated its business in a compliance and steady manner, achieved steadily rising operating results.

In 2019, the net profit attributable to equity holders of the Company amounted to RMB13,052.9 million, representing an increase of RMB1,016.8 million, or 8.4%, year-on-year. ROE and ROA were 8.56% and 1.00%, respectively.

	For the year ended December 31,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Continuing operations				
Income from distressed debt assets at amortized cost	16,403.6	19,308.3	(2,904.7)	(15.0)
Fair value changes on distressed debt assets	13,645.3	11,451.5	2,193.8	19.2
Fair value changes on other financial instruments	14,840.1	16,085.0	(1,244.9)	(7.7)
Investment income	464.5	152.9	311.6	203.8
Interest income	25,401.6	25,005.7	395.9	1.6
Revenue from sales of inventories	18,169.4	17,446.4	723.0	4.1
Commission and fee income	3,536.6	3,649.8	(113.2)	(3.1)
Net gains on disposal of subsidiaries, associates and joint ventures	881.6	1,550.9	(669.3)	(43.2)
Other income and other net gains or losses	2,804.2	3,452.9	(648.7)	(18.8)
Total income	**96,146.9**	**98,103.4**	**(1,956.5)**	**(2.0)**
Commission and fee expense	(719.6)	(850.2)	130.6	(15.4)
Purchases and changes in inventories	(12,868.8)	(11,382.2)	(1,486.6)	13.1
Employee benefits	(6,001.9)	(5,370.5)	(631.4)	11.8
Impairment losses on assets	(8,924.2)	(8,156.2)	(768.0)	9.4
Interest expense	(44,366.6)	(46,286.5)	1,919.9	(4.1)
Other expenses	(5,676.7)	(5,328.6)	(348.1)	6.5
Total costs and expenses	**(78,557.8)**	**(77,374.2)**	**(1,183.6)**	**1.5**
Change in net assets attributable to other holders of consolidated structured entities	(237.5)	(519.8)	282.3	(54.3)
Share of results of associates and joint ventures	1,920.8	2,488.4	(567.6)	(22.8)
Profit before tax from continuing operations	19,272.4	22,697.8	(3,425.4)	(15.1)
Income tax expense	(5,754.6)	(6,951.9)	1,197.3	(17.2)
Profit for the year from continuing operations	**13,517.8**	**15,745.9**	**(2,228.1)**	**(14.2)**
Discontinued operation				
Profit/(loss) after tax for the year from a discontinued operation	**1,500.4**	**(3,866.0)**	**5,366.4**	**138.8**
Profit for the year	**15,018.2**	**11,879.9**	**3,138.3**	**26.4**
Profit attributable to:				
—Equity holders of the Company	13,052.9	12,036.1	1,016.8	8.4
—Non-controlling interests	1,965.3	(156.2)	2,121.5	1,358.2

Total Income from Continuing Operations

In 2019, the total income from continuing operations of the Group remained basically stable as compared to last year, decreased from RMB98,103.4 million in 2018 to RMB96,146.9 million in 2019, representing a year-on-year decrease of 2.0%, mainly due to the decrease in income from distressed debt assets at amortized cost and fair value changes on other financial instruments, partly offset by the increase of fair value changes on distressed debt assets.

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 15.0% from RMB19,308.3 million in 2018 to RMB16,403.6 million in 2019. Such income from distressed debt assets accounted for 19.7% and 17.1% of total income from continuing operations in the corresponding periods, respectively. 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 2019.

In 2019, the monthly average balance of distressed debt assets at amortized cost amounted to RMB212,199.0 million (2018: RMB228,369.1 million). The annualized monthly average return of such distressed debt assets (excluding the losses on the disposal of impaired assets) increased from 8.4% in 2018 to 9.1% in 2019, mainly because the Group controlled the growth rate of assets in an effective manner and the asset quality and recovery rate increased in some degree.

Fair Value Changes on Distressed Debt Assets

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 17.9% from RMB11,442.2 million in 2018 to RMB13,484.9 million in 2019, accounting for 11.7% and 14.0% of total income from continuing operations in the corresponding periods, respectively. As at December 31, 2018 and 2019, the balances of Acquisition-operation Distressed Debt Assets at fair value were RMB189,113.9 million and RMB197,621.3 million, respectively.

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

	For the year ended December 31,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Realized fair value changes	12,377.3	11,330.8	1,046.5	9.2
Unrealized fair value changes	1,107.6	111.4	996.2	894.3
Total	**13,484.9**	**11,442.2**	**2,042.7**	**17.9**

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

	For the year ended December 31, (in millions of RMB)
As at December 31, 2017	**148,790.1**
Acquisition during the year	76,054.5
Disposal during the year	(35,842.1)
Unrealized fair value changes	111.4
As at December 31, 2018	**189,113.9**
Acquisition during the year	52,155.4
Disposal during the year	(44,755.6)
Unrealized fair value changes	1,107.6
As at December 31, 2019	**197,621.3**

The fair value changes on Acquisition-operation Distressed Debt Assets of the Group increased by 17.9% in 2019 over 2018. In particular, the realized fair value changes increased by 9.2% from RMB11,330.8 million in 2018 to RMB12,377.3 million in 2019. This is mainly because the Company implemented its strategic deployment, adhered to focusing on its core business, seized market opportunities and controlled disposal pace, recording another new high in its disposal income. As compared to last year, the disposal size increased from RMB35,842.1 million in 2018 to RMB44,755.6 million in 2019. The unrealized fair value changes increased from RMB111.4 million in 2018 to RMB1,107.6 million in 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.

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 RMB16,085.0 million in 2018 to RMB14,840.1 million in 2019, accounting for 16.4% and 15.4% of the total income from continuing operations for the respective periods. Of which, the fair value changes on DES Assets were RMB7,366.8 million and RMB7,463.2 million, respectively, accounting for 7.5% and 7.8% of the total income from continuing operations 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 years indicated.

	For the year ended December 31,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Fair value changes on financial instruments at fair value through profit or loss	5,473.7	5,600.4	(126.7)	(2.3)
DES Assets of the Company[1]	6,963.6	6,434.5	529.1	8.2
Others	(1,489.9)	(834.1)	(655.8)	78.6
Interest income	3,215.2	3,084.6	130.6	4.2
Dividend income	6,151.2	7,400.0	(1,248.8)	(16.9)
DES Assets of the Company	499.6	932.3	(432.7)	(46.4)
Others	5,651.6	6,467.7	(816.1)	(12.6)
Total	**14,840.1**	**16,085.0**	**(1,244.9)**	**(7.7)**

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 increased by 8.2% from RMB6,434.5 million in 2018 to RMB6,963.6 million in 2019, mainly because the valuation of certain DES projects increased at a higher rate over last year.

The loss of fair value changes on other financial assets at fair value through profit or loss increased from RMB834.1 million in 2018 to RMB1,489.9 million in 2019, mainly due to the decrease in valuation of certain projects affected by fluctuations in capital market.

The dividend income generated from other financial assets at fair value through profit or loss decreased by 16.9% from RMB7,400.0 million in 2018 to RMB6,151.2 million in 2019, mainly due to the decrease in dividends income received by the Company under the influence of macro environment.

Investment Income

In 2018 and 2019, the investment income of the Group was RMB152.9 million and RMB464.5 million, respectively.

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

	For the year ended December 31,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Net realized gains from disposal of				
Financial assets at fair value through other comprehensive income	232.0	62.9	169.1	268.8
Loans and advances to customers at amortized cost	149.3	–	149.3	100.0
Other debts	73.3	32.9	40.4	122.8
Dividend income				
Financial assets at fair value through other comprehensive income	9.9	12.2	(2.3)	(18.9)
Others	–	44.9	(44.9)	(100.0)
Total	**464.5**	**152.9**	**311.6**	**203.8**

In 2019, the investment income of the Group was RMB464.5 million, representing an increase of 203.8% from RMB152.9 million in 2018, of which investment income on financial assets at fair value through other comprehensive income was RMB232.0 million, representing an increase of 268.8% from RMB62.9 million in 2018, mainly due to the increase in assets disposal income from NCB and Cinda Securities. In 2019, the investment income from loans and advances to customers at amortized cost increased by RMB 149.3 million, mainly due to the gains from disposal of loans by subsidiaries.

Interest Income

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

	For the year ended December 31,			
	2019	**2018**	**Change**	**Change in percentage**
	(in millions of RMB)			(%)
Loans and advances to customers	17,114.3	16,916.5	197.8	1.2
Financial assets at fair value through other comprehensive income	3,219.9	2,792.7	427.2	15.3
Other debt investments at amortized cost	2,353.1	1,427.5	925.6	64.8
Deposits with banks and financial institutions	952.4	1,007.8	(55.4)	(5.5)
Placements with banks and financial institutions	816.9	1,081.4	(264.5)	(24.5)
Financial assets held under resale agreements	670.7	1,533.0	(862.3)	(56.2)
Others	274.3	246.9	27.4	11.1
Total	**25,401.6**	**25,005.7**	**395.9**	**1.6**

The interest income of the Group increased by 1.6% from RMB25,005.7 million in 2018 to RMB25,401.6 million in 2019, primarily due to the increase in interest income from other debt investment at amortized cost and financial assets at fair value through other comprehensive income, partly offset by the decrease in interest income from financial assets held under resale agreements and placements with banks and financial institutions.

(1) The interest income from other debt investments at amortized cost increased by 64.8% from RMB1,427.5 million in 2018 to RMB2,353.1 million in 2019, mainly due to the scale increase in other debt investments of Cinda Investment resulting in the corresponding increase in interest income.

(2) The interest income from the Group's financial assets at fair value through other comprehensive income increased by 15.3% from RMB2,792.7 million in 2018 to RMB3,219.9 million in 2019, mainly due to the increase in debt investment by Cinda Hong Kong and Cinda Securities resulting in the corresponding increase in interest income.

(3) The interest income from financial assets held under resale agreements of the Group decreased by 56.2% from RMB1,533.0 million in 2018 to RMB670.7 million in 2019, mainly due to the fact that the amount of financial assets held under resale agreements of the Company decreased.

(4) The interest income from placements with banks and financial institutions of the Group decreased by 24.5% from RMB1,081.4 million in 2018 to RMB816.9 million in 2019, mainly due to the fact that the amount of placements with banks and financial institutions of the Group decreased.

Commission and Fee Income

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

	For the year ended December 31,			
	2019	**2018**	**Change**	**Change in percentage**
	(in millions of RMB)			(%)
Banking business	1,053.5	993.2	60.3	6.1
Securities and futures brokerage	953.4	811.2	142.2	17.5
Fund and asset management business	662.3	871.0	(208.7)	(24.0)
Agency business	303.2	363.1	(59.9)	(16.5)
Trustee services	223.3	343.0	(119.7)	(34.9)
Consultancy and financial advisory services	190.2	157.8	32.4	20.5
Securities underwriting	107.9	65.8	42.1	64.0
Others	42.7	44.8	(2.1)	(4.7)
Total	**3,536.6**	**3,649.8**	**(113.2)**	**(3.1)**

The commission and fee income of the Group decreased by 3.1% from RMB3,649.8 million in 2018 to RMB3,536.6 million in 2019, mainly due to the decrease in commission and fee income from fund and asset management business, and trustee services, which was partly offset by the increase in the commission and fee income from securities and futures brokerage. Among which:

(1) The commission and fee income from fund and asset management business decreased by 24.0% from RMB871.0 million in 2018 to RMB662.3 million in 2019, mainly due to the decrease in the scale of funds and assets management business operated by our subsidiaries as administrators.

(2) The commission and fee income from trustee services decreased by 34.9% from RMB343.0 million in 2018 to RMB223.3 million in 2019, mainly due to the decline in the income from trustee services of Jingu Trust.

(3) The commission and fee income from securities and futures brokerage increased by 17.5% from RMB811.2 million in 2018 to RMB953.4 million in 2019, due to the influence from relevant factors such as trading volume of brokerage business.

Revenue from Sale of Inventories and Purchases and Changes in Inventories

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

	For the year ended December 31,			
	2019	**2018**	**Change**	**Change in percentage**
	(in millions of RMB)			**(%)**
Revenue from sales of inventories	18,169.4	17,446.4	723.0	4.1
Purchases and changes in inventories	(12,868.8)	(11,382.2)	(1,486.6)	13.1
including:				
Revenue from sales of properties held for sale	18,155.3	17,438.5	716.8	4.1
Purchases and changes in properties held for sale	(12,855.3)	(11,376.6)	(1,478.7)	13.0
Gross profit from sales of properties held for sale	5,300.0	6,061.9	(761.9)	(12.6)
Gross profit margin from sales of properties held for sale (%)	**29.2**	**34.8**	**(5.6)**	**(16.0)**

The revenue from sale of inventories and purchases and changes in inventories of the Group mainly derives from revenue from sales of properties held for sale and purchases and changes in properties held for sale. The revenue from sales of properties held for sale increased by 4.1% from RMB17,438.5 million in 2018 to RMB18,155.3 million in 2019 while the purchases and changes in properties held for sale increased by 13.0% from RMB11,376.6 million in 2018 to RMB12,855.3 million in 2019, mainly due to the increase in area delivered and carried forward from sale of properties by Cinda Real Estate. The gross profit margin from sales of properties held for sale of the Group decreased by 5.6 percentage points from 34.8% in 2018 to 29.2% in 2019, mainly due the effects on certain projects delivered by Cinda Real Estate during this period by general lower settlement ratios in cities where such projects are located.

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 43.2% from RMB1,550.9 million in 2018 to RMB881.6 million in 2019, mainly because the disposal of associates and joint ventures by Cinda Investment generated more investment income in 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 years indicated.

	For the year ended December 31,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Net gains on exchange differences	839.6	1,148.9	(309.3)	(26.9)
Rental income	815.7	472.7	343.0	72.6
Revenue from hotel operation	401.2	471.9	(70.7)	(15.0)
Revenue from property management business	286.5	265.2	21.3	8.0
Government grants and compensation	188.9	190.3	(1.4)	(0.7)
Revenue from project supervision	122.7	262.2	(139.5)	(53.2)
Net gains on disposal of other assets	97.8	175.9	(78.1)	(44.4)
Others	51.8	465.8	(414.0)	(88.9)
Total	**2,804.2**	**3,452.9**	**(648.7)**	**(18.8)**

The other income and other net gains or losses of the Group decreased by 18.8% from net gain of RMB3,452.9 million in 2018 to net gain of RMB2,804.2 million in 2019, mainly due to the decrease in net gains on exchange differences and other net gains, partly offset by the increase in rental income.

(1) The net gains on exchange differences decreased from RMB1,148.9 million in 2018 to RMB839.6 million in 2019. In 2019, the net gains on exchange differences from the Group's USD and Hong Kong dollar assets decreased year-on-year resulting from exchange rates fluctuation.

(2) The other net gains decreased from RMB465.8 million in 2018 to RMB51.8 million in 2019, mainly due to the higher gains gathered from the Group's acquisition of subsidiaries in 2018.

(3) The rental income increased from RMB 472.7 million in 2018 to RMB 815.7 million in 2019. In 2019, the expanded scale in aircraft lease business of our subsidiaries brought a growth in rental income.

Total Income from a Discontinued Operation

The income from a discontinued operation of the Group refers to the income generated from a subsidiary, namely Happy Life which was classified as held for sale in 2019. The income from a discontinued operation increased by 30.4% from RMB8,922.7 million in 2018 to RMB11,633.9 million in 2019, mainly due to the increase in fair value changes on other financial instruments, partly offset by the decrease in net insurance premiums earned.

The table below sets out the components of the income from a discontinued operation for the years indicated.

	For the year ended December 31,			
	2019	**2018**	**Change**	**Change in percentage**
	(in millions of RMB)			**(%)**
Net insurance premiums earned	8,205.6	9,128.6	(923.0)	(10.1)
Fair value changes on other financial instruments	2,475.5	(1,016.0)	3,491.5	343.7
Interest income	913.1	749.5	163.6	21.8
Commission and fee income	36.9	67.8	(30.9)	(45.6)
Investment income	17.7	1.5	16.2	1,080.0
Other income and other net gains or losses	(14.8)	(8.8)	(6.0)	68.2
Total income from a discontinued operation	**11,633.9**	**8,922.7**	**2,711.2**	**30.4**

Fair Value Changes on Other Financial Instruments

In 2019, the gains from fair value changes on other financial instruments from a discontinued operation increased by RMB 3,491.5 million year-on-year, mainly due to some recovery in the fair values of funds and asset management products similar to funds held by Happy Life.

Net Insurance Premiums Earned

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

	For the year ended December 31,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Gross written premiums	8,246.5	9,165.7	(919.2)	(10.0)
Less: Premiums ceded to reinsurers	36.1	20.7	15.4	74.4
Withdrawal/(reversal) of unearned premium reserves	4.8	16.4	(11.6)	(70.7)
Net insurance premiums earned	**8,205.6**	**9,128.6**	**(923.0)**	**(10.1)**

The net insurance premiums earned decreased by 10.1% from RMB9,128.6 million in 2018 to RMB8,205.6 million in 2019, of which, the gross written premiums decreased by 10.0% from RMB9,165.7 million in 2018 to RMB8,246.5 million in 2019, primarily attributable to the decrease in income from the ordinary life insurance and participating life insurance of Happy Life.

Total Costs and Expenses from Continuing Operations

The costs and expenses of the Group incurred by the continuing operations in 2019 remained basically stable as compared to 2018.

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

	For the year ended December 31,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Interest expense	(44,366.6)	(46,286.5)	1,919.9	(4.1)
Purchases and changes in inventories	(12,868.8)	(11,382.2)	(1,486.6)	13.1
Impairment losses on assets	(8,924.2)	(8,156.2)	(768.0)	9.4
Employee benefits	(6,001.9)	(5,370.5)	(631.4)	11.8
Business depreciation and amortization	(1,558.7)	(939.8)	(618.9)	65.9
Commission and fee expense	(719.6)	(850.2)	130.6	(15.4)
Tax and surcharges	(577.0)	(624.8)	47.8	(7.7)
Other expenses	(3,541.0)	(3,764.0)	223.0	(5.9)
Total	**(78,557.8)**	**(77,374.2)**	**(1,183.6)**	**1.5**

The total costs and expenses from continuing operations of the Group increased by 1.5% from RMB77,374.2 million in 2018 to RMB78,557.8 million in 2019, mainly due to the increase in purchases and changes in inventories, impairment losses on assets, and employee benefits, partly offset by the decrease in interest expense.

Employee Benefits

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

	For the year ended December 31,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Wages or salaries, bonuses, allowances and subsidies	(4,637.6)	(4,159.1)	(478.5)	11.5
Defined contribution plans	(477.3)	(462.3)	(15.0)	3.2
Social insurance	(273.8)	(240.4)	(33.4)	13.9
Housing funds	(185.5)	(190.5)	5.0	(2.6)
Labor union fees and staff education expenses	(131.2)	(125.6)	(5.6)	4.5
Defined benefit plans	(4.6)	(3.9)	(0.7)	17.9
Others	(291.9)	(188.8)	(103.1)	54.6
Total	**(6,001.9)**	**(5,370.5)**	**(631.4)**	**11.8**

The employee benefits increased by 11.8% from RMB5,370.5 million in 2018 to RMB6,001.9 million in 2019, primarily due to the increase in wages or salaries, bonuses, allowances and subsidies of the Group in 2019.

Impairment Losses on Assets

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

	For the year ended December 31,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Financial assets at amortized cost				
Distressed debt assets	(3,544.1)	(4,380.1)	836.0	(19.1)
Other debt investments	(328.3)	(370.3)	42.0	(11.3)
Loans and advances to customers	(2,084.0)	(2,075.4)	(8.6)	0.4
Interests in associates and joint ventures	(1,858.4)	(3.1)	(1,855.3)	59,848.4
Financial assets held under resale agreements	(521.9)	11.6	(533.5)	4,599.1
Properties held for sale	(433.8)	(6.4)	(427.4)	6,678.1
Accounts receivable	115.5	(950.0)	1,065.5	(112.2)
Property and equipment	(75.4)	–	(75.4)	100.0
Deposits with banks and financial institutions	(61.7)	(1.3)	(60.4)	4,646.2
Goodwill	(4.3)	(9.8)	5.5	(56.1)
Other assets	(127.9)	(371.4)	243.5	(65.6)
Total	**(8,924.2)**	**(8,156.2)**	**(768.0)**	**9.4**

The impairment losses on assets of the Group increased by 9.4% from RMB8,156.2 million in 2018 to RMB8,924.2 million in 2019, mainly due to the increase in impairment losses on interests in associates and joint ventures, financial assets held under resale agreements and properties held for sale, partly offset by the decrease in impairment losses on financial assets at amortized cost and accounts receivable.

(1) The impairment losses on interests in associates and joint ventures amounted to RMB1,858.4 million in 2019, mainly due to the Company's provision for impairment in associates and joint ventures.

(2) The impairment losses on financial assets held under resale agreements changed from reverse of RMB11.6 million in 2018 to loss of RMB521.9 million in 2019, mainly due to the increase in allowance for impairment losses provided by subsidiaries with respect to the financial assets held under resale agreements.

(3) Among the financial assets at amortized cost, the impairment losses on distressed debt assets decreased from RMB4,380.1 million in 2018 to RMB3,544.1 million in 2019, mainly due to the overall quality recovery of the distressed debt assets at amortized cost.

(4) The impairment losses on accounts receivable changed from RMB950.0 million in 2018 to reverse of RMB115.5 million in 2019, mainly because the Group disposed of account receivable for which impairment allowance had been accrued in previous years.

Interest Expense

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

	For the year ended December 31,			
	2019	**2018**	**Change**	**Change in percentage**
	(in millions of RMB)			**(%)**
Borrowings	(26,122.3)	(30,492.7)	4,370.4	(14.3)
Bonds issued	(12,046.3)	(10,838.3)	(1,208.0)	11.1
Due to customers	(4,955.5)	(3,431.3)	(1,524.2)	44.4
Deposits from banks and financial institutions	(662.1)	(946.6)	284.5	(30.1)
Placements from banks and financial institutions	(218.2)	(242.7)	24.5	(10.1)
Financial assets sold under repurchase agreements	(191.9)	(210.7)	18.8	(8.9)
Accounts payable to brokerage clients	(45.2)	(37.4)	(7.8)	20.9
Lease liabilities	(43.7)	–	(43.7)	100.0
Others	(81.4)	(86.7)	5.3	(6.1)
Total	**(44,366.6)**	**(46,286.5)**	**1,919.9**	**(4.1)**

The interest expense of the Group decreased by 4.1% from RMB46,286.5 million in 2018 to RMB44,366.6 million in 2019.

The interest expense on borrowings decreased by 14.3% from RMB30,492.7 million in 2018 to RMB26,122.3 million in 2019 and the interest expense on bonds issued increased by 11.1% from RMB10,838.3 million in 2018 to RMB12,046.3 million in 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 bond-based financing mode.

The interest expense on due to customers increased by 44.4% from RMB3,431.3 million in 2018 to RMB4,955.5 million in 2019, mainly due to the increase in both amount of NCB due to customers and the deposit interest rates, which in turn resulted in the increase in corresponding interest expense.

Total Expense from a Discontinued Operation

The expense from a discontinued operation of the Group refers to the expense generated from a subsidiary, namely Happy Life which was classified as held for sale in 2019. The expense from a discontinued operation decreased by 11.3% from RMB12,833.4 million in 2018 to RMB11,387.7 million in 2019, mainly due to the decrease in insurance costs.

The table below sets out the components of the expense from a discontinued operation for the years indicated.

	For the year ended December 31,			
	2019	**2018**	**Change**	**Change in percentage**
	(in millions of RMB)			(%)
Insurance costs	(9,016.0)	(10,543.5)	1,527.5	(14.5)
Commission and fee expense	(988.0)	(921.2)	(66.8)	7.3
Employee benefits	(654.0)	(776.6)	122.6	(15.8)
Interest expense	(322.1)	(188.5)	(133.6)	70.9
Business depreciation and amortization	(93.5)	(63.2)	(30.3)	47.9
Impairment losses on assets	(38.5)	(2.8)	(35.7)	1,275.0
Tax and surcharges	(7.1)	(5.9)	(1.2)	20.3
Other expenses	(268.5)	(331.7)	63.2	(19.1)
Total expense from a discontinued operation	**(11,387.7)**	**(12,833.4)**	**1,445.7**	**(11.3)**

Insurance Costs

The insurance costs of Happy Life decreased by 14.5% from RMB10,543.5 million in 2018 to RMB9,016.0 million in 2019, mainly due to the decrease in surrender payments among other insurance expenses, partly offset by the increase in provisions for insurance contracts.

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

	For the year ended December 31,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
(Reserves)/reverses for insurance contracts	(4,264.9)	2,301.6	(6,566.5)	285.3
Interests credited and policyholder dividends	(666.8)	(1,113.0)	446.2	(40.1)
Refund of reinsurance premiums	19.4	9.0	10.4	115.6
Other insurance expenses[1]	(4,103.7)	(11,741.2)	7,637.5	(65.0)
Total	**(9,016.0)**	**(10,543.5)**	**1,527.5**	**(14.5)**

Note:

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

Income Tax Expense

The table below sets out the income tax expense attributable to continuing operations of the Group for the years indicated.

	For the year ended December 31,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Profit before tax attributable to continuing operations	19,272.4	22,697.8	(3,425.4)	(15.1)
Income tax expense attributable to continuing operations	(5,754.6)	(6,951.9)	1,197.3	(17.2)
Effective tax rate attributable to continuing operations (%)	29.9	30.6	(0.8)	(2.5)

The income tax expense attributable to continuing operations of the Group decreased by 17.2% from RMB6,951.9 million in 2018 to RMB5,754.6 million in 2019, mainly due to the decrease in the taxable income. In 2018 and 2019, the effective tax rates attributable to continuing operations of the Group were 30.6% and 29.9%, respectively.

The table below sets out the income tax credit attributable to a discontinued operation of the Group for the years indicated.

	For the year ended December 31,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Profit before tax attributable to a discontinued operation	273.2	(3,909.3)	4,182.5	107.0
Income tax credit attributable to a discontinued operation(1)	1,227.2	43.2	1,184.0	2,740.7
Profit for the year attributable to a discontinued operation	1,500.4	(3,866.0)	5,366.4	138.8

Note:

(1) As at December 31, 2019, Happy Life was classified as assets held for sale, and the Group recognized deferred tax asset of approximately RMB1.20 billion in 2019 due to deductible temporary difference resulted from cumulative losses of Happy Life.

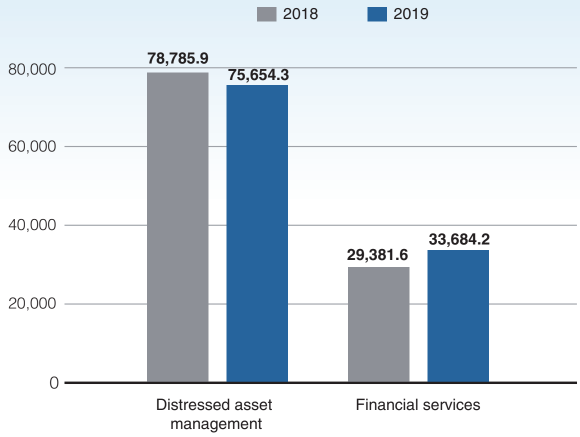
Segment Results of Operations

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

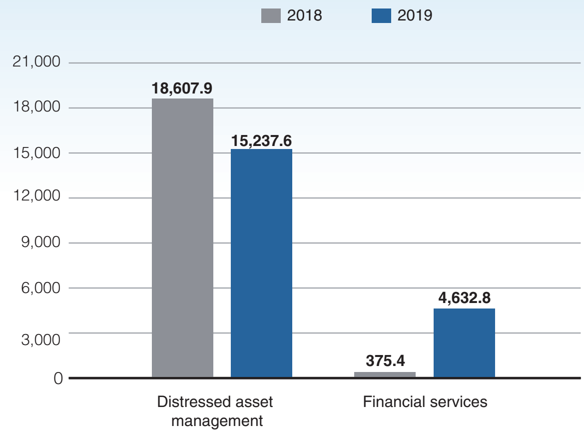
(1) Distressed asset management business, which mainly includes (i) management and disposal of distressed debt assets acquired from financial institutions and non-financial enterprises; (ii) investment, management and disposal of DES Assets; (iii) conducting the distressed asset management business in 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.

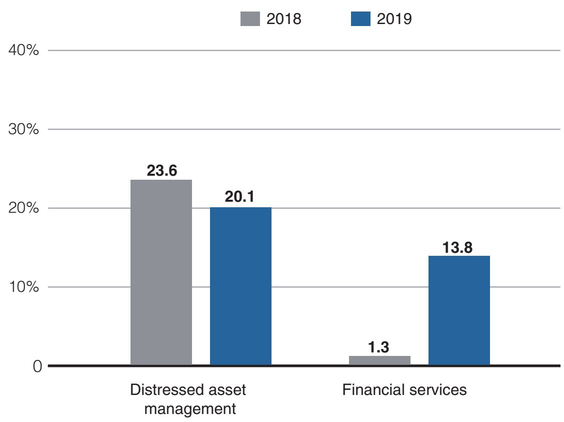
Total income
Unit: in millions of RMB



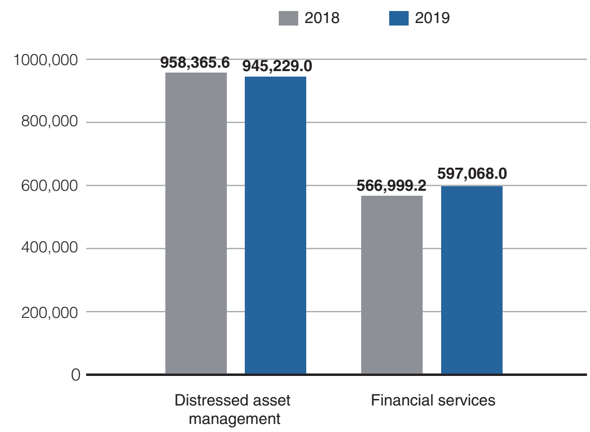
Profit before tax
Unit: in millions of RMB



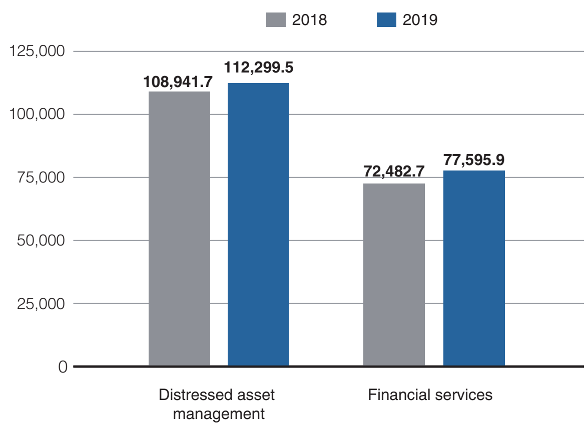
Profit margin before tax
Unit: %



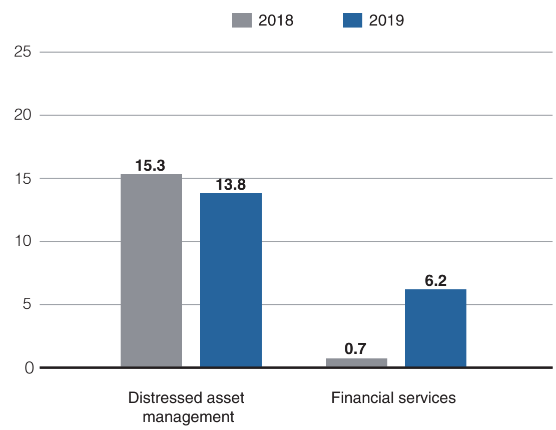
Total assets
Unit: in millions of RMB



Net assets
Unit: in millions of RMB



Return on average net assets before tax
Unit: %



The following table sets forth the segment operation results and financial positions[1] of the Group's business segments as at the dates and for the periods indicated, with the comparative figures restated.

	For the year ended December 31,							
	2019	2018 (Restated)	2019	2018 (Restated)	2019	2018 (Restated)	2019	2018
	Distressed asset management		Financial services		Elimination		Consolidation	
	(in millions of RMB)							
Total income	75,654.3	78,785.9	33,684.2	29,381.6	(1,557.7)	(1,141.5)	107,780.8	107,026.0
Percentage of total (%)	70.2	73.6	31.3	27.5				
Total costs and expenses	(62,076.0)	(62,248.8)	(29,102.4)	(28,905.5)	1,233.0	946.7	(89,945.4)	(90,207.6)
Profit before tax	15,237.6	18,607.9	4,632.8	375.4	(324.7)	(194.8)	19,545.7	18,788.5
Percentage of total (%)	78.0	99.0	23.7	2.0				
Profit margin before tax (%)	20.1	23.6	13.8	1.3			18.1	17.6
Return on average net assets before tax(%)	13.8	15.3	6.2	0.7			10.7	10.8

	As at December 31,							
	2019	2018 (Restated)	2019	2018 (Restated)	2019	2018 (Restated)	2019	2018
	Distressed asset management		Financial services		Unallocated part and elimination[2]		Consolidation	
	(in millions of RMB)							
Total assets	945,229.0	958,365.6	597,068.0	566,999.2	(29,067.0)	(29,605.6)	1,513,230.0	1,495,759.2
Percentage of total (%)	62.5	64.1	39.5	37.9				
Net assets	112,299.5	108,941.7	77,595.9	72,482.7	(1,484.9)	(2,855.9)	188,410.5	178,568.5
Percentage of total (%)	59.6	61.0	41.2	40.6				

Notes:

(1) The segment operation results include both results from continuing operations and a discontinued operation. The segment total assets and net assets include the assets and liabilities held for sale. As Happy Life belonged to financial services segment before it was classified as held for sale, the corresponding results from the discontinued operation, assets and liabilities held for sale accounted into the financial services segment. For the segment data of continuing operations and the relevant gains or losses from the discontinued operation, please see Note VI. 70 "Segment information" and Note VI.76 "Discontinued operation".

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

Distressed asset management is our core business and principal income contributor. In 2018 and 2019, the income generated from distressed asset management accounted for 73.6% and 70.2% of our total income, respectively, and the profit before tax generated from distressed asset management accounted for 99.0% and 78.0% of our total profit before tax, respectively. As at December 31, 2018 and 2019, the total assets of our distressed asset management accounted for 64.1% and 62.5% of our total assets and the net assets of our distressed asset management accounted for 61.0% and 59.6% of our net assets, respectively. In 2018 and 2019, the profit margin before tax of this segment accounted for 23.6% and 20.1%, respectively, and return on average net asset before tax was 15.3% and 13.8%, respectively.

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 2019 increased by 14.6%, and the proportion in the total revenue of the Group increased by 3.8 percentage points compared to the last year, mainly due to the increase in income from banking business and insurance 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 2019, the Group's assets, liabilities and equity maintained steady growth. As at December 31, 2018 and 2019, the total assets of the Group amounted to RMB1,495,759.2 million and RMB1,513,230.0 million, respectively, representing an increase of 1.2%; total liabilities of the Group amounted to RMB1,317,190.7 million and RMB1,324,819.5 million, respectively, representing an increase of 0.6%; total equity amounted to RMB178,568.5 million and RMB188,410.5 million, respectively, representing an increase of 5.5%.

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

	As at December 31,			
	2019		2018	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Assets				
Cash and balances with central bank	19,002.1	1.3	16,651.9	1.1
Deposits with banks and financial institutions	70,837.6	4.7	80,102.6	5.4
Financial assets at fair value through profit or loss	412,164.6	27.2	428,791.0	28.7
Financial assets at fair value through other comprehensive income	136,803.0	9.0	116,827.6	7.8
Loans and advances to customers	337,859.1	22.3	336,616.5	22.5
Financial assets at amortized cost	227,645.1	15.0	252,416.7	16.9
Assets held for sale	61,394.2	4.1	–	–
Other assets	247,524.3	16.4	264,352.9	17.6
Total assets	**1,513,230.0**	**100.0**	**1,495,759.2**	**100.0**
Liabilities				
Borrowings from the central bank	1,010.9	0.1	986.1	0.1
Accounts payable to brokerage clients	14,320.3	1.1	10,315.8	0.8
Due to customers	275,205.8	20.8	254,099.9	19.3
Borrowings	536,591.3	40.5	570,870.2	43.3
Accounts payable	5,050.8	0.4	5,303.8	0.4
Bonds issued	304,849.6	23.0	283,115.1	21.5
Liabilities held for sale	57,924.1	4.4	–	–
Other liabilities	129,866.7	9.8	192,499.8	14.6
Total liabilities	**1,324,819.5**	**100.0**	**1,317,190.7**	**100.0**
Equity				
Equity attributable to equity holders of the Company	164,898.1	87.5	156,492.8	87.6
Non-controlling interests	23,512.3	12.5	22,075.6	12.4
Total equity	**188,410.5**	**100.0**	**178,568.5**	**100.0**
Total equity and liabilities	**1,513,230.0**		**1,495,759.2**	

Assets

Monetary Capital

Monetary capital primarily consists of cash, principal deposits, balances with central banks, clearing settlement funds and deposits with banks and other financial institutions that Cinda Securities holds on behalf of its customers in the securities brokerage business. As at December 31, 2018 and 2019, monetary capital amounted to RMB96,754.5 million and RMB89,839.7 million, respectively, representing a decrease of 7.1%, mainly due to a decrease in deposits with financial institutions.

Financial Assets at Fair Value through Profit or Loss

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

	As at December 31,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Financial assets classified as at fair value through profit or loss				
Listed investments				
Equity investments	9,565.8	9,262.1	303.7	3.3
Debt securities	10,491.0	10,591.7	(100.7)	(1.0)
Funds	2,071.0	2,695.0	(624.0)	(23.2)
Corporate convertible bonds	55.6	107.8	(52.2)	(48.4)
Unlisted investments				
Distressed debt assets	197,621.3	189,113.9	8,507.4	4.5
Funds	89,143.8	101,548.3	(12,404.5)	(12.2)
Equity investments	55,791.2	56,426.6	(635.4)	(1.1)
Debt instruments	28,148.6	17,458.3	10,690.3	61.2
Trust products and asset management plans	15,459.8	35,776.2	(20,316.4)	(56.8)
Security investments	1,642.9	2,044.8	(401.9)	(19.7)
Wealth management products	1,475.9	3,072.8	(1,596.9)	(52.0)
Derivative financial assets	619.3	620.4	(1.1)	(0.2)
Others	78.4	73.2	5.2	7.1
Total	**412,164.6**	**428,791.0**	**(16,626.4)**	**(3.9)**

As at December 31, 2018 and 2019, financial assets at fair value through profit or loss were RMB428,791.0 million and RMB412,164.6 million, respectively, decreasing by 3.9%, mainly due to the decrease in trust products and asset management plans as well as funds investment, partly offset by the increase in debt instruments.

(1) As at December 31, 2018 and 2019, trust products and asset management plans investment at fair value through profit or loss were RMB35,776.2 million and RMB15,459.8 million, respectively, decreasing by 56.8%, mainly due to that the assets in Happy Life of the Group was classified as assets held for sale in 2019 (for the breakdown of the assets in Happy Life classified as held for sale, please see Note VI.76.3 "The assets and liabilities held for sale" to the Consolidated Financial Statements), and certain asset management plans invested by Cinda Investment expired in 2019.

(2) As at December 31, 2018 and 2019, fund investments at fair value through profit or loss (including both listed and unlisted funds) were RMB104,243.3 million and RMB91,214.8 million, respectively, decreasing by 12.5%, mainly due to that the Group classified its assets in Happy Life as assets held for sale in 2019 (for the breakdown of the assets in Happy Life classified as held for sale, please see Note VI.76.3 "The assets and liabilities held for sale" to the Consolidated Financial Statements) which resulted in the decrease in balance of funds investment, while the fund investments of the Company also decreased.

(3) As at December 31, 2018 and 2019, debt instruments at fair value through profit or loss were RMB17,458.3 million and RMB28,148.6 million, respectively, increasing by 61.2%, mainly due to the increase in the balance of debt assets at fair value of the Company.

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 December 31,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
The Group				
Listed	9,565.8	9,262.1	303.7	3.3
Unlisted	55,791.2	56,426.6	(635.4)	(1.1)
Total	**65,357.0**	**65,688.7**	**(331.7)**	**(0.5)**
The Company				
Listed	5,354.5	3,826.5	1,528.0	39.9
Unlisted	28,403.7	26,549.0	1,854.7	7.0
Subtotal	**33,758.2**	**30,375.5**	**3,382.7**	**11.1**
Including:				
DES Assets	31,836.0	28,004.5	3,831.5	13.7
Others	1,922.2	2,371.0	(448.8)	(18.9)
Subtotal	**33,758.2**	**30,375.5**	**3,382.7**	**11.1**

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 whose are solely payments of principal and interest on the principal outstanding, while with a business model whose 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 December 31,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Bonds	131,379.2	112,148.7	19,230.5	17.1
Equity instruments	4,227.6	3,407.0	820.6	24.1
Interest receivable	1,196.3	1,271.8	(75.5)	(5.9)
Total	**136,803.0**	**116,827.6**	**19,975.4**	**17.1**

As at December 31, 2018 and 2019, financial assets at fair value through other comprehensive income were RMB116,827.6 million and RMB136,803.0 million, respectively, increasing by 17.1%, mainly due to the increase in bonds investments of the subsidiaries.

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 December 31,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Distressed debt assets				
Acquired from financial institutions	10,080.5	14,294.1	(4,213.6)	(29.5)
Acquired from non-financial institutions	184,439.4	211,064.0	(26,624.6)	(12.6)
Subtotal	**194,519.9**	**225,358.1**	**(30,838.2)**	**(13.7)**
Interest accrued	3,426.1	2,382.6	1,043.5	43.8
Allowance for impairment losses	(11,510.6)	(12,887.5)	1,376.9	(10.7)
Net balance	**186,435.4**	**214,853.2**	**(28,417.8)**	**(13.2)**
Other financial assets classified as at amortized cost				
Trust products and asset management plans	17,348.9	19,559.2	(2,210.3)	(11.3)
Security investments	6,043.9	12,727.7	(6,683.8)	(52.5)
Others	18,598.2	6,792.7	11,805.5	173.8
Subtotal	**41,991.0**	**39,079.6**	**2,911.4**	**7.4**
Interest accrued	660.3	361.2	299.1	82.8
Allowance for impairment losses	(1,441.6)	(1,877.4)	435.8	(23.2)
Net balance	**41,209.7**	**37,563.5**	**3,646.2**	**9.7**
Total	**227,645.1**	**252,416.7**	**(24,771.6)**	**(9.8)**

As at December 31, 2019, the net balance of distressed debt assets at amortized cost was RMB186,435.4 million, all of which are the Group's Restructured Distressed Assets, decreasing by 13.2% from RMB214,853.2 million as at December 31, 2018.

As at December 31, 2019, the net balance of other financial assets at amortized cost was RMB41,209.7 million, increasing by 9.7% from RMB37,563.5 million as at December 31, 2018, mainly due to the increase in other investment, partly offset by the decrease in trust products and asset management plans and security investments. As at December 31, 2019, decrease in the balance of trust products and asset management plans was mainly due to the expiration of trust products at amortized cost of Cinda Investment. Decrease in the balance of security investments was mainly due to that the Group classified its assets in Happy Life as assets held for sale in 2019 (for the breakdown of the assets in Happy Life classified as held for sale, please see Note VI.76.3 "The assets and liabilities held for sale" to the Consolidated Financial Statements). Increase in the balance of other investment was mainly due to the increase in other debt investments held by Cinda Investment.

As at December 31, 2019, the impaired distressed debt assets at amortized cost of the Company were RMB5,706.1 million, accounting for 2.87% of the total distressed debt assets at amortized cost. As at December 31, 2019, the allowance for impairment losses on distressed debt assets at amortized cost of the Company was RMB11,412.4 million, the coverage ratio of the impaired distressed debt assets at amortized cost was 200.0%, and the coverage ratio of allowance to total distressed debt assets at amortized cost was 5.7%.

Loans and Advances to Customers

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

	As at December 31,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
By business type				
Corporate and personal loans and advances	294,211.9	289,993.1	4,218.8	1.5
Loans to margin clients	7,458.4	6,172.9	1,285.5	20.8
Finance lease receivables	44,459.2	48,112.1	(3,652.9)	(7.6)
Total	**346,129.5**	**344,278.1**	**1,851.4**	**0.5**
By security type				
Mortgaged	102,876.8	108,400.8	(5,524.0)	(5.1)
Pledged	68,909.6	64,456.9	4,452.7	6.9
Guaranteed	53,365.1	63,016.6	(9,651.5)	(15.3)
Unsecured	120,978.0	108,403.8	12,574.2	11.6
Total	**346,129.5**	**344,278.1**	**1,851.4**	**0.5**
Allowance for impairment losses	(8,270.4)	(7,661.6)	(608.8)	7.9
Net balance	**337,859.1**	**336,616.5**	**1,242.6**	**0.4**

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

	As at December 31,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Corporate loans and advances				
Loans and advances	245,348.8	249,820.7	(4,471.9)	(1.8)
Discounted bills	2,036.5	1,222.3	814.2	66.6
Subtotal	**247,385.3**	**251,043.0**	**(3,657.7)**	**(1.5)**
Personal loans and advances				
Mortgages	26,316.5	25,355.7	960.8	3.8
Personal consumption loans	20,510.1	13,594.4	6,915.7	50.9
Subtotal	**46,826.6**	**38,950.1**	**7,876.5**	**20.2**
Total	**294,211.9**	**289,993.1**	**4,218.8**	**1.5**

As at December 31, 2019, the balance of discounted bills was RMB2,036.5 million, all of which were assets formed by the discounted bills business of NCB, representing an increase of 66.6% from RMB1,222.3 million as at December 31, 2018.

As at December 31, 2019, the balance of personal consumption loans was RMB20,510.1 million, all of which were assets formed by the personal consumption loans business of NCB, representing an increase of 50.9% 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 years indicated, as at the dates indicated.

	As at December 31,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Gross amount of finance lease receivables				
Within 1 year (inclusive)	19,919.0	23,135.0	(3,216.0)	(13.9)
1 year to 5 years (inclusive)	25,986.4	27,453.9	(1,467.5)	(5.3)
Over 5 years	3,262.3	2,415.1	847.2	35.1
Less: Unearned finance income	4,932.7	5,173.4	(240.7)	(4.7)
Interest accrued	224.3	281.6	(57.3)	(20.3)
Net amount of finance lease receivables	**44,459.2**	**48,112.1**	**(3,652.9)**	**(7.6)**
Allowance for impairment losses	(2,769.7)	(1,851.5)	(918.2)	49.6
Carrying amount of finance lease receivables	**41,689.5**	**46,260.6**	**(4,571.1)**	**(9.9)**

Liabilities

Liabilities of the Group mainly consist of borrowings, bonds issued and due to customers, accounting for 40.5%, 23.0% and 20.8% of the total liabilities of the Group as at December 31, 2019, respectively.

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

	As at December 31,			
	2019		2018	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Borrowings	536,591.3	45.5	570,870.2	48.6
Bonds issued	304,849.6	25.9	283,115.1	24.2
Due to customers	275,205.8	23.3	254,099.9	21.6
Financial assets sold under repurchase agreements	19,495.6	1.7	12,970.2	1.1
Accounts payable to brokerage clients	14,320.3	1.2	10,315.8	0.9
Deposits from banks and financial institutions	14,157.1	1.2	22,380.7	1.9
Placements from banks and financial institutions	14,084.8	1.2	20,218.7	1.7
Total	**1,178,704.5**	**100.0**	**1,173,970.6**	**100.0**

Borrowings

As at December 31, 2019, the balance of borrowings of the Group amounted to RMB536,591.3 million, decreasing by 6.0% 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 2019, the balance of due to customers of the Group amounted to RMB254,099.9 million and RMB275,205.8 million, respectively. Due to customers of the Group came from NCB.

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

	As at December 31,			
	2019	2018	Change	Change in percentage
	(in millions of RMB)			(%)
Demand deposits	**86,726.0**	**86,784.4**	**(58.4)**	**(0.1)**
Corporate	47,822.3	47,376.7	445.6	0.9
Individual	38,903.7	39,407.7	(504.0)	(1.3)
Time deposits	**176,449.0**	**156,906.3**	**19,542.7**	**12.5**
Corporate	86,160.2	86,118.5	41.7	0.0
Individual	90,288.8	70,787.8	19,501.0	27.5
Guarantee deposits	**10,363.6**	**9,265.4**	**1,098.2**	**11.9**
Interest payable	**1,667.2**	**1,143.7**	**523.5**	**45.8**
Total	**275,205.8**	**254,099.9**	**21,105.9**	**8.3**

Bonds Issued

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

	As at December 31,	
	2019	2018
	(in millions of RMB)	
Financial bonds	93,851.3	106,140.8
USD guaranteed senior notes	77,528.9	76,148.0
Asset-backed securities	70,141.9	42,552.7
Corporate bonds	24,867.6	24,367.8
Tier-2 capital bonds	10,189.4	10,183.1
Subordinated bonds	8,930.7	6,250.0
Mid-term notes	5,076.3	5,073.1
Subordinated notes	4,871.6	–
Debt financing plan	2,988.5	906.2
Certificates of deposit	2,218.9	1,278.8
Debt financing instruments	2,003.9	2,003.9
Beneficiary certificates	1,224.3	2,140.0
Asset-backed notes	909.2	–
HKD bonds	47.2	55.0
Capital supplement bonds	–	6,015.7
Total	**304,849.6**	**283,115.1**

As at December 31, 2018 and 2019, the balance of bonds issued by the Group amounted to RMB283,115.1 million and RMB304,849.6 million, respectively. Bonds issued in 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 while reinforcing the inter-bank financing business. Bonds issued in 2019 mainly consist of (1) asset-backed securities at carrying amount of RMB65.48 billion issued by the Company; (2) corporate bonds at carrying value of RMB11.28 billion issued by Cinda Investment and its subsidiaries; (3) USD guaranteed senior notes at carrying value of USD1.00 billion issued by a subsidiary of Cinda Hong Kong.

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 2019, the claim amounts of pending litigation of which the Group was defendant were RMB2,243.7 million and RMB2,473.8 million, respectively, and provisions of RMB136.3 million and RMB54.9 million for the Group were made based on court judgments or the advice of legal counsel, respectively. The Company believes that the final result of these lawsuits will not have material impacts on the financial position or operations of the Group.

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

There is no difference on the net profit and shareholders' equity for the Reporting Period between Consolidated Financial Statements prepared by the Company under the PRC GAAP and IFRS, respectively.

Business Overview

The principal business segments of our Group[1] include (1) distressed asset management business, including business conducted with respect to distressed assets, such as 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 years indicated.

	For the year ended December 31,			
	2019		2018 (Restated)	
	Total	% of total	Total	% of total
	(in millions of RMB)			
Distressed asset management	75,654.3	70.2	78,785.9	73.6
Financial services	33,684.2	31.3	29,381.6	27.5
Inter-segment elimination	(1,557.7)	(1.5)	(1,141.5)	(1.1)
Total	**107,780.8**	**100.0**	**107,026.0**	**100.0**

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

	For the year ended December 31,			
	2019		2018 (Restated)	
	Profit before tax	% of total	Profit before tax	% of total
	(in millions of RMB)			
Distressed asset management	15,237.6	78.0	18,607.9	99.0
Financial services	4,632.8	23.7	375.4	2.0
Inter-segment elimination	(324.7)	(1.7)	(194.8)	(1.0)
Total	**19,545.7**	**100.0**	**18,788.5**	**100.0**

1 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.

Distressed Asset Management

The distressed asset management business of the Group includes (1) management and disposal of distressed debt assets acquired from financial institutions and non-financial enterprises; (2) investment, management and disposal of DES Assets; (3) conducting the distressed asset 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 2018 and 2019, the income from the distressed asset management business accounted for 73.6% and 70.2% of the total income of the Group, respectively, and the profit before tax from the distressed asset management business accounted for 99.0% and 78.0% 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 years indicated.

	As at and for the year ended December 31,	
	2019	**2018**
	(in millions of RMB)	
Acquisition and disposal of distressed debt assets		
Net balance of distressed debt assets[(1)]	385,449.7	405,247.9
Acquisition cost of distressed debt assets	116,710.8	169,597.6
Income from distressed debt assets[(2)]	30,101.2	30,584.2
Management and disposal of DES Assets		
Book value of DES Assets	77,009.4	69,887.2
Gains on fair value changes[(3)]	7,463.2	7,366.8
Gains on other equity[(4)]	(342.2)	707.9
Other distressed assets		
Book value of other distressed assets[(5)]	123,961.2	116,555.4
Income from other distressed assets[(6)]	5,473.9	9,551.8

Note:

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

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

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

(4) The net gains or losses from DES Assets accused in associates and joint ventures attributed to distressed asset segment; dividend income from DES Assets at fair value through other comprehensive income.

(5) Primarily includes 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.

(6) Gains on other distressed asset 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-banking 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 years indicated.

	As at and for the year ended December 31,			
	2019		2018	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Net balance of distressed debt assets[1]				
FI Distressed Assets	192,258.8	49.9	193,514.9	47.8
NFE Distressed Assets	193,190.9	50.1	211,733.0	52.2
Total	**385,449.7**	**100.0**	**405,247.9**	**100.0**
Acquisition cost of distressed debt assets[2]				
FI Distressed Assets	47,655.4	40.8	75,187.3	44.3
NFE Distressed Assets	69,055.4	59.2	94,410.3	55.7
Total	**116,710.8**	**100.0**	**169,597.6**	**100.0**
Income from distressed debt assets[3]				
FI Distressed Assets	13,163.5	43.7	12,666.9	41.4
NFE Distressed Assets	16,937.7	56.3	17,917.3	58.6
Total	**30,101.2**	**100.0**	**30,584.2**	**100.0**

Note:

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

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

(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 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-banking financial institutions for the years indicated.

	For the year ended December 31,			
	2019		2018	
	Acquisition Amount	% of total	Acquisition Amount	% of total
	(in millions of RMB)			
Large commercial banks	15,001.0	31.5	22,489.1	29.9
Joint-stock commercial banks	13,446.7	28.2	31,863.3	42.4
City and rural commercial banks	3,938.2	8.3	11,127.3	14.8
Other banks(1)	1,553.6	3.3	7,512.4	10.0
Non-banking financial institutions(2)	13,715.9	28.7	2,195.2	2.9
Total	**47,655.4**	**100.0**	**75,187.3**	**100.0**

Note:

(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 years indicated.

	As at and for the year ended December 31,			
	2019		2018	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Net balance of distressed debt assets				
Acquisition-operation distressed assets(1)	198,146.5	51.4	189,458.4	46.8
Restructured distressed assets(2)	187,303.2	48.6	215,789.5	53.2
Total	**385,449.7**	**100.0**	**405,247.9**	**100.0**
Acquisition cost of distressed debt assets				
Acquisition-operation distressed assets	52,155.3	44.7	75,944.7	44.8
Restructured distressed assets	64,555.5	55.3	93,652.9	55.2
Total	**116,710.8**	**100.0**	**169,597.6**	**100.0**
Income from distressed debt assets				
Acquisition-operation distressed assets(3)	13,602.2	45.2	11,272.8	36.9
Restructured distressed assets(4)	16,499.0	54.8	19,311.4	63.1
Total	**30,101.2**	**100.0**	**30,584.2**	**100.0**

Note:

(1) Equivalent to the Company's "distressed debt assets at fair value through profit or loss", as presented in the Consolidated Financial Statements.

(2) Equivalent to the Company's "distressed debt assets at amortized cost" minus any recognized impairment losses, as presented in the Consolidated Financial Statements.

(3) Equivalent to the Company's realized and unrealized "fair value changes on distressed debt assets", as presented in the Consolidated Financial Statements.

(4) Equivalent to the Company's "income from distressed debt assets at amortized cost", as presented in the Consolidated Financial Statements.

Acquisition-operation Distressed Assets

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 years indicated.

	As at and for the year ended December 31,	
	2019	**2018**
	(in millions of RMB)	
Net balance of Acquisition-operation Distressed Assets	198,146.5	189,458.4
Acquisition cost of Acquisition-operation Distressed Assets	52,155.3	75,944.7
Carrying amount of Acquisition-operation Distressed Assets disposed[(1)]	46,052.9	35,091.3
Unrealized fair value changes	1,258.0	170.3
Net income from Acquisition-operation Distressed Assets	13,602.2	11,272.8
Internal rate of return[(2)](%)	15.6	15.5

Note:

(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 2019, the Company coped with the new situation in the distressed asset market flexibly and continued to promote high quality development of acquisition-operation business. In terms of asset acquisition, the Company accurately grasped the opportunities of 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 achieved effective acquisition. In terms of asset disposal, the Company enhanced the classification of assets, accelerated asset turnover, implemented cash recovery, and realised better gain.

Restructured Distressed Assets

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

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

	As at and for the year ended December 31,	
	2019	**2018**
	(in millions of RMB)	
Net balance of Restructured Distressed Assets	187,303.2	215,789.5
Acquisition cost of Restructured Distressed Assets	64,555.5	93,652.9
Income from Restructured Distressed Assets	16,499.0	19,311.4
Annualized return on monthly average balance[(1)](%)	9.1	8.4
Balance of impaired Restructured Distressed Assets	5,706.1	7,157.4
Impaired Restructured Distressed Assets ratio[(2)](%)	2.87	3.13
Allowance for impairment losses	11,412.4	12,904.8
Impaired Restructured Distressed Assets coverage ratio[(3)](%)	200.0	180.3

Note:

(1) Equals income from Restructured Distressed Assets divided by monthly average balance of Restructured Distressed Assets, of which income from Restructured Distressed Assets excluded the losses on the disposal of impaired assets.

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

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

In 2019, the Company promoted the transformation and upgrading as well as the structural optimization and adjustment of Restructuring Model, focused on serving the real economy, and made greater and substantial efforts in restructuring business, delivering a fine and well achievement in the Restructuring business. In this regard, the Company: (i) attached importance to business development, actively explored "extensive distressed asset" areas such as industry merger & restructuring, crisis bailout and reorganization of large enterprise groups, bailout for listed companies, supply-side structural reforms, and divestiture of secondary business for state-owned enterprises, to give full play to the functions of counter-cyclical adjustment tools and financial assistance; (ii) stick to a client-centric strategy, promoted the integration with resources of key clients and the cooperation of production and finance to revitalize distressed assets; and (iii) emphasized prudent and effective investment, strictly controlled access standards for new projects, so as to adhere to the high-quality development.

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

	As at December 31,			
	2019		2018	
	Acquisition Amount	% of total	Acquisition Amount	% of total
	(in millions of RMB)			
Real estate	97,974.3	49.3	110,379.1	48.2
Manufacturing	25,859.4	13.0	26,423.0	11.5
Leasing and commercial services	10,717.9	5.4	10,066.1	4.4
Construction	8,918.5	4.5	9,635.8	4.2
Water conservancy, environment and public facility management	5,230.8	2.6	5,194.1	2.3
Mining	12,642.3	6.4	23,727.5	10.4
Transportation, logistics and postal services	4,848.9	2.4	8,691.4	3.8
Others	32,523.5	16.4	34,742.9	15.2
Total	**198,715.6**	**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 indicated.

	As at December 31,			
	2019		2018	
	Acquisition Amount	% of total	Acquisition Amount	% of total
	(in millions of RMB)			
Yangtze River Delta	36,009.5	18.1	49,589.8	21.7
Pearl River Delta	24,908.4	12.5	35,465.2	15.5
Bohai Rim	47,667.3	24.0	43,459.5	19.0
Central Region	57,263.8	28.8	59,838.6	26.1
Western Region	30,503.5	15.4	36,475.6	15.9
Northeast Region	2,363.1	1.2	4,031.2	1.8
Total	**198,715.6**	**100.0**	**228,859.9**	**100.0**

DES Assets Management

The Company acquires a large 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 December 31,	
	2019	2018
	(in millions of RMB)	
Total book value		
DES Assets at fair value through profit or loss	33,656.2	28,004.8
DES Assets measured with interests in associates and joint ventures	39,153.6	38,503.3
DES Assets at fair value through other comprehensive income	4,199.6	3,379.1
Total	**77,009.4**	**69,887.2**

DES Assets Income

In 2018 and 2019, the gains on fair value changes of DES Assets of the Company amounted to RMB7,366.8 million and RMB7,463.2 million, respectively; while the net gain or loss realized with other accounting approaches amounted to a gain of RMB707.9 million and a loss of RMB342.2 million, respectively.

The table below sets forth details of the net gains or losses on DES Assets of the Company for the years indicated.

	For the year ended December 31,	
	2019	2018
	(in millions of RMB)	
Fair value changes(1)	7,463.2	7,366.8
Net gains or losses realized with other accounting approaches(2)	(342.2)	707.9

Note:

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

(2) Includes net gains or losses from DES Assets accrued in associates and joint ventures, and dividend income from DES Assets at fair value through other comprehensive income.

In 2019, the Company actively grasped the strategic opportunities arising on the supply-side structural reform, mixed ownership reform of state-owned enterprises and market-oriented business of DES and other policies. First, the Company further strengthened the management of existing DES projects and enhanced the asset value of equity projects by comprehensive use of multiple measures. Second, the Company continuously developed the market-oriented DES business, made significant progress in market-oriented DES projects of private enterprises, and strengthened the Company's professional brand image in 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 2019, the book value of other distressed asset business of the Company amounted to RMB116.56 billion and RMB123.96 billion, respectively. In 2018 and 2019, the income of other distressed asset business of the Company amounted to RMB9.55 billion and RMB5.47 billion, respectively.

Other Distressed Asset Business of Cinda Hong Kong

Under the model of "core business of distressed assets + investment banking" and by strengthening the cooperation with the Group headquarters and domestic branches and subsidiaries, Cinda Hong Kong focused on the development of restructure business of distressed assets with cross-border demands and distressed entities, and participated 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 restructuring business of distressed entities and distressed asset, acquisition and disposal of overseas non-performing loans of Chinese financial institutions, acquisition and restructuring of defaulted offshore US dollar denominated bonds issued by Chinese entities and support of business of global resource integration of the Group's strategic clients.

As at December 31, 2018 and 2019, the investment balance of other distressed asset business of Cinda Hong Kong amounted to RMB59.33 billion and RMB44.10 billion, respectively. In 2018 and 2019, the investment income of other distressed asset business of Cinda Hong Kong amounted to RMB3.11 billion and RMB2.41 billion, respectively.

Other Distressed Asset Business of Cinda Investment

By sticking to the primary function and main business of "extensive distressed asset", deepening the position of "distressed asset investment", and through the combination of equity and debt, resources integration and active management, etc. Cinda Investment vigorously promotes substantial restructuring of distressed entities and distressed assets in the real estate sector; it also actively deals with and provides assistance for default and crisis event, such as shanty house rebuilding and urban renewal, and properly participates in state-owned enterprises' divestiture of secondary businesses from their primary businesses, mixed ownership reform, and disposal of zombie enterprises and extremely difficult enterprises, continues to improve its ability in differentiated, characteristic, and professional operation. In mitigating regional financial risks, serving the real economy, supporting supply-side structural reforms, it has formed its operational characteristics with obvious comparative advantages, effective and strong coordination, accomplished risk management and control, as well as healthy financial structure.

As at December 31, 2018 and 2019, the investment balance of other distressed asset business of Cinda Investment amounted to RMB54.20 billion and RMB54.00 billion, respectively. In 2018 and 2019, the investment income of other distressed asset business of Cinda Investment amounted to RMB4.50 billion and RMB4.40 billion, respectively.

Other Distressed Asset Business of Zhongrun Development

Based on its professional ability and brand advantages in the field of custody, bankruptcy and liquidation, 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 Group on the "extensive distressed asset" business.

As at December 31, 2018 and 2019, the investment balance of distressed assets of Zhongrun Development amounted to RMB2.31 billion and RMB1.69 billion, respectively. In 2018 and 2019, the investment income of distressed asset business of Zhongrun Development amounted to RMB0.18 billion and RMB0.15 billion, respectively.

Other Investments

Cinda Real Estate

By taking advantage of its real estate expertise, 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 post-investment management service and professional consultancy service for the property related projects of the Group, and revitalizes distressed real estate-related assets and enhances values of those assets through equity merger and entrusted construction, so as to provide effective methods for asset disposal and realization.

In 2018 and 2019, Cinda Real Estate achieved real estate sales income of RMB17.43 billion and RMB18.16 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 2019, the balance of the entrusted distressed assets amounted to RMB13.16 billion and RMB17.67 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 2018 and 2019, income from financial services represented 27.5% and 31.3% of the total income of the Group, respectively, while the profit before tax from financial services accounted for 2.0% and 23.7% 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 years indicated.

	As at and for the year ended December 31,							
	2019				2018			
	Income	Profit before tax	Total assets	Net assets	Income	Profit before tax	Total assets	Net assets
	(in millions of RMB)							
NCB	15,273.3	3,798.8	437,016.0	51,556.3	13,666.6	3,840.1	407,601.5	47,559.3
Securities, Futures and Fund(1)	3,310.9	230.5	45,422.5	9,624.2	3,095.9	59.1	38,409.8	9,789.9
Jingu Trust	640.7	72.0	5,295.3	4,043.6	549.5	229.7	4,737.9	4,013.0
Cinda Leasing	2,644.8	87.9	48,819.5	7,204.7	2,872.2	(27.0)	50,911.6	7,134.7
Happy Life(2)	11,871.6	492.1	63,061.8	5,195.1	9,116.8	(3,709.3)	67,894.1	4,747.2

Note:

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

(2) As at December 31, 2019, Happy Life was classified as assets held for sale, and turned into a discontinued operation.

Banking Business

The Group conducts banking business 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, the Group put forward the goal of developing NCB 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 a stable 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 years indicated.

	As at and for the year ended December 31,	
	2019	2018
	(in billions of RMB)	
Total assets	437.0	407.6
Total loans	235.7	223.4
Total deposits	309.8	301.6
Net interest income	5.9	5.6
Net commission and fee income	1.3	1.4
Asset quality indicators (%)		
Non-performing loan ratio(1)	0.67	0.56
Capital adequacy ratio indicators (%)		
Total debt-to-capital ratio(2)	21.73	18.73
Tier-1 capital ratio(3)	17.99	16.97
Tier-1 capital ratio of common equities(4)	14.58	13.53
Profitability indicators (%)		
Return on average assets(5)	0.73	0.77
Return on average shareholder's equity(6)	7.30	7.79
Net interest margin(7)	1.51	1.66
Cost-to-income ratio(8)	37.57	35.91
Other indicators (%)		
Liquidity coverage ratio(9)	154.97	163.30

Note:

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

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

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

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

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

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

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

(8) Equals operating expenses divided by operating income.

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

NCB Hong Kong

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.

The table below sets forth certain details of deposit and loan of NCB Hong Kong as at the dates and for the years indicated.

	As at and for the year ended December 31,	
	2019	**2018**
	(in billions of RMB)	
Balance of retail deposits	119.2	101.8
Balance of retail loans	29.4	23.0
From retail customers		
Net interest income	0.9	0.8
Net commission and fee income	0.5	0.5

	As at and for the year ended December 31,	
	2019	**2018**
	(in billions of RMB)	
Balance of corporate deposits	100.0	99.9
Balance of corporate loans	140.6	127.8
From corporate customers		
Net interest income	2.4	2.1
Net commission and fee income	0.5	0.5

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

NCB China

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" and transforming into fintech institution.

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

	As at and for the year ended December 31,	
	2019	**2018**
	(in billions of RMB)	
Total assets	140.1	151.3
Total loans	73.4	74.9
Total deposits	95.6	91.3
Net interest income	1.7	2.0
Net commission and fee income	0.3	0.5
Asset quality indicators (%)		
Non-performing loan ratio	0.84	0.85
Provision coverage ratio	189.82	231.35
Capital adequacy ratio indicators (%)		
Core tier-one capital adequacy ratio	16.71	15.57
Tier-one capital adequacy ratio	16.71	15.57
Capital adequacy ratio	17.37	16.53
Profitability indicators (%)		
Return on average assets	0.55	0.76
Return on average shareholder's equity	5.78	8.66

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.

The table below sets forth certain deposit and loan details of NCB China as at the dates indicated.

	As at December 31,	
	2019	2018
	(in billions of RMB)	
Balance of corporate deposits	84.1	81.8
Proportion in the total balance of deposits (%)	88.7	90.2
Balance of retail deposits	10.7	8.9
Proportion in the total balance of deposits (%)	11.3	9.8
Balance of corporate loans	55.7	58.7
Proportion in the total balance of loans (%)	76.2	78.7
Balance of retail loans	17.4	15.9
Proportion in the total balance of loans (%)	23.8	21.3

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 2018 and 2019, the revenue of Cinda Securities amounted to RMB1,658.8 million and RMB2,223.0 million.

Cinda Securities

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

	For the year ended December 31,			
	2019		2018	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Securities brokerage	553.2	24.9	457.0	27.6
Investment banking	249.9	11.2	380.5	22.9
Asset management	80.2	3.6	84.3	5.1
Futures	148.1	6.7	167.1	10.1
Other business	1,191.6	53.6	569.9	34.3
Total	**2,223.0**	**100.0**	**1,658.8**	**100.0**

Securities brokerage: As at December 31, 2018 and 2019, the number of clients of Cinda Securities' securities brokerage business amounted to 1.636 million and 1.741 million, the total value of its AUM amounted to RMB135.77 billion and RMB185.04 billion, respectively. In 2018 and 2019, the total stock and fund turnover of Cinda Securities' securities brokerage business amounted to RMB1,170.13 billion and RMB1,701.98 billion, respectively.

Investment banking: In 2018 and 2019, Cinda Securities' underwriting fee and commission income amounted to RMB189.7 million and RMB178.3 million, respectively.

Asset management: As at December 31, 2018 and 2019, the AUM balance of Cinda Securities amounted to RMB90.04 billion and RMB105.68 billion, respectively. In 2018 and 2019, commission and fee income from Cinda Securities' asset management business from trust clients amounted to RMB84.3 million and RMB80.2 million, respectively.

Other businesses: They were mainly investment business and credit business. In 2018 and 2019, the gains realized from the investment business of Cinda Securities amounted to RMB43.3 million and RMB362.0 million, respectively.

As at December 31, 2018 and 2019, the turnover of margin financing business of the Cinda Securities amounted to RMB5.66 billion and RMB6.86 billion, respectively. The turnover of stock pledge amounted to RMB4.96 billion and RMB1.77 billion, respectively.

Cinda Futures

In 2018 and 2019, income from the futures business of Cinda Futures amounted to RMB167.1 million and RMB148.1 million, respectively, and the operating profit realized amounted to RMB65.5 million and RMB48.8 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 2019, the Group had 21 and 24 mutual securities investment funds with the total assets under management of public funds and asset management plans amounted to RMB34.12 billion and RMB21.80 billion, respectively. In 2018 and 2019, management fee income from such funds amounted to RMB125.9 million and RMB97.7 million, respectively.

Cinda International

In 2018 and 2019, Cinda International generated revenue of RMB209.0 million and RMB208.7 million, respectively.

Trusts

The Group conducts trust business through Jingu Trust. As at December 31, 2018 and 2019, the existing trust AUM amounted to RMB140.10 billion and RMB100.29 billion, respectively, and the Group managed 142 and 141 existing trust projects, respectively. In 2018 and 2019, the fees and commission incomes generated from trust business were RMB0.36 billion and RMB0.26 billion, respectively, accounting for 65.5% and 41.0% of Jingu Trust's total revenue in respective periods.

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

	As at December 31,			
	2019		2018	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Infrastructure	9,254.0	9.2	14,058.0	10.0
Real estate	17,152.0	17.1	16,028.0	11.4
Securities markets	2,878.0	2.9	3,460.0	2.5
Industry and commerce	13,693.0	13.7	9,897.0	7.1
Financial institutions	4,588.0	4.6	8,393.0	6.0
Asset-backed securitization	19,304.0	19.2	75,430.0	53.8
Others	33,422.0	33.3	12,830.0	9.2
Total	**100,291.0**	**100.0**	**140,096.0**	**100.0**

Financial Leasing

The Group conducts financial leasing business through Cinda Leasing. As at December 31, 2018 and 2019, the net finance lease receivables of the Group was RMB46.26 billion and RMB41.69 billion, respectively. In 2018 and 2019, the net revenue generated by the financial leasing business of the Group was RMB1,172.8 million and RMB1,319.1 million, respectively, and the net profit generated from the financial leasing business of the Group was RMB64.8 million and RMB85.4 million, respectively.

Product Types

In 2019, the total income from specialized products and non-specialized products was RMB714.1 million and RMB1,930.7 million, respectively, representing 27.0% and 73.0% 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 December 31,			
	2019		2018	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Manufacturing	15,570.5	35.0	16,426.7	34.3
Mining	2,043.5	4.6	3,095.1	6.5
Water conservancy, environment and public facility management	4,218.8	9.5	5,163.0	10.8
Construction	59.2	0.1	93.7	0.2
Transportation, logistics and postal services	4,530.7	10.2	4,653.6	9.7
Others	18,036.5	40.6	18,398.4	38.5
Total	**44,459.2**	**100**	**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.

As at December 31, 2019, the Company entered into a legally binding transfer agreement with third parties, by which, Happy Life satisfied the conditions for being classified as assets held for sale. As Happy Life was classified as assets held for sale, insurance business was no longer a segment of the Group's business, and Happy Life was turned into a discontinued operation.

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

	For the year ended December 31,			
	2019		2018	
	Amount	% of total	Amount	% of total
	(in millions of RMB)			
Life insurance	6,872.6	83.3	7,944.6	86.7
Ordinary life insurance	5,800.4	70.3	6,301.5	68.7
Participating life insurance	1,053.6	12.8	1,628.1	17.8
Others	18.6	0.2	15.0	0.2
Health insurance	1,142.0	13.8	1,003.6	10.9
Accidental injury insurance	231.9	2.8	217.5	2.4
Total	**8,246.5**	**100**	**9,165.7**	**100.0**

Business Synergy

In 2019, according to the high-quality development ideas of "professional operation, efficiency first and value creation", the Group further clarified the functional position of its branches and subsidiaries in business synergy: the branches, acting as the main channels and the customers' contacts in the Group's regional operations, shall explore collaborative business opportunities from multiple angles and by multiple methods; while the subsidiaries, acting as the suppliers of comprehensive financial services and instruments, shall continuously enrich collaborative business models and product innovations, and provide financial solutions with respect to the demands of "extensive distressed asset" business. A sound business synergy development position on sharing of client lists, products and benefits by the group headquarters, branches and subsidiaries was formed based on collaborative incentives and compliant management.

In 2019, the Group recorded business synergy scale totaling RMB342.88 billion from 3,101 customers, which realized synergy income of RMB3.72 billion.

In 2019, NCB realized synergy income of RMB0.96 billion; Cinda Securities recorded business synergy scale of RMB111.4 billion, realized synergy income of RMB0.33 billion, involving 119 clients and 129 projects; Cinda Leasing recorded business synergy scale of RMB15.55 billion, realized synergy income of RMB0.15 billion; Cinda Real Estate provided professional consultation, supervision and agent services for the Group, involving 44 projects, realizing synergy income of RMB0.27 billion; Cinda Investment recorded business synergy scale of RMB15.27 billion, and realized synergy income of RMB1.07 billion; Cinda Capital Management Co., Ltd., acting as the fund management platform of the Group, managed 51 synergy funds involving 53 clients, and realized synergy income of RMB0.40 billion.

Information Technology

In 2019, the Company continued to promote the implementation of the Informationization Planning (2016 to 2020), with the informationization construction entering the phase of optimization and upgrading. In order to adapt to changes in the internal and external environment, the Company launched the revision of Informationization Planning, and made it clear that the informationization construction from 2020 to 2021 would be focused on system integration, data governance and IT management & control of the Group, so that the IT governance framework was improved. The Company also continuously improved information technology systems and passed ISO27001/20000 internal audit and external audit on management system.

Construction of Information Systems

In 2019, the Company achieved remarkable results in the construction of information systems, with the system of financial sharing center, the contract management system and the management system for the Group's customer relationship completed; we continuously improved the Group's data warehouse, built up the Group's big data platform and completed the optimization and upgrade of management accounting system and risk management system; we also consolidated and improved the basic operation and maintenance of information systems, with the system availability reaching more than 99.8% and the ability to support business operation and group management significantly improved.

Human Resources Management

In 2019, the Company thoroughly implemented the Party's organizational line in the new era, deepened the reform of market-oriented employment mechanism and remuneration distribution mechanism, and practiced the developmental concept of "professional operation, efficiency first and value creation". We steadily promoted the reform of organizational structure, personnel restructuring and the construction of human resource management system, continuously optimized the staff rank management system through external introduction and internal selection, broadened the career development channels for employees, and constantly improved the platform to support employees' growth, so as to provide strong organizational support and solid talent guarantee for the Company to achieve high-quality development.

Reform of the Headquarters and Branches

During the Reporting Period, in order to enhance the direct selling capacity of the headquarters and strengthen business compliance management, the headquarters of the Company rescinded the equity operation department, asset operation department, investment and asset management department, and strategic customer department, and established the business management department and four strategic customer departments; established the compliance department, and the legal compliance department was renamed as the legal department.

Employees

As of December 31, 2019, the Group had 16,425 employees (excluding those employed through labor dispatch agency), of which 14,502 were in Mainland China and 1,923 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 32% 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 Company's remuneration strategy was consistent with the Company's business strategy and annual objectives. According to the market-oriented reform process, the Company constantly improved the remuneration incentive mechanism to achieve the Company's business plan, improve organizational efficiency and restrict business risks. The Company improved and refined the remuneration policy which balanced internal fairness and external competitiveness and which emphasized both incentive and restriction, so as to promote the steady operation and development of the Company.

Education and Training

In 2019, the training works of the Company were aligned with Party building and annual key works. Focusing on strengthening Party building and on the basis of serving the Company's operation, while emphasizing the Company's primary duty and core business with enhancement of capacity building, the training works of the Company provided strong support and talent guarantee for the construction of "Professional Cinda, Efficient Cinda and Valuable Cinda". First, the Company made overall arrangements for the annual training plan, continued to advance the construction of the Company's hierarchical training system, and constantly improved the comprehensive performance of the Company's employees. The Company completed over 1,300 training programs via on-site trainings and video lectures, offline and online studies as well as domestic trainings and overseas studies, with more than 55,000 attendances. Second, the Company held special training courses in Guanghua School of Peking University for young cadres, which improved the leadership and management ability of young cadres within the Company. Third, the Company selected high-quality courses for Cinda Network College and strengthened supports for social training and vocational qualification examinations to meet the personalized training needs of employees and expand the coverage of trainings.

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 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 continually optimized the responsibility and duty of risk management departments by keeping the principal line of "preventing new risks and reducing existing risks". The Company also fulfilled daily risk management in a solid manner, strengthened the mitigation efforts of risks in key areas and maintained the stability of asset quality. Through these steps, the degree of refinement of market risk management has been effectively improved; significant progress has been made in operational risk management; and the effectiveness of the Group's risk management has been gradually improved.

Risk Appetite

At the beginning of 2019, China Cinda's Risk Appetite Statement of the Group (2019) was formally issued and implemented upon the approval of the Board and subject to its supervision in implementation. In 2019, the Company continuously monitored and evaluated the operation of risk appetite system, optimized indicators for risk appetite and improved the transmission mechanism of risk appetite, with a view to further make use of risk appetite system as a guide in the operation and management of the Group as a whole. Since its launch, the Group's risk appetite system has effectively facilitated the implementation of the Group's development strategy and provided effective guarantee for the stable operation of the Group's business and the smooth realization of the Group's risk control objectives.

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 has established and continuously optimized the 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 with 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 with the authorization.

In 2019, the Risk Management Committee of the Board convened five meetings to consider various resolutions and reports, such as the Risk Appetite Statement of the Group, the risk management report of the Group, as well as intra-group transaction and connected transaction management reports. The Risk Management Committee of the Senior Management convened four 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.

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 2019, the Company further improved the risk management structure and tried out the appointment system of risk (compliance) directors in some subsidiaries to enhance 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 program, 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. At the beginning 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 monitoring, analysis and risk alert of key areas, industries and customer risks through launching a risk management operation and transmission mechanism that seeks to balance between capital, risk and income, and raised its risk identification, measurement, monitoring and control capabilities by utilizing various risk management tools such as economic capital, risk limit, rating classification, impairment provision, stress test and risk assessment.

In 2019, the Company proactively adjusted its business strategy and business structure in alignment with regulatory requirements and market changes, so as to ensure that the concentration risks with key customers, industries and regions were under control. The Company also adjusted the management and control methods on a timely basis and issued control directives as based on changes in risk exposure, so as to ensure the effectiveness and timeliness of concentration management. With economic capital management on top of the agenda, the Company optimized the risk limit control standard and appropriately assigned the economic capital quota for each business line, with an aim to optimize allocation of business and management resources and boost the overall risk-adjusted profitability.

The Company actively promoted the establishment of information systems related to risk management, and continuously optimized and improved the internal rating system, connected transaction management system, collateral management system and risk alert system, aiming to further enhance its credit risk management capabilities. The Company successfully upgraded the entire management module of the Group's liquidity risk and market risk management system, and made phasic achievements in the operational risk optimization project, which pushed the informationization of risk management to a new level.

Management of Credit Risk

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

The Company has strictly complied with the regulatory requirements of the CBIRC on credit risks management. Under the guidance of the Risk Management Committee of the Board and the Senior Management, the Company has improved the management system of credit risk in order to achieve strategic goals.

In 2019, in order to implement the Company's business development strategy and risk appetite requirements and improve credit risk management, the Company formulated the Credit Risk Management Policy for the Group in 2019 with strengthening the Group's credit risk management and control as the main goal, and "control over total amount, effective investment, overall management, comprehensive coverage, improvement of asset quality, and revitalization of existing assets" as the principle. The policy clarifies the key points in credit risk management in 2019 from the perspectives of the Group, the parent company and subsidiaries in terms of credit risk management principles, customer risk limit management, key customer risk management, concentration management, asset quality control other aspects. The Company continually optimized the internal rating system, improved the limit management mechanism towards customers, enhanced the risk management on key customers of the Group, and focused on improving the level of credit risk quantification.

Management of Market Risk

Market risk refers to the risk that may bring losses due to adverse movements in interest rates, exchange rates and market prices such as stock and commodity prices, and 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 rate risk, the Group established a two-way transmission mechanism of assets and liabilities structure to achieve a virtuous cycle of assets and liabilities, flexibly adjusted the financing maturity and pace and reasonably controlled the asset investment period and interest payment method through forward-looking judgment on the market, so as to constantly improve the matching degree of the maturity structure of assets and liabilities and in turn hold interest rate risks under effective control.

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 Offshore Preference Shares issued by the Company, investment assets are mainly denominated in USD, which effectively controlled the foreign exchange risk.

After the unilateral decline in 2018, in the context of a mitigated external environment and under the support of internal policies, the risk appetite in the A-share market picked up significantly. Major indexes all saw a significant rebound in 2019. The Company will continue to closely monitor the effects placed by factors such as trends of macroeconomy, the trends of relevant industries, tightness of market liquidity and the latest regulations and requirements on the value of equity and enterprises, and raise its efforts in research and prejudgment so as to reasonably formulate and adjust the management strategies of its equity investment in listed companies and endeavor to enhance management effectiveness.

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.

With a thorough implementation of the regulatory requirements for liquidity risk management and under the principle of prudent liquidity management, the Group established a system for liquidity risk management under the Group's control, consolidated and developed diversified financing channels, thus continuously improving the informationization level of the Group's liquidity risk management and ensuring the Group's liquidity security via multiple measures.

In response to changes in internal and external environment, the Group dynamically adjusted its liquidity management strategies, constantly improved the informationization and refinement level of liquidity management and effectively utilized indicators monitoring, quantitative models and other tools to achieve dynamic monitoring and forward-looking analysis of both the external environment and the Group's internal liquidity status. The Group also conducted regular liquidity stress tests and refined liquidity risk contingency plans to constantly improve its capacity in response to liquidity risk emergencies.

The Group continuously optimized the asset-liability maturity structure and effectively transmitted the allocation requirements of the Group's asset-liability maturity structure reliant on a scientific and reasonable internal-transfer pricing mechanism, in an effort to strike an organic balance between the liquidity and efficiency of the Group.

The Group further strengthened its financing capacity, steadily optimized and improved its liabilities structure, and expanded the financing channels such as asset securitization, financial bonds and secondary capital bonds on the base of consolidated borrowing financing channels, in an effort to develop a stable, diversified and innovative financing system.

Management of Operational Risk

Operational risk refers to the risk of losses resulting from an inadequacy or deficiency of internal processes, working staff and information technology systems or from external events. In 2019, the Company kept strengthening the professional management of operational risks and further improving the effectiveness of operational risk management based on regulatory focus and the trend of operational risks.

The Company continued to promote the construction of operational risk management system, further optimized the top-level structure of the operational risk management system, established operational risk management tools such as assessment, monitoring, mitigating and reporting, and organized branches and subsidiaries to carry out the assessment on the level of operational risk exposure during the business process, thereby enhancing the initiative and foresight of risk prevention and control. The Company formulated and issued the Points Management Measures for Minor Violations, further improved the accountability system, enhanced the rigid constraints of systems, and strived to reduce operational risk losses caused by violations.

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 strictly analyzed and effectively rectified the identified risks and potential hazards 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 2019, pursuant to the requirements of the CBIRC on “Consolidating the Achievements from Rectifying of Chaos and Promoting Compliance”, the Company formulated and issued specific working plan, made targeted deployment for various tasks, and carried out comprehensive self-inspection; it continuously urged all units to strictly implement the rectification through on-site and off-site supervision and inspection. Through special rectification, the Company completed the adjustment of organizational structure, improvement of assessment indicator setting and optimization of related information systems, which effectively improved its organization vigor, and further deepened the awareness of compliance operation.

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 2019, the Company continued to improve the system and mechanism for reputation risk management, properly dealt with potential reputation risk factors, thus further improving its reputation risk management. The Company continuously amended the Administrative Measures for Reputation Risk and the Contingency Plan for Handling Reputation Incidents, and established a mechanism by which news spokesmen took the lead in handling emergencies, so as to make quicker response to reputation incidents; the Company organized branches and subsidiaries to carry out investigation and self-inspection on reputation risks, thoroughly sorted out potential reputation risk factors, and strengthened the source management of reputation risk; it arranged trainings on news spokesmen and public opinion management within the Company to improve employees' awareness of reputation risk and cultivate a culture of reputation risk management; it also formulate indicators in assessing subsidiaries' reputation risk and tried out evaluation mechanism on reputation risk management to enhance efforts in the reputation risk management and control by the Group; the Company actively responded to media concerns and effectively communicated with stakeholders and the public to properly assess and resolve potential reputation risks. During the Reporting Period, the Company steadily enhanced reputation risk management and effectively safeguarded its positive image and brand reputation.

Anti-Money Laundering

The Company earnestly implemented a risk-based management principle, actively implemented the latest anti-money laundering regulatory policies, and strictly performed its anti-money laundering obligations, which constantly improved its competence of anti-money laundering.

In 2019, the Company implemented the latest regulatory policies by improving the money laundering risk management system, optimizing the organizational structure and operational mechanism of anti-money laundering management, strengthening the construction of anti-money laundering management team and other methods: it took regulatory requirements as the benchmark to find out gaps, improved the structure of anti-money laundering system and further defined the division of responsibilities; it also carried out assessment on institutional money laundering risk, and refined the operational requirements on anti-money laundering in respect of various businesses. The Company organized special inspection on anti-money laundering and strengthened the understanding of the branches about the importance of anti-money laundering management. The Company continued to promote the substantive embedding of anti-money laundering control measures into business processes, and strengthen the compliance and effectiveness in the performance of anti-money laundering obligations at system level. The Company enhanced the employees' awareness of anti-money laundering by expanding the anti-money laundering training and the channels for publicity to enlarge the coverage of target audience, so as to effectively prevent and control anti-money laundering compliance risks.

For more details on the risk management of the Company, please see "Risk Management" in the section headed "Corporate Governance Report" and Note VI.72 "Financial risk management" to the Consolidated Financial Statements.

Capital Management

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

In accordance with 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 business development mechanism, improved the efficiency of capital utilization, monitored the real-time capital changes of every business sector and every product line, and ensured that the stable capital situation was maintained, so as to support the high quality development across the Company's businesses.

	As at December 31, 2019	As at December 31, 2018
	(in millions of RMB)	
Core tier-1 capital adequacy ratio (%)	11.20	10.21
Tier-1 capital adequacy ratio (%)	14.37	13.49
Capital adequacy ratio (%)	16.76	16.01
Net core tier-1 capital	75,335.0	66,375.9
Net tier-1 capital	96,616.3	87,657.2
Net capital	112,695.5	104,035.7
Risk-weighted assets	672,502.1	649,881.2

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

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

Prospects

2020 will see a more complex and severe external environment in which the sources of turbulence and risks around the globe will increase markedly. The world economic growth is expected to keep slowing down. China is in a critical period of shifting its development mode, optimizing its economic structure and transforming its growth momentum. Structural, institutional and cyclical issues are intertwined, and the economy is under greater downward pressure. In particular, the COVID-19 has caused a significant impact on the short-term economy, and its impact on global demands and supply chains continues unabated, which may reshape the development of the industry, the assets allocation, and even profoundly change the governance systems of global economy. In order to mitigate the impact of the epidemic on the economy, the Party Central Committee and the State Council have taken various measures to ensure the smooth operation of the economy. In general, the epidemic will not change the long-term growth trend of the Chinese economy.

The Chinese government will continue to unswervingly implement the new development philosophy, make sustained efforts to deepen supply-side structural reform, promote high-quality development of economy, resolutely fight three critical battles, comprehensively maintain stable growth, advance reform, make structural adjustments, improve living standards, guard against risks, ensure stability, keep major economic indicators within an appropriate range, and ensure the accomplishment of building a moderately prosperous society in all respects and the 13th Five-Year Plan. Influenced by such external factors as the slowdown of economic growth, the accelerated reform of economic system, the continuation of strict supervision and the COVID-19 epidemic, various risks such as credit risk, market risk and liquidity risk remain prominent and are apt to overlay and spread. The risk situation remains severe. Non-performing loans of commercial banks will continue to grow; distressed assets in trust, leasing and other non-banking financial industries will increase significantly; and risks with respect to small and medium-sized financial institutions will continue to be exposed. The bond market, stock market, asset management market and other financial markets are exposed to risks in a faster pace. The amount of accounts receivable from corporations and entities will continue to increase, and the collection period will be lengthened. Disposal demands from distressed entities and distressed assets will increase. The Company will give full play to countercyclical regulation tools and financial assistance functions, actively respond to opportunities and challenges, and achieve sustainable and healthy development.

The Company will continue to fully enforce the principles of 19th National Congress of CPC, the National Financial Work Conference and the Central Economic Work Conference and deepen its functional position. Under the principles of "relative concentration, focusing on core business", the Company will pursue prudent operation in compliance with laws and regulations, expedite reform and renovation, and earnestly fulfill professional duties in forestalling and defusing financial risks, serving the real economy and supporting the supply-side structural reform to help to forestall and defuse major risks, and win the sniper warfare of epidemic prevention and control, by adhering to the high-quality development ideas of "professional operation, efficiency first and value creation". First, the Company will continue to improve the management of "extensive distressed asset" by refining its professions and strengthening core businesses. We will strengthen the acquisition and disposal of distressed assets, adhere to effective investment, develop new acquisition and disposal methods and expand business channels to consolidate the leading advantages in the distressed assets industry. We will improve the management capacity of "extensive distressed asset", focus on distressed entities and distressed assets, promote financial risk mitigation and resolution, assist in the restructuring of distressed entities, forestall and defuse risks in key areas, and carry out substantive restructuring and liquidity assistance business in compliance with laws and regulations. Second, the Company will focus on its core business and play to its strengths to improve its capability in serving the real economy. We will continue to enhance the maintaining functions of our financial service support, such as investing greater efforts to support the antiepidemic enterprises and small and medium enterprises, so as to contribute to the epidemic prevention as well as orderly living and production resumption. We will comprehensively utilize such opportunities as market-oriented debt-to-equity swap to assist in the reforms of state-owned enterprises; we will promote industry merger and reorganization, expedite the clearance of "Zombie Enterprises", and serve the transformation and upgrading of the real economy; we will also timely resolve the risks of default bonds and stock pledge to effectively provide help to private enterprises. Third, the Company will strengthen synergism within the Group to improve the ability of resource integration. Focusing on core businesses, the Company will promote the differentiated, characteristic and professional development of financial service business, strengthen cooperation with external capital such as industrial investors by way of investment banking to deeply integrate resources, improve the ability to provide customized and personalized services, and enrich the business models of the Company.

The Company will continue to strengthen the leadership of the Party, improve corporate governance and raise decision-making efficiency; continue to optimize its organization structure, improve the client-centric business model, deepen the reforms of direct operations in the headquarters, strengthen the guidance and coordination functions of the headquarters, speed up the optimization and integration of subsidiaries, and promote market-oriented reform, so as to enhance market competitiveness; stick to the bottom line thinking, and improve the compliance system, so as to continuously enhance the comprehensive risk management ability, firmly adhere to the red line for compliance and the bottom line of risks; strengthen the asset and liability management, diversify financing methods, optimize the structures of product, region and maturity and enhance capital management to ensure a safe liquidity; improve the authorization system and optimize the approval process, so as to realize the efficient allocation of resources and improve the level of refined management; strengthen the construction of information technology and promote the integrated development of the Company's businesses and financial technologies, so as to improve the efficiency of operation and management; strengthen the construction of talent echelon and build a young, professional and high-calibre team; shape the Group's unique culture, improve the incentive and restraint mechanism, and guide all employees to bear in mind their missions and to take on their responsibilities.

Social Responsibility

In 2019, based on the primary duty and core business of distressed asset business, the Company adhered to the high-quality development philosophy of "professional operation, efficiency first and value creation", and the Board, the Board of Supervisors and the Senior Management of the Company carefully studied and deployed the works related to corporate social responsibility, practiced the compliance requirements of Environmental, Social and Governance Reporting Guide issued by SEHK, promoted the risk prevention and mitigation, served the real economy, cared for employee growth, proposed green development, implemented targeted poverty alleviation, continued to maintain good performance, and made further achievements in environmental, social and governance.

Contributing to defusing risks. By firmly holding fast to primary duty and core business of distressed assets business, and fully exerting the unique function of counter-cyclical tools and financial bailout, the Company strived to expand the "extensive distressed assets" operation pattern, actively carried out the acquisition and disposal of distressed assets from financial institutions and enterprises and innovated the acquisition and disposal of defaulted bonds. In 2019, the acquisition cost of distressed debt assets is RMB116.71 billion in total, which greatly enhanced proactivity and effectiveness on forestalling and defusing financial risks. Focusing on distressed entities and distressed assets, the Company carried out various measures, including crisis relief, bankruptcy reorganization of distressed enterprises, listed companies bail-out, and innovatively solving the debt crisis and guarantee chain difficulties for large-scale private enterprises, and achieved good results in dissolving industrial and regional risks.

Keeping improving client service. In line with client-centric concept and relying on advantages of core business, the Company provided clients with professional, customized, differentiated services through multiple financial instruments. In order to boost the entity economy development, it offered supports for enterprises engaged in projects in connection with national and regional development strategies, such as "the Belt and Road" Initiative, Coordinated Development of Beijing-Tianjin-Hebei Region, and Guangdong, Hong Kong and Macao Bay Area Construction, etc. Besides actively participating in the supply-side structural reform, helping the reform of state-owned enterprises, and supporting the enterprise transformation and upgrading, it was also committed to promoting the development of livelihood undertakings, such as medical and health care, housing projects, electric energy as well as middle and small-sized enterprises. By enhancing customer management, development and service capabilities, the Company emphasized on client experience and demands to constantly improve client satisfaction. Moreover, it also carried out financial knowledge publicity and education activities to strengthen financial awareness of the public.

Caring for employee growth. The Company adhered to the personnel-oriented principle, and promotes the unification of employees' growth and development as well as corporate development. It promoted democratic management, protected the legitimate rights and interests of employees, and built a harmonious labor relationship. Strengthening the management of the cadre team, it built a development platform for employees, and a group of highly professional and young employees had taken up middle and senior management positions. In 2019, the Company carried out professional trainings of more than 1,300 sessions, with a total of 55,000 participants. On the occasion of the 70th anniversary of the founding of the People's Republic of China and the 20th anniversary of the establishment of the Company, the Company organized many activities for employees, including exhibitions of calligraphy, of painting, and of photography, micro-video recording, essays, speeches and sports competitions to enhance employees' sense of belonging and team cohesion. The Company also carried out the "Send Warmth" campaign to care for employees in need.

Advocating green development. The Company paid attention to global climate changes and integrated green, low-carbon and environmental protection concepts into business development and operation management. The Company carried out green finance business so as to provide financial support for green enterprises and energy-saving and environmental protection projects, and help projects for ecological environment governance and soil restoration, and relocation of metal enterprises. It expanded the business model of cooperating with Internet companies to disposal of distressed assets, and saved energy and resources usage during the transaction. The Company adhered to low-carbon operations, promoted energy conservation and emission reduction measures such as paperless office work, properly disposed of waste computers and other office wastes, and reduced adverse environmental impacts. Actively organized and participated in public welfare activities such as environmental protection, paid attention to environmental protection issues, and cultivated employees' environmental protection awareness, to act as communicators, practitioners and promoters of ecological civilization.

Conducting targeted poverty alleviation. The Company conscientiously implemented the poverty alleviation decision deployment, and promoted the transition of poverty alleviation methods from "transfusion-type" to "hemopoiesis-type". The Company's management has conducted in-depth investigations on poverty areas for many times. The 21 ministers of poverty alleviation fought in the front lines of poverty alleviation in more than 10 provinces, autonomous regions and cities, including Qinghai and Xinjiang. They made efforts to tackle poverty through multiple dimensions, including industrial assistance, infrastructure assistance, education assistance, and consumption assistance. The Company increased funding, implemented RMB7.40 million in poverty alleviation and other charitable donation throughout the year, and increased the plan scale and number of beneficiaries of the charity trust "Great Cinda". It also promoted the construction of the relocation project of Qilidian Village, Ledu County, Qinghai. Adhering to the combination of poverty alleviation and intellectual assistance, the Company preached financial knowledge in the "Financial Inclusion" programs for a total of 18,000 people-times during the recent three years. It also carried out activities to help students and visit the poor as well as care for the vulnerable groups.

Strengthening epidemic prevention and control. In response to the outbreak of COVID-19, the Company strengthened its arrangements and deployments in accordance with the decisions and deployments of the Party Central Committee and the State Council as well as the relevant requirements of the CBIRC to fully launch the Company's epidemic prevention and control. The Company donated RMB5.00 million through Hubei Charity Federation to help Hubei conduct epidemic preventions and controls. At the same time, the Company disbursed the special funds for preventing and controlling to basic-level trade unions to implement epidemic prevention for employees. It also increased financial supports for clients, and help enterprises organize and conduct production and operation activities during the special period, so as to contribute to fight against the epidemic prevention.

For details in relation to the Company's specific performance of social responsibilities and the implementation of the Hong Kong Stock Exchange's environmental, social and governance requirements, please refer to the 2019 Corporate Social Responsibility Report to be disclosed separately by the Company.

Changes in Share Capital and Information on Substantial Shareholders

Changes in Ordinary Share Capital

The ordinary share capital of the Company as at December 31, 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 of Ordinary Shares and De Facto Controller

Interests and Short Positions Held by Substantial Shareholders and Other Persons

The Company had 1,632 registered shareholders of ordinary shares as at December 31, 2019. To the knowledge of the Directors, as at December 31, 2019, the following persons had, or were deemed to have, an interest or short position in the shares and underlying shares which have been recorded in the register kept by the Company pursuant to Rule 336 of the 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 share capital of ordinary shares (%)	Approximate percentage to the relevant class of shares (%)
MOF[(1)]	Beneficial owner	22,137,239,084	Domestic Shares	Long position	58.00	90.00
NCSSF[(1)]	Beneficial owner	2,459,693,232	Domestic Shares	Long position	6.44	10.00
NCSSF	Beneficial owner	2,901,006,093	H Shares	Long position	7.60	21.38
China COSCO Shipping Corporation Limited[(2)]	Interest of controlled corporation	1,907,845,112	H Shares	Long position	5.00	14.06
DBS Group Holdings Ltd[(3)]	Interest of controlled corporation	703,522,500	H Shares	Long position	1.84	5.19
	Interest of controlled corporation	704,031,405	H Shares	Short position	1.84	5.19

Note:

(1) According to the Corporate Substantial Shareholder Notification filed by the MOF on January 22, 2020 with the Hong Kong Stock Exchange, the MOF transferred 2,459,693,232 Domestic Shares to the NCSSF on December 27, 2019 in accordance with the Notice on Fully Implementing the Work of Transferring Part of State-owned Assets to Enrich Social Security Funds (Cai Zi [2019] No.49).

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

(3) As per the Corporate Substantial Shareholder Notice filed by DBS Group Holdings Ltd with the Hong Kong Stock Exchange on October 3, 2019, DBS Bank Ltd directly held 703,522,500 H Shares (Long position) and 704,031,405 H Shares (Short position) in the Company. As DBS Bank Ltd. is a controlled corporation of DBS Group Holdings Ltd, DBS Group Holdings Ltd is therefore deemed to be interested in 703,522,500 H Shares (Long position) and 704,031,405 H Shares (Short position) in the Company held by DBS Bank Ltd.

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 the macro-control department in charge of China's fiscal revenue and expenditures, taxation policies and other issues.

Preference Shares

Issuance and Listing of Preference Shares

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

Number of Preference Shareholders and Particulars of Preference Shareholding

As at December 31, 2019, the Company had a total of one preference shareholder (or proxy). Particulars of shareholding of the preference shareholder (or proxy) of the Company are as follows:

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

Note:

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

Dividend Distribution of Preference Shares

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

Pursuant to the resolution on the Dividend Distribution Plan of Offshore Preference Shares considered and approved at the eighth meeting and the third regular meeting of the Board for 2019 convened on August 28, 2019, the Company distributed dividends of Offshore Preference Shares on September 30, 2019, at the rate of 4.45% per annum (after tax). The total amount of dividend was USD142.4 million (after tax). For details of the dividend distribution of Offshore Preference Shares, please refer to the announcement dated August 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 mandatorily converted into certain number of H Shares. A trigger event refers to the earlier of (a) the CBIRC having concluded that without a decision on the conversion into ordinary shares, the Company would become non-viable; and (b) the relevant authorities such as MOF and PBOC having concluded that without a decision on a public sector injection of capital or equivalent support, the Company would become non-viable. Assuming the trigger event occurs and all Offshore Preference Shares shall be mandatorily converted to H Shares at the initial conversion price, the number will be 7,412,441,791 H Shares.

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

Restoration of Voting Rights of Preference Shares

During the Reporting Period, the Company did not restore any voting right of the Offshore Preference Shares.

Accounting Policy Adopted for Preference Shares and Grounds

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

Directors, Supervisors and Senior Management

Directors

No.	Name	Gender	Year of birth	Position	Term of office
Current Directors					
1	Zhang Zi'ai	Male	1961	Chairman of the Board, Executive Director	From June 2019 until expiration of the term of the current session of the Board
2	Zhang Weidong	Male	1967	Executive Director, President	From January 2020 until expiration of the term of the current session of the Board
3	He Jieping	Male	1963	Non-executive Director	From June 2019 until expiration of the term of the current session of the Board
4	Xu Long	Male	1966	Non-executive Director	From June 2019 until expiration of the term of the current session of the Board
5	Zhang Guoqing	Male	1966	Non-executive Director	From June 2019 until expiration of the term of the current session of the Board
6	Liu Chong	Male	1970	Non-executive Director	From June 2019 until expiration of the term of the current session of the Board
7	Zhu Wuxiang	Male	1965	Independent Non-executive Director	From June 2019 until expiration of the term of the current session of the Board
8	Sun Baowen	Male	1964	Independent Non-executive Director	From June 2019 until expiration of the term of the current session of the Board
9	Lu Zhengfei	Male	1963	Independent Non-executive Director	From September 2019 until expiration of the term of the current session of the Board
10	Lam Chi Kuen	Male	1953	Independent Non-executive Director	From November 2019 until expiration of the term of the current session of the Board
Resigned Directors					
1	Xu Dingbo	Male	1963	Independent Non-executive Director	From June 2016 to September 2019
2	Chen Xiaozhou	Male	1962	Executive Director, President	From June 2019 to October 2019
3	Chang Tso Tung, Stephen	Male	1948	Independent Non-executive Director	From June 2016 to November 2019
4	Yuan Hong	Female	1964	Non-executive Director	From June 2019 to February 2020

Mr. Zhang Zi'ai

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

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

Mr. Zhang Weidong

Zhang Weidong, Executive Director and President

Mr. Zhang has been the Executive Director and President of the Company since January 2020. He worked in CCB from July 1992 to April 1999 and previously served as the Cadre and Deputy Director of the Real Estate Credit Department. He joined the Company in April 1999 and successively held various positions since September 2002 as the Deputy Director of the Asset Appraisal Department, the General Manager of the Asset Appraisal Department, the General Manager of the Market Development Department, the Head of the Reorganization Leading Panel Office, the Head of the Strategic Investors Introduction and Listing Panel Office, the Head of the Listing Preparation Leading Panel Office, the General Manager of the Investment and Financing Management Department, the Board Secretary (concurrently serving as the General Manager of Strategic Development Department, the Director of the Financial Risk Research Center and the Director of the Postdoctoral Management Office) and the Assistant to the President of the Company. From November 2015 to October 2019, he successively held various positions in China Trust Protection Fund Co., Ltd., including the executive director, vice president and president. Mr. Zhang has been serving as the Deputy Secretary of the Party Committee of the Company since October 2019. He also has been serving as the Chairman of NCB since April 2020. Mr. Zhang graduated from Tongji University in 1989 with a bachelor's degree in Engineering and graduated from Renmin University of China in 1992 with a master's degree in Economics. He holds the professional title of Senior Economist.

Mr. He Jieping

He Jieping, Non-executive Director

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

Mr. Xu Long

Xu Long, Non-executive Director

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

Mr. Zhang Guoqing

Zhang Guoqing, Non-executive Director

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

Mr. Liu Chong

Liu Chong, Non-executive Director

Mr. Liu has been a Non-executive Director of the Company since August 2017. Mr. Liu has worked in various companies including Guangzhou Maritime Transport (Group) Co., Ltd., Bao'an Branch of China Merchants Bank, Guangzhou Maritime Transport Group Real Estate Company, China Shipping (Group) Company, China Shipping Investment Co., Ltd., China Shipping Logistics Co., Ltd., China Shipping (Hainan) Haisheng Shipping Co., Ltd. and China Shipping Finance Co., Ltd. Mr. Liu currently serves as a member of the Party Committee, general manager and executive director of the COSCO Shipping Development Co., Ltd., deputy chairman of the China International Marine Containers (Group) Co., Ltd., and non-executive director of China Everbright Bank Co., Ltd. Mr. Liu graduated from the Sun Yat-Sen University in 1990 with a bachelor's degree in Economics. He holds the professional title of Senior Accountant.

Mr. Zhu Wuxiang

Zhu Wuxiang, Independent Non-executive Director

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

Mr. Sun Baowen

Sun Baowen, Independent Non-executive Director

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

Mr. Lu Zhengfei

Lu Zhengfei, Independent Non-executive Director

Mr. Lu has been an Independent Non-executive Director of the Company since September 2019. He is currently a Professor of Accounting and PhD tutor of Guanghua School of Management of Peking University, the Director of the Research Center for Financial Analysis and Financial Investment of Peking University, and concurrently an Executive Director of Chinese Accounting Association and the Deputy Director of the Professional Committee for Financial Management, a member of the Editorial Committees of Accounting Research and Auditing Research. He was elected into the "Accountant Specialist Training Project" (first batch) of the Ministry of Finance in 2013, and as a Cheung Kong Scholars Chair Professor of the Ministry of Education in 2014. From 1994 to 1999, Mr. Lu served as the head of the Accounting Department of the Business School of Nanjing University. From 2001 to 2015, he successively served as the head of the Accounting Department and Vice President of Guanghua School of Management, Peking University. Mr. Lu is currently an independent non-executive director of Sino Biopharmaceutical Limited, and independent supervisor of PICC Property and Casualty Company Limited. Mr. Lu previously served as the independent non-executive director of BOC, China Nuclear Engineering Corporation Limited, Sinotrans Limited and China National Materials Company Limited. Mr. Lu graduated from the Accounting Department of Renmin University of China in 1988 with a master's degree in Economics and graduated from the Business School of Nanjing University in 1996 with a doctor's degree in Economics.

Mr. Lam Chi Kuen

Mr. Lam Chi Kuen, Independent Non-executive Director

Mr. Lam has been an Independent Non-executive Director of the Company since November 2019. He is now an independent non-executive director of Luks Group (Vietnam Holdings) Co., Ltd. Mr. Lam once served as a senior consultant and partner of Ernst & Young, an independent non-executive director of China Pacific Insurance (Group) Co., Ltd., and an independent non-executive director of Leo Paper Group (Hong Kong) Limited. Mr. Lam received a Higher Diploma in Accounting from the Hong Kong Polytechnic (currently known as the Hong Kong Polytechnic University) in 1977. He is a member of the Hong Kong Institute of Certified Public Accountants and a fellow of the Association of Chartered Certified Accountants.

Supervisors

No.	Name	Gender	Year of birth	Position	Term of office
Current Supervisors					
1	Gong Jiande	Male	1963	Chairman of the Board of Supervisors, Shareholder Representative Supervisor	From June 2019 until expiration of the term of the current session of the Board of Supervisors
2	Liu Yanfen	Female	1953	External Supervisor	From June 2019 until expiration of the term of the current session of the Board of Supervisors
3	Zhang Zheng	Male	1972	External Supervisor	From June 2019 until expiration of the term of the current session of the Board of Supervisors
4	Li Chun	Male	1957	External Supervisor	From June 2019 until expiration of the term of the current session of the Board of Supervisors
5	Gong Hongbing	Female	1966	Employee Supervisor	From August 2019 until expiration of the term of the current session of the Board of Supervisors
6	Lu Baoxing	Male	1966	Employee Supervisor	From August 2019 until expiration of the term of the current session of the Board of Supervisors
7	Yuan Liangming	Male	1965	Employee Supervisor	From August 2019 until expiration of the term of the current session of the Board of Supervisors
Resigned Supervisors					
1	Lin Dongyuan	Male	1959	Employee Supervisor	From June 2016 to August 2019
2	Jia Xiuhua	Female	1961	Employee Supervisor	From June 2016 to August 2019

Mr. Gong Jiande

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

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

Mr. Liu Yanfen

Liu Yanfen, External Supervisor

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

Mr. Zhang Zheng

Zhang Zheng, External Supervisor

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

Mr. Li Chun

Li Chun, External Supervisor

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

Ms. Gong Hongbing

Gong Hongbing, Employee Supervisor

Ms. Gong has been an Employee Supervisor of the Company since July 2014. From August 1988 to August 1999, Ms. Gong consecutively served at the Personnel Department of Yantai Branch and the Personnel Division of Shandong Branch of CCB. Ms. Gong joined the Company in August 1999 and served as the Assistant to General Manager of the General Affairs Office and Assistant to the Director of the Board of Directors' Office of the Company, Deputy General Manager (in charge of work) and General Manager of the General Affairs Office (Mass Work Department). Since October 2015, she has served as the Deputy Director of the Labor Union. Since November 2019, she has served as the director-general of the organization department of the Party Committee of the Company and the general manager of human resources of the Company. Ms. Gong graduated from the Harbin Senior Finance College (currently known as Harbin Finance University) majoring in Bank Management in 1988 and graduated from the Shandong Branch of the Party School of the Central Committee of CPC majoring in Economics and Management in 2002. She obtained a master's degree in Business Administration from the Beijing Jiaotong University in 2008. She holds the professional title of Senior Political Engineer.

Mr. Lu Baoxing

Lu Baoxing, Employee Supervisor

Mr. Lu Baoxing has been an Employee Supervisor of the Company since August 2019. From July 1985 to October 2003, Mr. Lu consecutively served as a teacher of the Shandong Banking School, the Office Clerk, Officer and Associate Chief Officer of Accounting Division of Shandong Branch, the Associate Chief Officer and Chief Officer of the Accounting and Finance Division of Jinan Branch and the Deputy Director of the CCB Regulatory Office Jinan Branch at the People's Bank of China. From October 2003 to November 2011, Mr. Lu consecutively served as the Deputy Director and Deputy Director (director level) of State-owned Bank Regulatory First Office, the Director of Logistics Service Center and the Director of Policy Bank and Postal Savings Institutions Regulatory Office at the CBRC Shandong Bureau. Mr. Lu joined the Company in November 2011 and served as the Deputy General Manager of Shandong Branch, the Deputy General Manager in charge of Anhui Branch, the General Manager of Anhui Branch and the General Manager of Shandong Branch. Since April 2019, he has been serving as the Director of the Board of Supervisors' Office. Mr. Lu graduated from Shandong Banking School (currently known as Qilu University of Technology) majoring in City Banking in 1985 and graduated from the Shandong Economics University (currently known as Shandong University of Finance and Economics) majoring in Accounting in 1990. He graduated from the East China Normal University majoring in International Finance in 1996 with a bachelor's degree in Economics and graduated from the School of Management of Guizhou University in 2008 with a master's degree in Business Administration. He holds the professional title of Senior Accountant.

Mr. Yuan Liangming

Yuan Liangming, Employee Supervisor

Mr. Yuan has been an Employee Supervisor of the Company since August 2019. From July 1988 to May 1999, Mr. Yuan consecutively served as the Associate Chief Officer and Chief Officer of Hubei Branch of CCB. Mr. Yuan joined the Company in May 1999 and held various positions including the Dedicated Approver of the Business Review Department and the Assistant to the General Manager and Deputy General Manager of the Risk Management Department. Since June 2019, he has been serving as the General Manager of the Risk Management Department. Mr. Yuan graduated from the Zhongnan University of Finance and Economics (currently known as Zhongnan University of Economics and Law) majoring in Investment and Economic Management in 1988 with a bachelor's degree in Economics. He graduated from the Department of Finance of Renmin University of China in 1995 with a master's degree in Economics and graduated from the Wuhan University in 2008 with a doctor's degree in Economics. Mr. Yuan holds the professional title of Senior Economist.

Senior Management

No.	Name	Gender	Year of birth	Position	Term of office
Current Senior Management					
1	Zhang Weidong	Male	1967	President	From January 2020
2	Liu Ligeng	Male	1965	Vice President	From June 2015
3	Hu Jiliang	Male	1964	Vice President	From March 2020
4	Xiang Dang	Male	1971	Assistant to the President	From August 2019
5	Zhao Limin	Male	1969	Assistant to the President	From August 2019
6	Li Hongjiang	Male	1969	Assistant to the President	From August 2019
7	Luo Zhenhong	Male	1965	Chief Risk Officer	From October 2013
8	Ai Jiuchao	Male	1967	Board Secretary	From April 2016
Resigned Senior Management					
1	Chen Yanqing	Male	1963	Assistant to the President	From February 2016 to January 2019
2	Chen Xiaozhou	Male	1962	President	From November 2016 to October 2019
3	Zhuang Enyue	Male	1960	Vice President	From March 2007 to January 2020
4	Liang Qiang	Male	1971	Vice President	From April 2019 to January 2020

Mr. Zhang Weidong

Zhang Weidong, President

Please see "Directors".

Mr. Liu Ligeng

Liu Ligeng, Vice President

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

Mr. Hu Jiliang

Hu Jiliang, Vice President

Mr. Hu has been serving as the Vice President of the Company since March 2020. He was employed by the PBOC from December 1981 to February 1985. He held various positions in Industrial and Commercial Bank of China from February 1985 to April 2000, including the deputy manager of Quzhou Trust Investment Company, the director of the Infrastructure Construction Office and the director of the Planning Loan Section of Quzhou Branch, the general manager of Zhejiang Industrial and Commercial Real Estate Company, the deputy general manager (in charge) of the Asset Management Department and the deputy director (in charge) of the Asset Risk Management Division of Zhejiang Branch. From April 2000 to December 2019, he held various positions in China Huarong Asset Management Co., Ltd., including the senior manager, the assistant to general manager and the deputy general manager of the Hangzhou Office, as well as the deputy director of the First Reorganization Office, the marketing director, the assistant to president and the vice president. During the period from March 2006 to January 2014, he served as the general manager, the vice chairman and the chairman of the board of directors of China Huarong Financial Leasing Co., Ltd. He has served as the member of the Party Committee of the Company since December 2019. Mr. Hu graduated from Hangzhou Cadre's Institute of Finance and Management majoring in Banking Management in 1997, and graduated from The University of Hong Kong with an MBA degree in August 2003. He holds the professional title of Senior Economist.

Mr. Xiang Dang

Xiang Dang, Assistant to the President

Mr. Xiang has been serving as the Assistant to the President of the Company since August 2019. He worked in CCB from July 1997 to October 1999. Mr. Xiang joined the Company in October 1999. He had held various positions successively, including the Assistant to the Head of the Nanjing Office, the Assistant to the General Manager of the Jiangsu Branch and the Deputy General Manager and the General Manager of the Chongqing Branch. Mr. Xiang graduated from Wuhan Metallurgical Construction College in 1992. He obtained a master's degree in Engineering from Chongqing Architectural University in 1997 and a doctorate degree in Management from Chongqing University in 2004. He holds the professional title of Senior Economist.

Mr. Zhao Limin

Zhao Limin, Assistant to the President

Mr. Zhao has been serving as the Assistant to the President of the Company since August 2019. He worked in CCB from July 1993 to September 1999, and joined the Company in September 1999. He had held various positions successively, including the Deputy Director of the Hohhot Office, the General Manager of the Jilin Branch and the General Manager of Cinda Investment. Mr. Zhao obtained a bachelor's degree in Economics from Liaoning University in 1993. He holds the professional title of Senior Economist.

Mr. Li Hongjiang

Li Hongjiang, Assistant to the President

Mr. Li has been serving as the Assistant to the President of the Company since August 2019. He worked in CCB from August 1992 to September 1998, and joined the Company in July 2001. He had held various positions successively, including the Deputy General Manager of the Guangdong Branch, the General Manager of the Jilin Branch and the General Manager of the Asset Operation Department of headquarters. He obtained a bachelor's degree in Economics, a master's degree in Economics and a doctorate degree in Economics from Dongbei University of Finance and Economics in 1992, 1999 and 2001 respectively. He holds the professional title of Senior Economist.

Mr. Luo Zhenhong

Luo Zhenhong, Chief Risk Officer

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

Mr. Ai Jiuchao

Ai Jiuchao, Board Secretary

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

Change in Directors, Supervisors and Senior Management

Change in Directors

As elected at the annual general meeting for 2018 and approved by CBIRC, Mr. Lu Zhengfei was appointed as the Company's Independent Non-executive Director on September 30, 2019.

As elected at the annual general meeting for 2018 and approved by CBIRC, Mr. Lam Chi Kuen was appointed as the Company's Independent Non-executive Director on November 8, 2019.

As elected at the second extraordinary general meeting for 2019 and approved by CBIRC, Mr. Zhang Weidong was appointed as the Company's Executive Director on January 21, 2020.

Since September 30, 2019, Mr. Xu Dingbo had ceased to be the Independent Non-executive Director of the Company due to expiry of term of office.

Since October 28, 2019, Mr. Chen Xiaozhou had ceased to be the Executive Director of the Company due to other work arrangement.

Since November 8, 2019, Mr. Chang Tso Tung, Stephen had ceased to be the Independent Non-executive Director of the Company due to expiry of term of office.

Since February 26, 2020, Ms. Yuan Hong had ceased to be a Non-executive Director of the Company due to other work arrangement.

During the Reporting Period, Mr. Sun Baowen resigned as an independent director of the Dareway Software Co., Ltd.

Change in Supervisors

On August 6, 2019, Mr. Lu Baoxing and Mr. Yuan Liangming were elected as the Employee Supervisors of the Company at the fourth employees' representatives' meeting.

Since August 6, 2019, Mr. Lin Dongyuan and Ms. Jia Xiuhua had ceased to be the Employee Supervisors of the Company due to expiry of term of office.

During the Reporting Period, Mr. Zhang Zheng resigned as an independent director of the Zhejiang Jasan Holding Group Co., Ltd.

Change in Senior Management

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

As appointed at the third Board meeting of the Company in 2019 and approved by the CBIRC, Mr. Xiang Dang, Mr. Zhao Limin and Mr. Li Hongjiang have been serving as the Assistants to the President of the Company since August 9, 2019.

As appointed at the ninth Board meeting of the Company in 2019 and approved by the CBIRC, Mr. Zhang Weidong has been serving as the President of the Company since January 21, 2020.

As appointed at the first meeting and the first regular meeting of the Board in 2020, Mr. Hu Jiliang has been serving as the Vice President of the Company since March 31, 2020.

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

Since October 28, 2019, Mr. Chen Xiaozhou had ceased to be the President of the Company due to other work arrangement.

Since January 7, 2020, Mr. Zhuang Enyue had ceased to be the Vice President of the Company due to other work arrangement.

Since January 7, 2020, Mr. Liang Qiang had ceased to be the Vice President of the Company due to other work arrangement.

Annual Remuneration

Remuneration of Directors, Supervisors and Senior Management

For details of the remuneration of Directors, Supervisors and Senior Management of the Company, please see Note VI.18 “Emoluments of directors and supervisors” and Note VI.19 “Key management personnel and five highest paid individuals” to the Consolidated Financial Statements.

Highest Paid Individuals

For details of the emoluments of the five highest paid individuals of the Company during the Reporting Period, please see Note VI.19 “Key management personnel and five highest paid individuals” to the Consolidated Financial Statements.

Corporate Governance Report

Summary

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

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

During the Reporting Period, the Company was awarded "Best Corporate Governance in Listed Companies" of the China Securities Golden Bauhinia Awards, which demonstrated good market image of the Company.

Corporate Governance Code

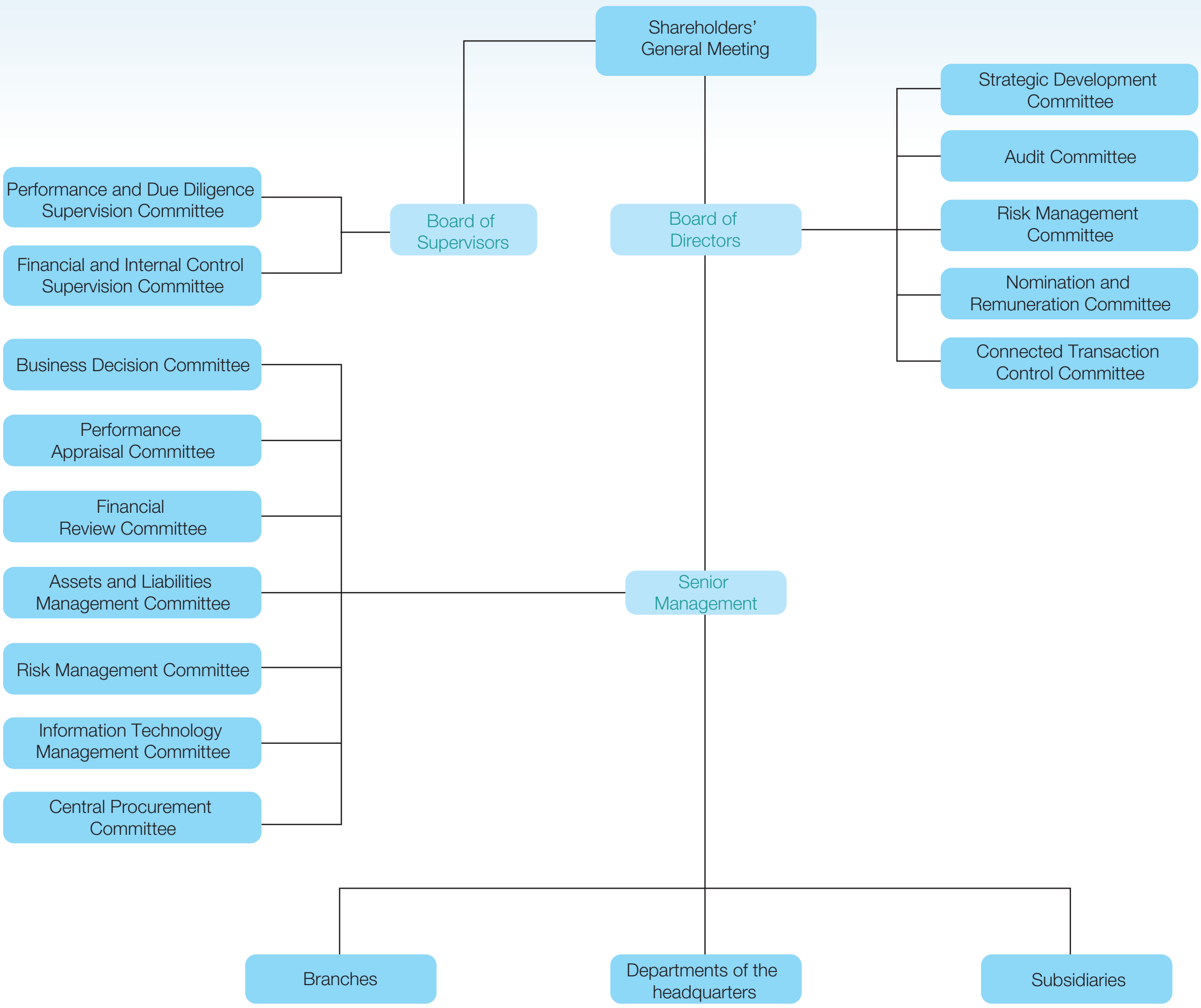
During the Reporting Period, the Company has fully complied with the code provisions and adopted most of the recommended best practices set out in the Corporate Governance Code under Appendix 14 to the Hong Kong Listing Rules (the "CG Code").

Corporate Governance Functions

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

Corporate Governance Structure

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



Amendments to the Articles

In 2019, for the purposes of further consolidating the foundation of corporate governance and improving corporate governance mechanism, the Company amended the Articles in accordance with the requirement of laws and regulations including the PRC Company Law, Hong Kong Listing Rules and relevant regulations of Guidelines on the Corporate Governance of Commercial Banks, taking into account the Company's corporate governance practice. The proposal in relation to the amendments to the Articles has been considered and approved at the 11th meeting and the 4th regular meeting of the Board for 2019, and it is proposed to be considered at the 2019 annual general meeting of the Company. After being considered and approved at the general meeting, the amended Articles shall be subject to the approval by the CBIRC and come into effect from the date of approval by the CBIRC. For the proposal to amend the Articles, please refer to the announcement of the Company dated December 26, 2019.

Shareholders' General Meeting

Responsibilities of shareholders' general meeting

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

Details of shareholders' general meetings

During the Reporting Period, the Company held three shareholders' general meetings in Beijing, including one annual general meeting and two extraordinary general meetings, at which a total of 15 resolutions were considered and approved. The Company strictly complied with the legal procedures applicable to shareholders' general meetings to ensure that shareholders are able to attend the meetings and exercise their rights. Shareholders voted at the shareholders' general meetings by poll according to the Hong Kong Listing Rules, and they were fully informed of the voting procedures by poll. The Company engaged legal counsels to attend and attest shareholders' general meetings and to issue legal opinions. Major resolutions considered and approved at the general meetings include:

- the resolution on the remuneration settlement scheme for the Directors for the year of 2017 of the Company;
- the resolution on the remuneration settlement scheme for the Supervisors for the year of 2017 of the Company;
- the resolution on the plan for transfer of part of the equity interest in China Jingu International Trust Co., Ltd. and relevant authorization;
- the resolution on the work report of the Board of the Company for 2018;

- the resolution on the report of the Board of Supervisors of the Company for 2018;
- the resolution on the final financial account plan of the Company for 2018;
- the resolution on the profit distribution plan of the Company for 2018;
- the resolution on the budget of investment in capital expenditure of the Company for 2019;
- the resolution on the appointment of accounting firms of the Company for 2019;
- the resolution on the election of the fourth session of the Board of Directors of the Company;
- the resolution on the election of the fourth session of the Board of Supervisors of the Company;
- the resolution on the granting of general mandate to issue additional H Shares to the Board of the Company;
- the resolution on the transfer of equity interest in Happy Life and relevant authorization;
- the resolution on the issuance plan of tier-II capital bonds and relevant authorization.

Shareholders' rights

Right to propose to convene extraordinary general meetings

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

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

Right to propose resolutions to shareholders' general meetings

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

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

Right to propose to convene extraordinary Board meetings

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

Right to propose resolutions to Board meetings

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

Right to raise proposals and enquiries

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

Other rights

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

Attendance of Directors at shareholders' general meetings

Attendance of Directors at shareholders' general meetings

Members of the Board	Number of meetings attended/ required to attend	Attendance rate
Executive Directors		
Zhang Zi'ai	2/3	67%
Zhang Weidong	–	–
Non-executive Directors		
He Jieping	3/3	100%
Xu Long	3/3	100%
Yuan Hong	3/3	100%
Zhang Guoqing	3/3	100%
Liu Chong	3/3	100%
Independent Non-executive Directors		
Zhu Wuxiang	2/3	67%
Sun Baowen	3/3	100%
Lu Zhengfei	0/1	0%
Lam Chi Kuen	1/1	100%
Directors Resigned during the Reporting Period		
Chen Xiaozhou	2/2	100%
Chang Tso Tung, Stephen	2/2	100%
Xu Dingbo	0/2	0%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.
2. Attendance rate is the number of meetings attended by Directors in person as a percentage of the total number of meetings required to attend.
3. Mr. Zhang Zi'ai was unable to attend the first extraordinary general meeting in 2019 of the Company due to temporary official business on an emergency situation.
4. Ms. Yuan Hong resigned as a Non-executive Director of the Company on February 26, 2020 due to other work arrangement.

Independence from controlling shareholder

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

Board of Directors

Composition and responsibilities of the Board

As at the date of this report, the Board has 10 members, including two Executive Directors, namely Mr. Zhang Zi'ai (Chairman) and Mr. Zhang Weidong, four Non-executive Directors, namely Mr. He Jieping, Mr. Xu Long, Mr. Zhang Guoqing, and Mr. Liu Chong and four Independent Non-executive Directors, namely Mr. Zhu Wuxiang, Mr. Sun Baowen, Mr. Lu Zhengfei and Mr. Lam Chi Kuen. Their terms of office shall end on the expiry of the current session of the Board.

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

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

Board Meetings

In 2019, the Board held 11 meetings, including four regular meetings and seven extraordinary meetings, at which 46 resolutions were passed and 17 work reports were reviewed. Before the meetings, Directors had been appropriately provided with notice and information necessary for making an informed decision in time. Among the resolutions passed, there were 15 resolutions on operational and management matters, one resolution on significant transaction, five resolutions on work reports, 11 resolutions on nomination of candidate, one resolution on remuneration and insurance matter and 13 other resolutions. The major matters were as follows:

- the final financial account plan and the profit distribution plan of the Company for 2018 and capital expenditure investment budget for 2019;
- the annual report (the annual results announcement) of the Company for 2018 and the interim report (interim results announcement) of the Company for 2019;
- the work report of the Board, risk management report, internal control evaluation report and social responsibility report of the Company for 2018;
- the internal audit work plan of the Company for 2019;
- the distribution of dividends for Offshore Preference Shares of the Company;
- the resolution on plans for transfer of equity interest in Happy Life Insurance Co., Ltd. by the Company and disposal of partial equity interest in Shanxi Jincheng Anthracite Mining Group Co., Ltd.;
- the amendment to the Articles, the Rules of Procedures of General Meetings, and the Rules of Procedures of Board Meetings;
- the nomination of candidates for Directors of the Company and the election of the Company's Chairman, chairman and members of special committees of the Board;
- the appointment of the President and Assistants to the President of the Company;
- reviewing the reports on implementation of proposals passed at previous Board meetings and identification of connected persons of the Company.

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

Directors' Attendance at Board Meetings

Directors' Attendance at Board Meetings

Members of the Board	Number of meetings attended/ required to attend	Attendance rate
Executive Directors		
Zhang Zi'ai	11/11	100%
Zhang Weidong	–	–
Non-executive Directors		
He Jieping	11/11	100%
Xu Long	10/11	91%
Yuan Hong	10/11	91%
Zhang Guoqing	11/11	100%
Liu Chong	11/11	100%
Independent Non-executive Directors		
Zhu Wuxiang	11/11	100%
Sun Baowen	10/11	91%
Lu Zhengfei	3/3	100%
Lam Chi Kuen	2/2	100%
Directors Resigned during the Reporting Period		
Chen Xiaozhou	8/8	100%
Chang Tso Tung, Stephen	7/9	78%
Xu Dingbo	7/8	88%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone or video conference.
2. Attendance rate is the number of meetings attended by Directors in person as a percentage of the total number of meetings required to attend.
3. Directors who were not able to attend in person have appointed other Directors as the proxy to vote at the meetings on their behalf.
4. Ms. Yuan Hong resigned as a Non-executive Director of the Company on February 26, 2020 due to other work arrangement.

Special Committees of the Board

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

Strategic Development Committee

As at the date of this report, the Strategic Development Committee has seven directors. Mr. Zhang Zi'ai (Chairman of the Board) serves as the chairman. The members include four Non-executive Directors, namely Mr. He Jieping, Mr. Xu Long, Mr. Zhang Guoqing and Mr. Liu Chong and two Independent Non-executive Directors, namely Mr. Lam Chi Kuen and Mr. Sun Baowen.

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

During the Reporting Period, the Strategic Development Committee held seven meetings to consider 10 resolutions, mainly including the 2018 final financial account plan, the 2019 annual consolidated operation plan, the budget of investment in capital expenditure for 2019, the resolution on capital management plan for years from 2019 to 2021, the resolution on the plan for transfer of equity interest in Happy Life Insurance Co., Ltd. by the Company and the resolution on the plan for issuance of tier-II capital bonds of the Company, and reviewed the reports on the 2018 corporate governance report and the strategic development plan implementation evaluation report of the Company (2018).

Members' attendance at Strategic Development Committee meetings

Members	**Number of meetings attended/ required to attend**	**Attendance rate**
Zhang Zi'ai	7/7	100%
He Jieping	7/7	100%
Xu Long	7/7	100%
Yuan Hong	7/7	100%
Zhang Guoqing	7/7	100%
Liu Chong	7/7	100%
Sun Baowen	7/7	100%
Lam Chi Kuen	1/1	100%
Member Resigned during the Reporting Period		
Chang Tso Tung, Stephen	4/6	67%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone and video conference.
2. Attendance rate is the number of meetings attended by Directors in person as a percentage of the total number of meetings required to attend.
3. Member who was unable to attend the meetings in person has appointed another member as the proxy to vote on his behalf.
4. Ms. Yuan Hong resigned as a member of the Strategic Development Committee on February 26, 2020 due to other work arrangement.

Audit Committee

As at the date of this report, the Audit Committee consists of four directors. Mr. Lu Zhengfei (Independent Non-executive Director) serves as the chairman. The members include one Non-executive Director, Mr. He Jieping and two Independent Non-executive Directors, namely Mr. Sun Baowen and Mr. Lam Chi Kuen.

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

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

During the Reporting Period, the Audit Committee held four meetings to review six resolutions including the 2018 annual report (2018 Annual Results Announcement), the internal control evaluation report for 2018, the risk management report for 2018, the internal audit work plan for 2019, the appointment of external accounting firms, the 2019 interim report (Interim Results Announcement), and reviewed four reports including the report on internal audit work for 2018, external auditor's report on the Company's 2018 management recommendations, 2019 interim financial statement review plan.

On March 30, 2020, the Audit Committee held a meeting to resolve the submission of the 2019 annual financial report to the Board for review. The Audit Committee together with the Board and the external auditing firms jointly reviewed the accounting standards and practice adopted by the Group and the audited Consolidated Financial Statements for the year ended December 31, 2019.

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

Members' attendance at Audit Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Lu Zhengfei	–	–
He Jieping	4/4	100%
Sun Baowen	4/4	100%
Lam Chi Kuen	–	–
Members Resigned during the Reporting Period		
Xu Dingbo	4/4	100%
Chang Tso Tung, Stephen	4/4	100%

Notes:

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

Risk Management Committee

As at the date of this report, the Risk Management Committee consists of four directors. Mr. He Jieping (Non-executive Director) serves as the chairman. The members include Mr. Zhang Weidong, an Executive Director, Mr. Zhang Guoqing, a Non-executive Director, and Mr. Lu Zhengfei, an Independent Non-executive Director.

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

During the Reporting Period, the Risk Management Committee held five meetings to review nine resolutions and reports, mainly including reviewing the 2018 risk management report and the evaluation report on internal control for 2018, amending the Corporate Compliance Work Management Procedures and Risk Appetite Statement of the Group (2019), and reviewing the quarterly risk management reports of the Company and report on anti-money laundering efforts. The Risk Management Committee understood and evaluated the effectiveness of the operation of the Company's risk management and internal control system through measures such as reviewing the briefings on risk management reports and internal control evaluation reports, identifying the risk appetite of the Company in accordance with the strategic management target of the Company, participating in meetings on the Company's system risk management, and investigation and research on site.

Members' attendance at Risk Management Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
He Jieping	5/5	100%
Zhang Weidong	–	–
Zhang Guoqing	3/5	60%
Lu Zhengfei	1/1	100%
Members Resigned during the Reporting Period		
Chen Xiaozhou	4/4	100%
Xu Dingbo	3/3	100%

Notes:

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

Nomination and Remuneration Committee

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

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

During the Reporting Period, the Nomination and Remuneration Committee held five meetings to consider 11 resolutions, including the nomination of candidates for the Directors of the Company, the nomination of chairman and members for special committees of the Board, preliminary review on the qualifications of President, the assistant to the President, renewal of liability insurance for Directors, Supervisors and Senior Management.

Members' attendance at Nomination and Remuneration Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Sun Baowen	5/5	100%
Xu Long	4/5	80%
Zhu Wuxiang	5/5	100%

Notes:

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

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

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

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

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

   - their shareholdings in the Company; and

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

2. A candidate for Director shall, prior to the convening of the shareholders' general meeting, give a written undertaking letter stating that he/she has agreed to accept the nomination and that the personal information as publicly disclosed is true and complete, and warrant that he/she will duly perform his/her duties as a Director after he/she is elected. A written notice of the intention to nominate a candidate of Director and willingness of the candidate to be elected as well as the written documents of the basic information of the candidate shall be given to the Company not less than 10 days prior to the date of the shareholders' general meeting;

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

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

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

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

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

Connected Transaction Control Committee

During the Reporting Period, the Connected Transaction Control Committee consists of three directors. Mr. Zhu Wuxiang (Independent Non-executive Director) serves as the chairman. The members include Ms. Yuan Hong, a Non-executive Director and Mr. LU Zhengfei, an Independent Non-executive Director. Ms. Yuan Hong resigned as a member of the Connected Transaction Control Committee on February 26, 2020 due to other work arrangement. The Company will convene a Board meeting to conduct a by-election with respect to the members of the Connected Transaction Control Committee in due course to meet the relevant requirements of the Company's internal systems.

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

During the Reporting Period, the Connected Transaction Control Committee held three meetings to consider and receive nine resolutions and reports that included matters relating to identification of connected persons of the Company, to consider the 2018 connected transaction management report, to consider and approve the related connected transaction of equity disposal project of Huainan Mining Industry (Group) Co., Ltd., and to debrief the report on internal transactions of the Group for 2018 and report on the Company's special rectification work on equity and connected transactions.

Members' attendance at Connected Transaction Control Committee meetings

Members	Number of meetings attended/ required to attend	Attendance rate
Zhu Wuxiang	3/3	100%
Yuan Hong	2/3	67%
Lu Zhengfei	1/1	100%
Member Resigned during the Reporting Period		
Xu Dingbo	2/2	100%

Notes:

1. Attendance includes on-site attendance and attendance through electronic means such as telephone and video conference.
2. Attendance rate is the number of meetings attended by Directors in person as a percentage of the total number of meetings required to attend.
3. Member who was unable to attend the meetings in person has appointed another member as the proxy to vote on their behalf.
4. Ms. Yuan Hong resigned as a member of the Connected Transaction Control Committee on February 26, 2020 due to other work arrangement.

Board of Supervisors

Duties of the Board of Supervisors

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

Composition of Board of Supervisors

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

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

Chairman of the Board of Supervisors

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

Meetings of the Board of Supervisors

In 2019, the Board of Supervisors of the Company held six meetings and approved 21 resolutions, including the focus of the Board of Supervisors for 2019, the legal compliance for 2018, the final financial account plan for 2018, the use of proceed raised, the profit distribution plan for 2018, the internal control evaluation report for 2018, the report on the performance of Directors, Supervisors and Senior Management for 2018, the focus of performance supervision on Directors and Senior Management for 2019, the report of the Board of Supervisors for 2018, the 2018 annual report (2018 annual results announcement), resolution on the nomination of Supervisor candidates, implementation of supervisory opinions and recommendations of the Board of Supervisors, the interim report (interim results announcement) for 2019, resolution on election of chairman and members of Performance and Due Diligence Supervision Committee of the Board of Supervisors, resolution on election of chairman and members of Financial and Internal Control Supervision Committee of the Board of Supervisors, and amendment on the Procedural Rules of the Board of Supervisors.

Supervisors' attendance at meetings of the Board of Supervisors

Supervisors	Number of meetings attended/ required to attend	Attendance rate
Gong Jiande	6/6	100%
Liu Yanfen	5/6	83%
Zhang Zheng	5/6	83%
Li Chun	6/6	100%
Gong Hongbing	6/6	100%
Lu Baoxing	2/2	100%
Yuan Liangming	2/2	100%
Supervisors Resigned during the Reporting Period		
Lin Dongyuan	4/4	100%
Jia Xiuhua	4/4	100%

Notes:

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

Special committees of the Board of Supervisors

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

Performance and Due Diligence Supervision Committee

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

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

During the Reporting Period, the Performance and Due Diligence Supervision Committee held three meetings and reviewed the following matters, including the resolution on amendment on the Measures on the Performance Supervision of the Board of Supervisors, report on the performance of Directors, Supervisors and the Senior Management for 2018, the focus of the performance supervision of Directors and Senior Management for 2019 and resolution on the nomination of Supervisor candidates.

Financial and Internal Control Supervision Committee

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

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

During the Reporting Period, the Financial and Internal Control Supervision Committee held six meetings to review the following matters, including the final financial account plan for 2018, the use of proceeds, the internal control evaluation report of the Company for 2018, the 2018 annual report (2018 annual results announcement) and the 2019 interim report (interim results announcement) of the Company.

Chairman of the Board and President

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

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

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

Senior Management

Composition and duties of Senior Management

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

Supervision and evaluation of the performance of Directors and Senior Management

In accordance with the Measures on the Performance Supervision of the Board of Supervisors and the focus of the performance supervision of the Directors and Senior Management for 2019, the Board of Supervisors conducted supervision over the performance of the Board, Senior Management and its members through attending the shareholders' general meetings, presenting at the Board meetings, meetings of the special committees of the Board and the meetings of Senior Management, examining the minutes and records of the meeting, and performance reports of Director and Senior Management, and also through daily supervision arrangements.

Remuneration of Directors and Senior Management

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

For the remuneration of Senior Management by band, please refer to Note VI. 19 "Key management personnel and five highest paid individuals" to the Consolidated Financial Statements.

Risk Management

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

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

Details of the Company's establishment of risk management system, risk management framework and control measures for 2019 are set out in the "Management Discussion and Analysis" – "Risk Management" in this report.

Internal Control

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

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

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

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

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

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

During the Reporting Period, the Company further improved the internal control system and maximized efforts to enhance the effectiveness of the internal control by closely focusing on the regulatory requirements and the development strategy of the Company.

Management of the systems. The Company organized and conducted the review of the systems, formulated the systematic construction plan after streamlining and investigating the comprehensiveness, compliance, effectiveness and practicability with reference to the inspection opinions of the regulatory authorities, regularly monitored the completion of the plan, focused on monitoring the construction of the systems for newly-established departments and promoted the building of a virtuous development for the construction of the systems.

Comprehensive optimization of the internal control system. The Company comprehensively improved the internal control handbook and updated 22 internal control processes and more than 200 internal control points in business management, internal supervision, financial management and other fields with an update rate of 21%, thus further promoting the construction of the whole-process internal control system with all the staff involved.

Continuous improvement of the quality and effectiveness of the checks and rectifications. In accordance with the requirements of the CBIRC, the Company continuously promoted the control over market chaos and organized the inspection group to conduct on-site supervisions on branches and subsidiaries, strengthened the rectification and acceptance for the issues discovered. By upholding the issue-oriented principle, the Company further improved the business process and the internal control management system to effectively enhance the management levels.

Proactive promotion of the construction of the internal control and compliance culture. The Company has developed an online testing system with more than 2,000 staff from headquarters office and branches participated in the online system understanding tests. The Senior Management visited branches to conduct the compliance awareness education and participated in the system tests on site. The Company also strived to conduct various professional trainings to strengthen the guidance of the compliance concept and thus to play the guiding and binding role of the compliance culture.

According to the Guidelines for the Evaluation of Internal Control of Enterprises issued by five ministries and commissions including the MOF, the CG Code as set out in Appendix 14 to the Hong Kong Listing Rules of Hong Kong Stock Exchange and the Guidelines for Internal Control of Commercial Banks issued by the CBRC, the Company adopted an implementation plan for internal control assessment for 2019 in line with the internal control system. The Company organized and conducted the comprehensive self-assessment, on-site and off-site tests and inspection of key aspects. Each unit sorted out the main business processes one by one to find defects in internal control, actively implementing the rectification and optimizing the establishment and implementation of internal control after taking into account the business operation situations.

The Board and the Audit Committee of the Company conduct the assessment of the effectiveness of the internal control every year and inspect the internal control assessment reports. The Board believes that the Company has maintained effective internal control for financial reporting in all material aspects in accordance with the requirements of the corporate internal control regulation system and relevant provisions. No material or significant defects in the internal control of the financial reporting and non-financial reporting were identified while some matters to be addressed did not have a substantial impact on the operation and management of the Company.

The Company had appointed Ernst & Young Hua Ming LLP to conduct audit on the internal control of the Company. The audit opinions of the internal control were consistent with the assessment results of the effectiveness of the internal control of the Company.

Internal Audit

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

In 2019, the Company fully completed the annual internal audit plan. In accordance with the regulatory requirements for listed companies and the corporate risk profile and with serving the development of the Company as core, the Company was dedicated to continuously improving its risk management mechanism, its internal control compliance and its corporate governance structure, and improving the effective performance of the entities being audited. The Company also promoted the effective implementation of laws, regulations, the rules of the Company, and fully leveraged the supervisory and advisory functions of internal audit.

Carrying out regular and special audits. Centering on the strategic development goal of the Company and focusing on key businesses, major projects, important links, corporate finance and internal control, the Company carried out regular audits on branches; according to the regulatory requirements, the Company organized special audits on the Group's layers reduction and the structural adjustment of subsidiaries as well as on the transfers of projects to third parties; the Company also conducted audits on the economic responsibilities of certain cadres during their term of offices, and cooperated with the external auditors for inspection and organized to promote the implementation of the rectification.

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

Further strengthening the building of internal audit team. The Company emphasized on strengthening the duty performance ability of the internal auditors, conducted training for the internal auditors in a multi-dimensional manner through numerous measures, intensified the update of knowledge, improved the auditing theory and practice standards of the internal auditors and maximized efforts to allocate more professional staff, so as to provide talent guarantee for building an efficient internal auditing system.

Establishment and Implementation of Accountability System for Material Errors in Annual Reports

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

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

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

Communication with Shareholders

Information disclosure and investor relations

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

In 2019, the Company dedicated to information disclosure in strict compliance with the principles of truth, accuracy, completeness, timeliness and fairness. The Company also worked continuously to enhance the quality of disclosures contained in regular reports, adjusted and improved the format and content of disclosures contained in regular reports in accordance with industry development trends and operation changes of the Company, and effectively improved the effectiveness and transparency of disclosures contained in regular reports. The Company also dedicated to accurately disclose temporary announcements in a timely manner, and to actively encourage voluntary disclosure. The Company also dedicated to protect investors' right to know, improved the working mechanism and procedure for information disclosure to improve its quality and efficiency. The Company strictly implemented the registration of insiders as a part of its efforts to strengthen confidentiality of its inside information.

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

Contacts of Board of Directors' Office

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

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

Auditor's Remuneration

As approved by the annual general meeting for 2018, the Company had appointed Ernst & Young Hua Ming LLP and Ernst & Young (collectively "Ernst & Young") as its domestic and international auditors for 2019, respectively, to provide audit service of the annual financial statements, review of the interim financial statements, and audit of internal control as well as other professional services for the Company for the year of 2019. During the Reporting Period, the audit fee incurred in respect to the audit of financial statements and audit of internal control provided by Ernst & Young and its member firms amounted to a total of RMB41.92 million. The audit-related fees incurred in respect of other verification services provided by Ernst & Young and its member firms amounted to a total of RMB30,000. In 2019, the fees incurred in respect to consulting service provided by Ernst & Young and its member firms amounted to a total of RMB20.22 million. There are no non-audit services provided by Ernst & Young and its member firms to the Group other than those mentioned above.

Responsibilities of Directors in respect of Financial Statements

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

Securities Transactions by Directors, Supervisors and Senior Management

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

The Independence of Independent Non-executive Directors

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

Trainings for Directors

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

External Trainings

- MOF preventing and dissolving financial risks, financial planning for financial enterprises, and performance evaluation and remuneration management for financial enterprises;
- CBIRC strengthening the equity management, cementing the corporate governance base, and analysis of the issues about the corporate governance of the financial asset management companies;
- Central Huijin Investment Ltd. business model transform, industrial economic trends and financial support, and risk management under financial innovation;
- China Investment Corporation global economic and financial trends, new rules on asset management and strengthening supervision, prevention and control of financial risks, corporate governance of financial institutions, and the globalization and competition of the financial industry;
- The Hong Kong Institute of Chartered Secretaries governance and supervision structure of the capital market in Hong Kong, information disclosure and inside information control responsibility, investor relations, and board governance and directors' duty performance.

Internal Trainings

- Internal audit;
- Distressed asset business;
- Macro economy and policy;
- Directors' term of reference as well as duties and responsibilities;
- Corporate governance.

Company Secretaries

Mr. Ai Jiuchao is the Company secretary. He has served the Company for many years and is familiar with the Company's daily operations. In respect of corporate governance, the Hong Kong Listing Rules and other applicable laws and regulations related to the Company and other matters, Mr. Ai shall report to the Directors and/or the President. During the Reporting Period, Mr. Ai had participated in the relevant professional training courses for 15 hours, in compliance with the requirements of Rule 3.29 of the Hong Kong Listing Rules.

Report of the Board of Directors

Principal Business

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

Profit and Dividend Distribution

The profit and financial condition of the Group for the year ended December 31, 2019 are set out in the section headed "Management Discussion and Analysis" – "Analysis of Financial Statements" in this report.

Having considered the long-term development requirement and the interests of investors of the Company, the Board proposed to distribute cash dividends for 2019 in the amount of RMB1.026 per 10 shares (tax inclusive) to holders of Domestic Shares and H Shares whose names appear on the register of members on the record date, representing total cash dividends of approximately RMB3,916 million on the basis of 38,164,535,147 Domestic Shares and H Shares in issue on December 31, 2019.

The 2019 profit distribution plan of the Company shall be subject to approval by the annual general meeting for 2019. Subject to the approval, the cash dividend for 2019 is expected to be distributed on or around August 14, 2020 to the holders of Domestic Shares and H Shares whose names appear on the register of members of the Company on the record date for dividend distribution. The cash dividend will be denominated and declared in Renminbi and will be paid in Renminbi to holders of Domestic Shares and in Hong Kong dollars to holders of H Shares. The amount of Hong Kong dollar will be calculated on the basis of the average basic exchange rate between Renminbi and Hong Kong dollar quoted by the People's Bank of China one week prior to the date of the annual general meeting for 2019 (including the date of the meeting).

The Company will announce the date of the annual general meeting for 2019 and the period of closure of register of members of the Company for the determination of the entitlement of shareholders to attend the annual general meeting and to vote thereon and the period of closure of registered of members of the Company to determine the entitlement of shareholders for 2019 cash dividends in due course.

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

For individual holders of H Shares, pursuant to the PRC Individual Income Tax Law, the Implementation Regulations of the PRC Individual Income Tax Law, other laws and regulations and relevant regulatory documents promulgated by the State Administration of Taxation of the PRC, the Company shall, as a withholding agent, withhold and pay individual income tax at the rate of 10% for the individual holders of H Shares in respect of the dividend for 2019 to be distributed to them. The individual holders of H Shares may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries (regions) in which the individual holders of H Shares are domiciled and the tax arrangements between mainland China, Hong Kong or Macao.

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

For investors of the Shanghai Stock Exchange or Shenzhen Stock Exchange investing in the H Shares of the Company, the Company will distribute the cash dividend for 2019 to China Securities Depository and Clearing Corporation Limited which, as the nominee of the investors of H Shares of Southbound Trading, will then re-distribute the cash dividends to the relevant investors of H Shares of Southbound Trading through its depository and clearing system. Pursuant to the relevant requirements of the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (Caishui [2014] No. 81) and the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Caishui [2016] No. 127), the Company shall withhold and pay individual income tax at the rate of 20% on behalf of domestic individual investors. For domestic securities investment funds, the tax payable shall be the same as that for individual investors. The Company will not withhold and pay the income tax of dividends for domestic enterprise investors which shall report and pay the relevant tax themselves. The record date and the date of distribution of cash dividends and other arrangements for the investors of Southbound Trading will be the same as those for the holders of H Shares of the Company.

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

Details of the Company's dividend on Offshore Preference Shares for 2019 are set out in the section headed "Changes in Share Capital and Information on Substantial Shareholders" – "Preference Shares" in this report.

Distributable Reserves

Details of distributable reserves of the Group for the year ended December 31, 2019 are set out in the Consolidated Statement of Financial Position in the Consolidated Financial Statements.

Financial Summary

The operating results and summary of assets and liabilities of the Group for the year ended December 31, 2019 are set out in the "Financial Summary" in this report.

Donations

Donations made by the Group for the year ended December 31, 2019 amounted to RMB7.40 million.

Property and Equipment

None of the percentage ratios (as defined under Rule 14.04(9) of the Hong Kong Listing Rules) of the properties held by the Group exceeds 5%. Details in relation to the changes in property and equipment of the Group for the year ended December 31, 2019 are set out in Note VI. 39 "Property and equipment" to the Consolidated Financial Statements.

Pension Plan

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

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

For details of the payment of pension by the Company for its employees, please see Note VI. 11 "Employee remuneration" to the Consolidated Financial Statements.

Major Clients

During the Reporting Period, the combined revenue from the top five clients of the Company did not exceed 30% of its total revenue for 2019. There are no clients, suppliers, employees or others who have a significant impact on the Group and on which the Group's success depends.

Share Capital and Public Float

As at December 31, 2019, the Company had a total of 38,164,535,147 shares in issue and 1,632 registered shareholders. Please see "Changes in Share Capital and Information on Substantial Shareholders" in this report for details. As of the Latest Practicable Date, based on the information available to the Company and to the knowledge of the Directors, the public float of the Company was 35.55%, which was in compliance with the relevant laws and regulations and the requirement of the Hong Kong Listing Rules.

Pre-emptive Right

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

Purchase, Sale and Redemption of Shares

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

Equity-linked Agreement

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

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

Issuance of Securities

Issuance of Securities of the Company

During the Reporting Period, the details of issuance of bonds of the Company is set out in Note VI. 56 "Bonds payable" to the Consolidated Financial Statements.

Issuance of Securities of Subsidiaries

During the Reporting Period, the details of issuance of bonds of the subsidiaries of the Company are set out in Note VI. 56 "Bonds payable" to the Consolidated Financial Statements.

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

Material Interests and Short Positions

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

Use of Proceeds

All of the proceeds received by the Group in the past issues have been used in accordance with the purposes disclosed in the relevant documents such as their respective prospectuses, which was to replenish the capital of the Company for supporting its business development.

Borrowings

The borrowings of the Group as at December 31, 2019 amounted to approximately RMB536.59 billion. Details of the borrowings are set out in Note VI. 49 "Borrowings" to the Consolidated Financial Statements.

Directors, Supervisors and Senior Management

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

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

As at December 31, 2019, none of the Directors, Supervisors or chief executive officer of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Hong Kong SFO), which was required to be recorded in the register kept by the Company pursuant to Section 352 of the Hong Kong SFO or otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to Appendix 10 Model Code for Securities Transactions by Directors of Listed Companies to the Hong Kong Listing Rules.

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

In 2019, none of the Directors and Supervisors of the Company (or their connected entities) had any material interests, directly or indirectly, in any major transactions, arrangements or contracts (except service contracts) regarding the business of the Group entered into by the Company or any of its controlling companies, subsidiaries or fellow subsidiaries.

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

Interests of Directors in Business Competing with the Company

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

Material Contracts with Controlling Shareholders

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

Management Contracts

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

Remuneration Policy of Directors, Supervisors and Senior Management

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

Relationship between Directors, Supervisors and Senior Management

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

Indemnity for Directors, Supervisors and Senior Management

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

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

Connected Transactions

On October 21, 2019, the Company as one of the existing shareholders of Huainan Mining Industry (Group) Co., Ltd. ("Huainan Mining Group") together with other existing shareholders of Huainan Mining Group as a party to the agreement, entered into the Absorption and Merger Agreement between Huaihe Energy (Group) Co., Ltd. and Huainan Mining Industry (Group) Co., Ltd. with Huainan Mining Group and Huaihe Energy (Group) Co., Ltd. ("Huaihe Energy"). Pursuant to which, the parties including the Company agreed that Huaihe Energy would absorb and merge Huainan Mining Group by a combination of issuing shares and paying cash to all shareholders of Huainan Mining Group including the Company. Upon completion of the absorption and merger, the Company will become a shareholder of Huaihe Energy. As Huainan Mining Group currently holds more than 10% equity interests in Cinda Real Estate, a subsidiary of the Company, Huainan Mining Group constitutes a connected person of the Company at the subsidiary level under Chapter 14A of the Hong Kong Listing Rules. At the same time, Huainan Mining Group currently holds 56.61% equity interests in Huaihe Energy, and therefore Huaihe Energy is an associate of such connected person. The absorption and merger is subject to the reporting and announcement requirements but exempt from circular, advice from independent financial advisor and shareholders' approval requirements. For details of the absorption and merger, please refer to the announcement relating to such connected transaction of the Company in 2019.

Save as disclosed above, during the Reporting Period, the Company did not conduct any connected transaction or continuing connected transaction required to be reported, announced or approved by independent shareholders under Chapter 14A "Connected Transactions" of the Hong Kong Listing Rules. Details of related party transactions as defined under the IFRS are set out in Note VI. 71 "Related party transactions" to the Consolidated Financial Statements, which do not constitute connected transaction or continuing connected transaction under Chapter 14A of the Hong Kong Listing Rules.

Compliance with Relevant Laws and Regulations

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

Auditors

The financial reports of the Company for 2019 prepared under the IFRS and PRC GAAP have been audited by Ernst & Young and Ernst & Young Hua Ming LLP, respectively.

Statement for Changes of Auditors in the Past Three Years

As approved at the annual general meeting for 2018 on June 25, 2019, the Company re-appointed Ernst & Young Hua Ming LLP and Ernst & Young as its domestic and international auditors for 2019, respectively, to provide the audit of the annual financial statements, review of the interim financial statements, audit of internal control and other relevant services to the Company for 2019. The Company has not changed its auditors in the past three years.

By Order of the Board
ZHANG Zi'ai
Chairman

March 31, 2020

Report of the Board of Supervisors

In 2019, pursuant to the laws, regulations and the requirements of the Articles, the Board of Supervisors earnestly performed its supervisory duty, constantly improved the supervisory mechanism, continuously improved the effectiveness of supervision, promoted the Company to improve corporate governance and promoted business compliance and sound management.

Major Work Completed

Hold the meetings of the Board of Supervisors in accordance with the law. The Board of Supervisors held six meetings of the Board of Supervisors all year round, and considered 21 resolutions, including the Company's regular reports, internal control evaluation reports, performance evaluation reports and nomination of supervisors. The Board of Supervisors also debriefed a number of thematic reports, including the Company's operation reports, the implementation of the system of "Three-Major and One-Large", risk management, the reduction of subsidiary levels and the implementation and rectification of regulatory opinions. The Board of Supervisors held three meetings of the Performance and Due Diligence Supervision Committee and six meetings of the Finance and Internal Control Supervision Committee. In accordance with laws, the Board of Supervisors complied to express the independent opinions on the Company's legal operations, financial reports, performance of duties, and internal control in 2019.

Earnestly perform its supervisory duty. The Board of Supervisors actively attended important meetings such as the working meetings of the Board of Directors and their special committees, corporate working meetings and quarterly regulatory briefings. The Board of Supervisors carefully reviewed the meeting materials, paid attention to the proceedings, decision-making process and results, and expressed the opinions in due course. The Board of Supervisors further improved the evaluation mechanism for the performance of their duties, strengthened supervision of the performance and due diligence of the Board of Directors and senior management and their members, and paid attention to the relevant key work related to the regulatory opinions in the fields in which they are responsible. The Board of Supervisors carried out the annual performance evaluation, formulated the evaluation reports on the annual performance of the duties of the Board of Directors, the Board of Supervisors, senior management and their members, and reported the evaluation of the performance of duties to the general meeting and the supervisory authorities in accordance with the regulations.

Practically strengthen the financial supervision. The Board of Supervisors earnestly performed the supervisory duty over the financial reports, regularly debriefed the reports of operations and reviewed results, paid attention to effects on major adjustments of financial reports and changes of accounting policies. The Board of Supervisors carried out the supervisory duties of the Company's allowance, capital and liquidity management and overseas liability management, paid attention to the capital plan and capital adequacy management, debriefed the reports on the Company's overseas liability and liquidity management, and paid attention to the impact of exchange rate fluctuations, and prompted to prevent liquidity risks caused by the mismatch of foreign currency assets and liabilities. The Board of Supervisors followed up the ratification and implementation of financial issues identified from the prior supervision and inspection since 2018, and concerned the Company's financial condition.

Constantly enhance the risk and internal control supervision. The Board of Supervisors facilitated the Company to enhance the management and strengthen the asset quality. By paying attention to the existing asset risk-mitigating and the new asset risk-controlling, the Board of Supervisors constantly followed up and figured out the classification and examination of the asset risk, debriefed the Company's risk management report for many times, combed the risk condition of the Company in the whole year, analysed through multi-dimension and put forward suggestions and measures. The Board of Supervisors carried out the supervision and examination with the help of the agencies, constantly paid attention to the construction of internal control and compliance management system of the Company, debriefing the Company's internal control and compliance management, internal and external audit sifts issues and ratification, rectification of inspection and regulatory notification issues. The Board of Supervisors put forward advices and suggestions by paying attention to swindle prevention control of the Company and emphasizing the use of internal audit results. The Board of Supervisors urged to consolidate the achievements of anti-chaos work and analyze and summarize the cause of the problem so as to strengthen the long-term and effective mechanism of compliance operations.

Focus on strengthening self-construction. The Board of Supervisors amended the Procedural Rules of the Board of Supervisors and relevant regulations to further optimize and improve the responsibilities of the Board of Supervisors, formulated the Management Measures for the Implementation of the Board of Supervisors' Supervision Advice and Suggestion, and promoted the rectification and implementation of the Board of Supervisors' supervision advice and suggestion. The Board of Supervisors optimized its structure and completed its reelection. Through strengthening communication with the Board of Directors and the operating personnel as well as carrying out in-depth research and inspection, the Board of Supervisors improved the understanding of the Company's operations. By targeting to organize the supervisors to constantly participate such special training as on regulatory policies, corporate governance capabilities and business-related issues, the Board of Supervisors further enhanced the effectiveness of the performance of the duties.

Independent Opinions on Relevant Matters

Lawful operation

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

Financial reports

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

Opinions on the performance evaluation of Directors, Supervisors and Senior Management

The results of the performance evaluation of all Directors, Supervisors and Senior Management for 2019 were competent.

Internal control

During the Reporting Period, the Company continued to improve internal control and the Board of Supervisors had no disagreement with the evaluation opinions on internal control of the Company for 2019.

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

March 31, 2020

Material Litigation and Arbitration

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

Major Acquisition and Disposal of Assets and Merger

On August 12, 2019, Shanghai Tongda Venture Capital Co., Ltd. ("Tongda Venture"), an indirect non-wholly owned subsidiary of the Company, entered into the Agreement on Assets Acquisition by Issuance of Shares with the counterparties. According to the agreement, Tongda Venture will purchase from the counterparties the target asset by way of issuance of the consideration shares. For details of the transaction, please refer to the announcement dated August 12, 2019 of the Company.

On December 13, 2019, the Company (as transferor) finished the listing for sale procedure on the Shanghai United Assets and Equity Exchange for the equity transfer and entered into the Equity Transfer Agreement with independent third parties for the transfer of 50.995% of the equity interests in Happy Life held by the Company. The transfer is subject to the approval of the CBIRC. For details of the transfer, please refer to the Announcement on the Inside Information and the Supplementary Notice of AGM for 2018 dated June 11, 2019, the Announcement on Poll Results of the Annual General Meeting for 2018 dated June 25, 2019, the voluntary announcement dated November 19, 2019 and the Announcement on the Discloseable Transaction dated December 13, 2019 of the Company.

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

Appropriation of Funds by the Controlling Shareholder and other Related Parties

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

Implementation of Share Incentive Plan

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

Major Contracts and Implementation

Major Custody, Contracting and Leasing

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

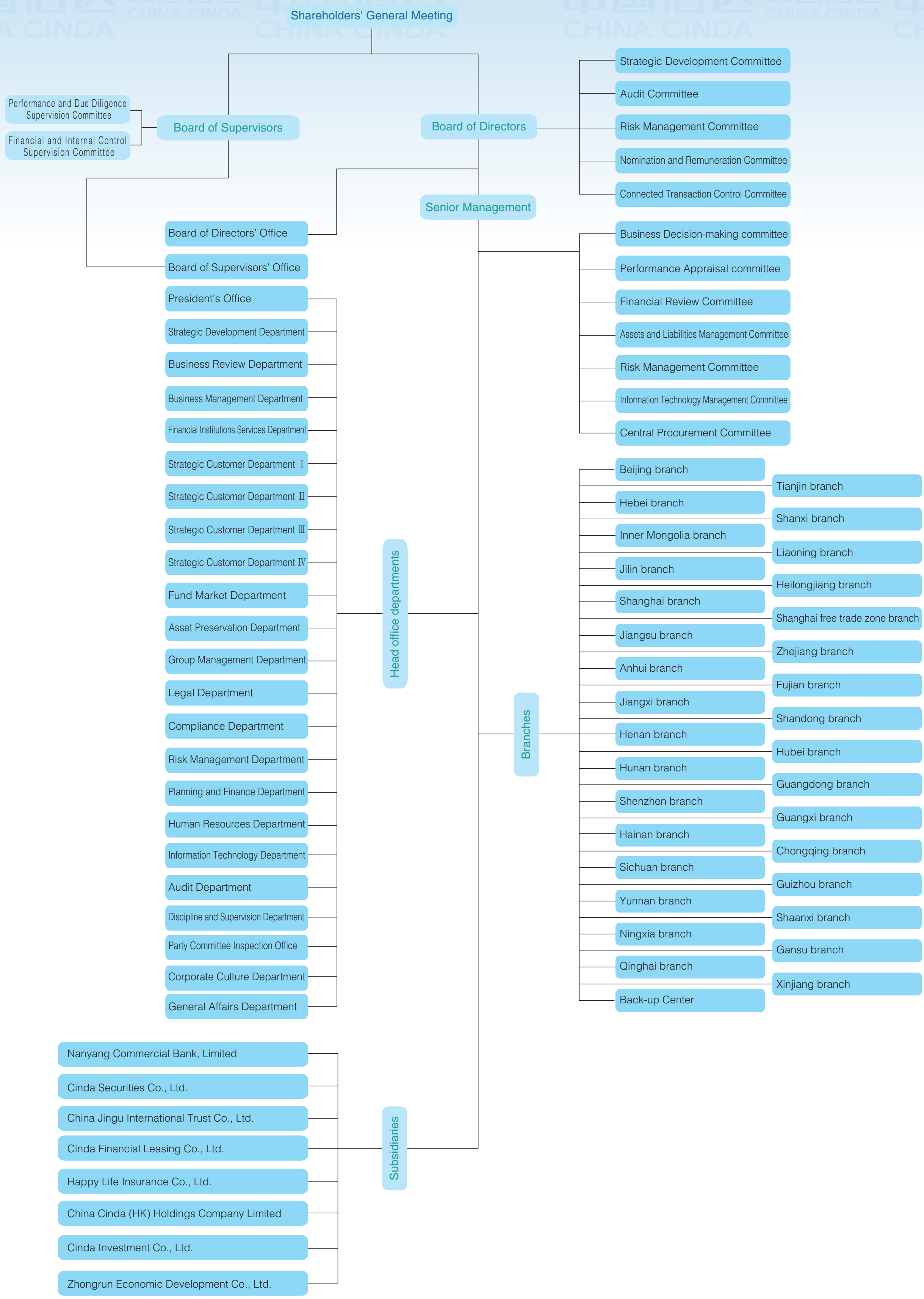
Material Guarantees

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

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

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

Organizational Chart



Audit Report and Financial Statements

	Page(s)

Independent Auditor's Report

EY 安永

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

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

Opinion

We have audited the consolidated financial statements of China Cinda Asset Management Co., Ltd. (the "Company") and its subsidiaries (the "Group") set out on pages 176 to 451, which comprise the consolidated statement of financial position as at December 31, 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

Key audit matters

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

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

Key audit matter	How our audit addressed the key audit matter
(1) Classification and impairment assessment of financial assets	
The Group classifies financial assets into three categories: amortized cost (Note VI.29), fair value through other comprehensive income (Note VI.27) and fair value through profit or loss (Note VI.25) based on the business model for managing the financial assets and their contractual cash flow characteristics according to IFRS 9 – Financial Instruments (hereinafter referred to as "IFRS 9"). The significant judgements used in the classification of financial assets by the Group involve assessing the business model for managing a portfolio of financial assets and assessing whether contractual cash flows are solely payments of principal and interest on principal amount. The Group's disclosures about accounting judgements and estimations are included in Note V.1 Classification of financial assets.	1. Classification of financial assets Our audit procedures included reviewing accounting policies related to the Group's classification of financial assets, assessing and testing the design and operating effectiveness of controls over the assessment of the business model for managing the financial assets and the assessment of contractual cash flow characteristics in the process of classification of financial assets. We reviewed management's business model assessment by obtaining supporting evidence on how the business performance is measured and assessing the frequency and relative amount in sales in the past. We obtained understanding and assessed the logic of contractual cash flow assessment, and on a sampling basis, we reviewed management's contractual cash flow assessment by reading the relevant contractual terms and performing an independent assessment of the contractual cash flows.

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

Key audit matter	How our audit addressed the key audit matter
The Group's disclosures about accounting judgements and estimations of impairment of financial assets and the details of these financial assets are included in Note V.1 Classification of financial assets. Note V.3 Impairment of financial assets, Note VI.28 Loans and advances to customers, Note VI.29 Financial assets at amortized cost and Note VI.72.1 Credit risk.	Based on the financial and non-financial information of the debtors and other external evidence, we selected samples and assessed the appropriateness of the identification of credit ratings, significant increases in credit risk and credit-impaired financial assets applied by management. In addition, we selected samples and checked key data used in the models, including historical data and measurement data, to evaluate the accuracy and completeness of the data used. Furthermore, we checked the appropriateness of related disclosures including the disclosures of credit risk and expected credit losses.
(2) Valuation of financial instruments	
Financial assets carried at fair value represented a significant portion of total assets. The fair values of level 2 and level 3 financial instruments are determined through the application of valuation techniques which often involve the exercise of judgement by management and the use of assumptions and estimates. The Group's disclosures about accounting judgements and estimation and the details of these financial assets are included in Note V.2 Fair value of financial instruments and Note VI.73 Fair values of financial instruments.	Our audit procedures included assessing and testing the design and operating effectiveness of controls over the identification, measurement and management of valuation risk. We compared observable inputs, such as quoted bid prices in an active market, against independent sources and externally available market data and re-performed valuations on a sample basis to evaluate the valuation techniques, assumptions and estimates adopted by the Group with the assistance of our internal valuation specialists. Furthermore, we checked the appropriateness of related disclosures of fair value including the disclosure of the fair value hierarchy.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">(3) Assessment of control, joint control and significant influence</td></tr>
<tr><td>The Group makes significant judgements to assess whether the Group has control over structured entities, and joint control or significant influence over the structured entities and other investees.

• The Group has interests in various structured entities including private equity funds, trusts, asset management plans, wealth management products and mutual funds. The consolidation of those entities is determined by the Group on the basis of control, which involves management's judgement upon power over the structured entities' relevant activities, exposure to variable returns from its involvement with the structured entities, and the ability to use the power to affect the amount of its returns;

• The joint control over the structured entities and other investees is determined by the Group's assessment of the existence of sharing of control. The assessment involves judgement on whether decisions about the relevant activities require the unanimous consent of the parties sharing control; and</td><td>We evaluated and tested the design and operating effectiveness of the key controls related to the Group's assessment of whether it has control, joint control or significant influence over structured entities and other investees.

We assessed the Group's analysis and conclusions on whether or not it controls structured entities based on the Group's analysis on its power over structured entities' relevant activities, and the magnitude and variability of variable returns from its involvement with structured entities. We also evaluated the appropriateness of the Group's assessment on its legal or constructive obligation to absorb loss of structured entities by reviewing relevant agreements or contracts, and whether the Group has provided liquidity support or credit enhancement to structured entities. Furthermore, we checked the appropriateness of related disclosures including interests in consolidated and unconsolidated structured entities.</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
• The significant influence over the structured entities and other investees is determined by the Group's assessment of its power to participate in the structured entities and other investees' financial and operating policy decisions. The assessment involves significant judgement based on factors such as the structured entities and other investees' policy-making process, composition of the board of directors or other governing bodies, change in ownership and existence of contractual arrangements. Due to the significance of these investments to the Group and the complexity of judgement exercised by management, this is considered as a key audit matter. The Group's disclosures about accounting judgements and estimation and the details of these equity investments are included in Note V.6 Control on structured entities, Note V.7 Judgement on joint control, Note V.8 Judgement on significant influence and Note VI.34 Interests in subsidiaries, Note VI.36 Interests in consolidated structured entities and Note VI.37 Interests in associates and joint ventures.	We also assessed the Group's analysis and conclusions on the existence of joint control or significant influence over the structured entities and other investees. We made inquiries and inspections of the relevant contracts and agreements of investments to evaluate the Group's assessment of its power to joint control over the structured entities and other investees' relevant activities, or to participate in the structured entities and other investees' financial and operating policy decisions. We also reviewed the minutes of the meetings of the investors or shareholders, the board of directors or other governing bodies of the structured entities and other investees. We evaluated the Group's reassessment of its influence over the structured entities and other investees on a continuous basis if facts and circumstances indicated that there were changes. Furthermore, we checked the appropriateness of related disclosures of interests in associates and joint ventures.

Key audit matter	How our audit addressed the key audit matter
(4) Transfer of financial assets	
Distressed asset management is one of the Group's core businesses, which involves management's judgement upon whether the transfer should be applied to part of a financial asset or the financial asset in its entirety, as well as the evaluation of whether, and to what extent, transfer is appropriate. Considering the significant impact and the usage of judgement and subjective estimation by management in relation to the accounting treatment, we treated the transfer of financial assets as a key audit matter. The Group's disclosures about accounting judgements and estimation and the details of these transfers of financial assets are included in Note V.4 Transfer of financial assets and Note VI.69 Transfers of financial assets.	Our audit procedures included assessing and testing the design and operating effectiveness of controls over judgement and estimation involved in the transfer of financial assets. We obtained and reviewed related contracts and agreements and assessed whether the Group should derecognize financial assets based on relevant facts and circumstances, mainly including the nature and purpose of the financial assets transferred, the Group's exposure, before and after the transfer, to the variability in the amounts and timing of the net cash flows of the transferred assets, as well as whether the Group had retained the control of the transferred assets. We checked related agreements for transfer of significant financial assets to assess whether the financial assets should be derecognized. Furthermore, we checked the appropriateness of related disclosures of transfer of financial assets.

Other information included in the Annual Report

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

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

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

Responsibilities of the directors for the consolidated financial statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Ernst & Young
Certified Public Accountants

Hong Kong

March 31, 2020

Consolidated Statement of Profit or Loss

For the year ended December 31, 2019

(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	Year ended December 31	
		2019	2018
Continuing operations			
Income from distressed debt assets at amortized cost	1	**16,403,571**	19,308,309
Fair value changes on distressed debt assets	2	**13,645,346**	11,451,465
Fair value changes on other financial instruments	3	**14,840,082**	16,084,956
Investment income	4	**464,489**	152,898
Interest income	5	**25,401,626**	25,005,699
Revenue from sales of inventories	6	**18,169,404**	17,446,425
Commission and fee income	7	**3,536,558**	3,649,822
Net gains on disposal of subsidiaries, associates and joint ventures	8	**881,604**	1,550,907
Other income and other net gains or losses	9	**2,804,212**	3,452,898
Total		**96,146,892**	98,103,379
Interest expense	10	**(44,366,553)**	(46,286,495)
Employee benefits	11	**(6,001,940)**	(5,370,519)
Purchases and changes in inventories	6	**(12,868,770)**	(11,382,225)
Commission and fee expense	12	**(719,580)**	(850,244)
Taxes and surcharges		**(577,027)**	(624,758)
Depreciation and amortization expenses		**(1,558,673)**	(939,758)
Other expenses		**(3,540,985)**	(3,764,032)
Impairment losses on assets	13	**(8,924,233)**	(8,156,178)
Total		**(78,557,761)**	(77,374,209)
Change in net assets attributable to other holders of consolidated structured entities	36	**(237,540)**	(519,775)
Profit before share of results of associates and joint ventures and tax		**17,351,591**	20,209,395
Share of results of associates and joint ventures		**1,920,849**	2,488,448
Profit before tax from continuing operations	14	**19,272,440**	22,697,843
Income tax expense	15	**(5,754,622)**	(6,951,885)
Profit for the year from continuing operations		**13,517,818**	15,745,958

(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	Year ended December 31 2019	2018
Discontinued operation			
Profit/(loss) after tax for the year from a discontinued operation	76	**1,500,399**	(3,866,049)
Profit for the year		**15,018,217**	11,879,909
Profit attributable to:			
Equity holders of the Company		**13,052,946**	12,036,131
Non-controlling interests		**1,965,271**	(156,222)
		15,018,217	11,879,909
Earnings per share attributable to equity holders of the Company (Expressed in RMB Yuan per share)	16		
– Basic		**0.31**	0.29
– Diluted		**0.31**	0.29
Earnings per share attributable to equity holders of the Company for continuing operations (Expressed in RMB Yuan per share)	16		
– Basic		**0.28**	0.34
– Diluted		**0.28**	0.34

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

Consolidated Statement of Comprehensive Income

For the year ended December 31, 2019

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2019	2018
Profit for the year	**15,018,217**	11,879,909
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Fair value changes arising during the year	**463,240**	471,538
Amounts reclassified to profit or loss upon disposal	**(191,762)**	(48,077)
Amounts of profit or loss upon impairment	**8,383**	146,295
	279,861	569,756
Exchange differences arising on translation of foreign operations	**(7,527)**	297,234
Share of other comprehensive income of associates and joint ventures	**216,646**	(31,503)
Subtotal	**488,980**	835,487
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	**(11,581)**	(5,089)
Fair value changes on equity instruments designated as at fair value through other comprehensive income	**614,796**	(1,247,794)
Subtotal	**603,215**	(1,252,883)
Other comprehensive income for the year, net of income tax	**1,092,195**	(417,396)
Total comprehensive income for the year	**16,110,412**	11,462,513
Total comprehensive income attributable to:		
Equity holders of the Company	**14,169,390**	11,564,480
Non-controlling interests	**1,941,022**	(101,967)
	16,110,412	11,462,513

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

Consolidated Statement of Financial Position

As at December 31, 2019

(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	As at December 31 2019	2018
Assets			
Cash and balances with central banks	21	**19,002,051**	16,651,911
Deposits with banks and financial institutions	22	**70,837,593**	80,102,582
Deposits with exchanges and others	23	**1,323,359**	967,699
Placements with banks and financial institutions	24	**11,152,300**	18,470,497
Financial assets at fair value through profit or loss	25	**412,164,583**	428,791,036
Financial assets held under resale agreements	26	**13,212,454**	33,805,064
Financial assets at fair value through other comprehensive income	27	**136,802,965**	116,827,578
Loans and advances to customers	28	**337,859,064**	336,616,502
Financial assets at amortized cost	29	**227,645,067**	252,416,716
Accounts receivable	30	**2,402,725**	4,151,934
Properties held for sale	32	**59,587,157**	61,724,050
Investment properties	33	**5,861,059**	4,267,513
Interests in associates and joint ventures	37	**73,006,289**	74,295,710
Property and equipment	39	**17,611,309**	11,794,234
Goodwill	40	**23,548,562**	23,038,817
Other intangible assets	41	**4,201,855**	4,242,718
Deferred tax assets	42	**6,756,583**	6,159,808
Assets held for sale	76	**61,394,178**	–
Other assets	43	**28,860,854**	21,434,840
Total assets		**1,513,230,007**	1,495,759,209

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

Consolidated Statement of Financial Position

As at December 31, 2019
(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	As at December 31 2019	2018
Liabilities			
Borrowings from central bank	44	**1,010,860**	986,058
Accounts payable to brokerage clients	45	**14,320,344**	10,315,842
Financial liabilities at fair value through profit or loss	46	**5,065,256**	4,523,349
Financial assets sold under repurchase agreements	47	**19,495,590**	12,970,207
Placements from banks and financial institutions	48	**14,084,819**	20,218,650
Borrowings	49	**536,591,304**	570,870,150
Due to customers	50	**275,205,766**	254,099,918
Deposits from banks and financial institutions	51	**14,157,128**	22,380,749
Accounts payable	52	**5,050,797**	5,303,813
Investment contract liabilities for policyholders	53	**–**	13,206,016
Tax payable	54	**4,331,779**	5,474,956
Insurance contract liabilities	55	**–**	37,606,574
Bonds issued	56	**304,849,566**	283,115,066
Contract liabilities	57	**24,087,036**	25,040,984
Deferred tax liabilities	42	**2,299,671**	2,387,044
Liabilities held for sale	76	**57,924,139**	–
Other liabilities	58	**46,345,491**	48,691,367
Total liabilities		**1,324,819,546**	1,317,190,743

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

(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	As at December 31	
		2019	2018
Equity			
Share capital	59	**38,164,535**	38,164,535
Other equity instruments	60	**21,281,215**	21,281,215
Capital reserve	61	**20,239,333**	21,257,033
Other comprehensive income	62	**(35,688)**	(1,152,132)
Surplus reserve	63	**8,510,147**	7,857,883
General reserve	64	**15,961,421**	15,043,296
Retained earnings		**60,777,160**	54,041,001
Equity attributable to equity holders of the Company		**164,898,123**	156,492,831
Non-controlling interests		**23,512,338**	22,075,635
Total equity		**188,410,461**	178,568,466
Total equity and liabilities		**1,513,230,007**	1,495,759,209

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

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

CHAIRMAN

PRESIDENT

Consolidated Statement of Changes In Equity

For the year ended December 31, 2019

(Amounts in thousands of RMB, unless otherwise stated)

	Equity attributable to equity holders of the Company									
	Share capital (Note VI.59)	Other equity instruments (Note VI.60)	Capital reserve (Note VI.61)	Other comprehensive income (Note VI.62)	Surplus reserve (Note VI.63)	General reserve (Note VI.64)	Retained earnings	Subtotal	Non-controlling interests	Total
As at January 1, 2019	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 year	-	-	-	-	-	-	13,052,946	13,052,946	1,965,271	15,018,217
Other comprehensive income for the year	-	-	-	1,116,444	-	-	-	1,116,444	(24,249)	1,092,195
Total comprehensive income for the year	-	-	-	1,116,444	-	-	13,052,946	14,169,390	1,941,022	16,110,412
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	465,423	465,423
Appropriation to surplus reserve	-	-	-	-	652,264	-	(652,264)	-	-	-
Appropriation to general reserve	-	-	-	-	-	918,125	(918,125)	-	-	-
Dividends recognized as distribution	-	-	-	-	-	-	(4,746,398)	(4,746,398)	-	(4,746,398)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(556,313)	(556,313)
Dividends paid to capital securities	-	-	-	-	-	-	-	-	(413,892)	(413,892)
Share of associates' equity changes other than comprehensive income and distribution	-	-	(1,017,237)	-	-	-	-	(1,017,237)	-	(1,017,237)
Others	-	-	(463)	-	-	-	-	(463)	463	-
As at December 31, 2019	38,164,535	21,281,215	20,239,333	(35,688)	8,510,147	15,961,421	60,777,160	164,898,123	23,512,338	188,410,461

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

(Amounts in thousands of RMB, unless otherwise stated)

	Equity attributable to equity holders of the Company									
	Share capital (Note VI.59)	Other equity instruments (Note VI.60)	Capital reserve (Note VI.61)	Other comprehensive income (Note VI.62)	Surplus reserve (Note VI.63)	General reserve (Note VI.64)	Retained earnings	Subtotal	Non-controlling interests	Total
As at December 31, 2017	38,164,535	21,281,215	21,236,051	(1,685,551)	6,942,226	12,506,625	50,949,383	149,394,484	18,870,178	168,264,662
Changes in accounting policies	–	–	–	629,673	–	–	1,379,626	2,009,299	(21,181)	1,988,118
As at January 1, 2018	38,164,535	21,281,215	21,236,051	(1,055,878)	6,942,226	12,506,625	52,329,009	151,403,783	18,848,997	170,252,780
Profit for the year	–	–	–	–	–	–	12,036,131	12,036,131	(156,222)	11,879,909
Other comprehensive income for the year	–	–	–	(471,651)	–	–	–	(471,651)	54,255	(417,396)
Total comprehensive income for the year	–	–	–	(471,651)	–	–	12,036,131	11,564,480	(101,967)	11,462,513
Capital contribution from non-controlling interests of subsidiaries	–	–	–	–	–	–	–	–	316,111	316,111
Retained earnings transferred from other comprehensive income	–	–	–	375,397	–	–	(375,397)	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	3,714,234	3,714,234
Acquisition of additional interests in a subsidiary	–	–	25,882	–	–	–	–	25,882	(25,882)	–
Disposal of interests in a subsidiary	–	–	–	–	–	–	–	–	(5,646)	(5,646)
Appropriation to surplus reserve	–	–	–	–	915,657	–	(915,657)	–	–	–
Appropriation to general reserve	–	–	–	–	–	2,536,671	(2,536,671)	–	–	–
Dividends recognized as distribution	–	–	–	–	–	–	(6,496,414)	(6,496,414)	–	(6,496,414)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–	(670,212)	(670,212)
Others	–	–	(4,900)	–	–	–	–	(4,900)	–	(4,900)
As at December 31, 2018	38,164,535	21,281,215	21,257,033	(1,152,132)	7,857,883	15,043,296	54,041,001	156,492,831	22,075,635	178,568,466

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2019
(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2019	2018
OPERATING ACTIVITIES		
Profit before tax from continuing operations	**19,272,440**	22,697,843
Profit/(loss) before tax from a discontinued operation	**273,224**	(3,909,297)
Adjustments for:		
Impairment losses on assets	**8,962,758**	8,158,977
Depreciation of property and equipment, investment properties and right-of-use assets	**1,276,349**	693,937
Amortization of intangible assets and other long-term assets	**375,844**	308,993
Share of results of associates and joint ventures	**(1,947,582)**	(2,496,919)
Net gains on disposal of property and equipment, investment properties and other intangible assets	**(96,132)**	(193,758)
Net gains on disposal of subsidiaries and associates and joint ventures	**(881,604)**	(1,550,907)
Fair value changes on financial assets	**(18,856,564)**	(9,117,604)
Investment income	**(259,559)**	(121,478)
Interest income	**(5,654,883)**	(3,605,723)
Borrowing costs	**18,660,175**	16,379,338
Change in reserves for insurance contracts	**4,269,686**	(2,285,203)
Operating cash flows before movements in working capital	**25,394,152**	24,958,199
Decrease/(increase) in balances with central banks and deposits with banks and financial institutions	**6,187,258**	(5,379,578)
Increase in financial assets at fair value through profit or loss	**(29,128,812)**	(26,966,150)
Decrease in placements with financial institutions	**749,568**	845,689
(Increase)/decrease in financial assets held under resale agreements	**(3,087,731)**	14,537,376
Decrease/(increase) in financial assets measured at amortized cost	**15,554,372**	(23,257,336)
Increase in loans and advances to customers	**(1,567,474)**	(28,986,535)
Decrease/(increase) in accounts receivable	**2,148,065**	(2,430,880)
Decrease/(increase) in properties held for sale	**1,612,992**	(6,645,022)
Increase in due to customers and deposits from banks and financial institutions	**12,882,227**	31,000,615
Increase/(decrease) in accounts payable to brokerage clients	**4,004,502**	(2,077,971)
Increase in financial assets sold under repurchase agreements	**10,996,637**	2,935,356
Decrease in borrowings	**(32,911,573)**	(9,867,075)
(Decrease)/increase in accounts payable	**(222,996)**	666,735
(Decrease)/increase in contract liabilities	**(953,948)**	11,017,990
(Increase)/decrease in other operating assets	**(10,697,336)**	6,995,989
Decrease in other operating liabilities	**(16,047,047)**	(7,970,443)
Cash outflow from operations	**(15,087,144)**	(20,623,041)
Income taxes paid	**(7,043,073)**	(6,969,113)
NET CASH OUTFLOW FROM OPERATING ACTIVITIES	**(22,130,217)**	(27,592,154)

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

(Amounts in thousands of RMB, unless otherwise stated)

	Year ended December 31	
	2019	2018
INVESTING ACTIVITIES		
Cash receipts from disposals and recovery of investment securities	**173,631,366**	178,116,015
Dividends received from investment securities	**9,512,655**	9,817,779
Dividends received from associates and joint ventures	**1,320,410**	371,422
Interest received from investment securities	**3,975,226**	3,676,913
Cash receipts from disposals of property and equipment, investment properties and other intangible assets	**376,852**	230,725
Net cash flows from disposals of subsidiaries	**83,078**	6,574
Net cash flows from disposals of associates and joint ventures	**4,742,210**	3,322,440
Cash payments to acquire investment securities	**(178,079,595)**	(203,763,800)
Net cash inflows/(outflows) due to acquisition of subsidiaries	**231,305**	(2,300,100)
Net cash flows from consolidated structured entities	**(5,312,277)**	(11,553,162)
Cash payments for purchase of property and equipment, investment properties and other intangible assets	**(6,961,317)**	(2,747,514)
Cash payments for establishment and acquisition of interests in associates and joint ventures	**(3,840,087)**	(4,455,562)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES	**(320,174)**	(29,278,270)
FINANCING ACTIVITIES		
Capital contribution from non-controlling interests of subsidiaries of the Company	**–**	316,111
Cash receipts from borrowings raised	**60,038,429**	27,427,269
Cash receipts from bonds issued	**103,560,353**	105,228,500
Cash receipts from financial assets sold under repurchase agreements	**–**	4,192,068
Cash repayments on financial assets sold under repurchase agreements	**(4,227,068)**	(1,083,389)
Cash repayments of borrowings	**(60,530,839)**	(35,666,281)
Cash repayments of bonds	**(77,280,443)**	(34,203,564)
Interest expenses on borrowings and bonds	**(17,936,493)**	(18,287,207)
Dividends paid	**(4,746,398)**	(6,506,343)
Dividends paid to non-controlling interests of subsidiaries	**(970,205)**	(670,415)
Cash payments for other financing activities	**(622,522)**	(189,075)
NET CASH (OUTFLOW)/INFLOW FROM FINANCING ACTIVITIES	**(2,715,186)**	40,557,674

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

Consolidated Statement of Cash Flows

For the year ended December 31, 2019
(Amounts in thousands of RMB, unless otherwise stated)

	Notes VI	Year ended December 31 2019	2018
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(25,165,577)**	(16,312,750)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		**106,066,408**	119,930,341
Effect of foreign exchange changes		**1,848,506**	2,448,817
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	66	**82,749,337**	106,066,408
Net cash flows from operating activities include:			
Interest received		**20,659,833**	22,149,452
Interest paid		**26,265,734**	30,622,464

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

I. CORPORATE AND GROUP INFORMATION

China Cinda Asset Management Co., Ltd. (the "Company") was transformed from China Cinda Asset Management Corporation (the "Former Cinda"), which was a wholly state-owned financial enterprise established in the People's Republic of China (the "PRC") by the Ministry of Finance (the "MOF") on April 19, 1999 as approved by the State Council of the PRC (the "State Council"). On June 29, 2010, China Cinda Asset Management Co., Ltd. was established after the completion of the financial restructuring of the Former Cinda as approved by the State Council. As at December 31, 2019, the MOF directly owned 58.00% of the share capital of the Company.

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

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

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

II. BASIS OF PREPARATION

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

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

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

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

(Amounts in thousands of RMB, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Standards, amendments and interpretations effective in 2019

In current year, the Group has applied the following new standards, amendments and interpretations to IFRSs that are effective for the Group's annual period beginning on January 1, 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 Leases and operating Leases for lessees are removed, and lessees recognize right-of-use assets and lease liabilities for all leases except for 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 from 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 twelve-month period ended December 31, 2019 related to leasing presented in the 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)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations effective in 2019 (continued)

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

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

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.

(Amounts in thousands of RMB, unless otherwise stated)

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations effective in 2019 (continued)

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 consolidated financial statements.

Standards, amendments and interpretations that are not yet effective in 2019

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 9, IAS 39 and IFRS 7 Amendments	Interest Rate Benchmark Reform	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

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations that are not yet effective in 2019 (continued)

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

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

The amendments to IFRS 9, IAS 39 and IFRS 7 modify some specific hedge accounting requirements. During the period of uncertainty arising from phasing-out of interest-rate benchmarks with an alternative nearly risk-free interest rate ("RFR"), the entities that apply these hedge accounting requirements can assume that the interest-rate benchmarks on which the hedged cash flows and cash flows of the hedging instrument are based are not altered as a result of interest-rate benchmark reform. The amendments must be applied retrospectively.

IFRS 17 Insurance Contracts replaced IFRS 4 Insurance Contracts. The standard provides a general model for insurance contracts and two additional approaches: the variable fee approach and the premium allocation approach. IFRS 17 covers the recognition, measurement, presentation and disclosure of insurance contracts and applies to all types of insurance contracts. In March 2020, the IASB decided to defer the effective date for IFRS 17 by two years to reporting periods beginning on or after 1 January 2023. The IASB also decided to extend the exemption currently in place for qualifying insurers regarding the application of IFRS 9, meaning that they could apply both standards for the first time to reporting periods beginning on or after 1 January 2023. As at the approval date of the consolidated financial statements, the amendments to IFRS 17 have not yet been ultimately issued by the IASB.

III. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

Standards, amendments and interpretations that are not yet effective in 2019 (continued)

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES

1. Statement of compliance

The consolidated financial statements have been prepared in accordance with IFRSs. In addition, the consolidated financial statements include applicable disclosures required by the Hong Kong Companies Ordinance.

2. Basis of consolidation

The consolidated financial statements include the financial statements of the Company and the entities (including structured entities) directly or indirectly controlled by the Company. Control is achieved if and only if the Company has all the following: (a) power over an investee, (b) exposure, or rights, to variable returns from its involvement with the investee, and (c) the ability to use its power over the investee to affect the amount of the investor's returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of consolidation (continued)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the contractual arrangement with the other vote holders of the investee;
- rights arising from other contractual arrangements;
- the Group's voting and potential voting rights; and
- any additional facts and circumstances that indicate that the Company has, or does not have the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Income and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Basis of consolidation (continued)

Changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. The carrying amount of the non-controlling interests is adjusted at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, it (i) derecognizes the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost, (ii) derecognizes the carrying amount of any non-controlling interests in the former subsidiary at the date when control is lost (including any components of other comprehensive income attributable to them), and (iii) recognizes the aggregate of the fair value of the consideration received and the fair value of any retained interest, with any resulting difference being recognized as a gain or loss in profit or loss attributable to the Group. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognized in other comprehensive income and accumulated in equity, the amounts previously recognized in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9 Financial Instruments: Classification, recognition and measurement of financial assets or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Business combinations

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

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

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

4. Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognized for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognized in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill arising on a business combination is measured at cost less accumulated impairment losses, if any, and is presented separately in the consolidated statements of financial position. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Goodwill (continued)

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss. An impairment loss recognized for goodwill is not reversed in subsequent periods.

5. Cash and cash equivalents

Cash and cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

6. Foreign currency transactions

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

6. Foreign currency transactions (continued)

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments

Financial assets and financial liabilities are recognized in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

7.1 Determination of fair value

Fair value is determined in the manner described in Note VI.73 Fair values of financial instruments.

7.2 Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or liability and of allocating the interest income or expense over the period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instrument or, where appropriate, a shorter period, to the net carrying amount on initial recognition. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

7.3 Classification, recognition and measurement of financial assets

The Group classifies financial assets as subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss on the basis of both the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

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

Business model

An entity's business model refers to how an entity manages its financial assets in order to generate cash flows. That is, the entity's business model determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both. If financial assets are not held within a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, the business model of the financial assets is "other". The entity's assessment of the business model is performed on a financial assets portfolio basis, and determined on a reasonable expected scenario, taking into account: how cash flows were generated in the past, how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed; and how managers of the business are compensated.

The contractual cash flow characteristics

The assessment of contractual cash flow characteristics is to identity whether the cash flows are solely payments of principal and interest on the principal amount outstanding. Principal is the fair value of the financial asset at initial recognition. However the principal amount may change over the life of the financial asset (for example, if there are repayments of principal). Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

Financial assets at amortized cost

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

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

Financial assets at amortized cost (continued)

Such financial assets that the Group holds are subsequently measured at amortized cost, which mainly include distressed debt assets, loans and advances to customers as well as other debt investments.

The amount at which the financial asset is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and adjusted for any loss allowance.

Financial assets at fair value through other comprehensive income

A financial asset shall be measured at fair value through other comprehensive income if both of the following conditions are met:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Such financial assets that the Group hold mainly include debt securities, and are subsequently measured at fair value. A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses. When the financial asset is derecognized the cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss. Expected credit losses of such financial assets shall be recognized in other comprehensive income. The impairment gain or loss shall not adjust the carrying amount of such financial assets item and be recognized in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

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

Financial assets at fair value through profit or loss

A financial asset shall be measured at fair value through profit or loss unless it is measured at amortized cost or at fair value through other comprehensive income, which mainly include distressed debt assets, equity investments as well as fund.

Such financial assets that the Group holds are subsequently measured at fair value. A gain or loss on a financial asset that is measured at fair value shall be recognized in profit or loss unless it is part of a hedging relationship. Qualified dividends generated by such equity instruments, which the Group is entitled to collect, shall be recognized in the statement of profit or loss.

Equity instruments

The Group may, at initial recognition, irrevocably designate an equity instrument, except a trading equity instrument as a financial asset measured at fair value through other comprehensive income when it meets the definition of equity instruments under IAS 32 Financial Instruments: Presentation. When the equity instrument is derecognized the cumulative gain or loss previously recognized in other comprehensive income shall be reclassified from other comprehensive income to retained earnings under equity. Qualified dividends generated by such equity instruments, which the Group is entitled to collect, shall be recognized in the statement of profit or loss. Such equity instruments do not recognize impairment losses.

Only if the Group changes the business model for financial assets, the Group shall reclassify the affected financial assets. The reclassification shall be effective from the first day of the first reporting period after the change of its business model under the perspective method.

7.4 Impairment of financial assets

On the financial reporting date, the Group evaluates and confirms the relevant impairment allowances to financial assets measured at amortized cost, debt instruments measured at fair value through other comprehensive income, and loan commitments and financial guarantee contracts on the basis of expected credit losses.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

The expected credit loss (ECL) is a weighted average of credit losses on financial instruments weighted at the risk of default. Credit loss is the difference between all receivable contractual cash flows according to the contract and all cash flows expected to be received by the Group discounted to present value at the original effective interest rate, i.e. the present value of all cash shortfalls.

According to the changes of credit risk of financial instruments since the initial recognition, the Group calculates the ECL by three stages:

- Stage I: The financial instruments without significant increases in credit risk after initial recognition are included in Stage I to calculate their impairment allowance at an amount equivalent to the ECL of the financial instruments for the next 12 months;

- Stage II: Financial instruments that have had a significant increase in credit risk since initial recognition but have no objective evidence of impairment are included in Stage II, with their impairment allowance measured at an amount equivalent to the ECL over the lifetime of the financial instruments;

- Stage III: Financial assets with objective evidence of impairment at the financial reporting date are included in Stage III, with their impairment allowance measured at the amount equivalent to the ECL over the lifetime of the financial instruments.

For the previous accounting period, the impairment provision has been measured at the amount equivalent to the ECL over the entire lifetime of the financial instrument. However, at the financial reporting date, if the financial instrument no longer belongs to the situation of there being a significant increase in credit risk since initial recognition, the Group will measure the impairment allowance of the financial instruments on the financial reporting date according to the ECL in the next 12 months.

For purchased or originated credit-impaired financial assets, the Group only recognizes the lifetime cumulative change in expected credit losses after initial recognition on the financial reporting date as impairment allowance. On each financial reporting date, the Group recognizes the amount of the changes in expected credit losses as an impairment loss or gain in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

The Group shall measure ECL of a financial instrument in a way that reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

When measuring ECL, an entity need not necessarily identify every possible scenario. However, the Group shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low.

The Group conducted an assessment of ECL according to forward-looking information and used complex models and a large number of assumptions in its expected measurement of credit losses. These models and assumptions relate to the future macroeconomic conditions and borrower's creditworthiness (e.g., the likelihood of default by borrowers and the corresponding losses). The Group adopts judgement, assumption and estimation techniques in order to measure ECL according to the requirements of accounting standards such as:

- Criteria for judging significant increases in credit risk
- Definition of credit-impaired financial asset
- Parameters of the ECL measurement
- Forward-looking information
- Modification of contractual cash flows.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

(i) Criteria for judging significant increases in credit risk

The Group assesses whether or not the credit risk of the relevant financial instruments has increased significantly since the initial recognition at each financial reporting date. While determining whether the credit risk has significantly increased since initial recognition or not, the Group takes into account the reasonable and substantiated information that is accessible without exerting unnecessary cost or effort. Based on the single financial instrument or the combination of financial instruments with similar characteristics of credit risk, the Group compares the risk of default of financial instruments on reporting date with that on the initial recognition date in order to figure out the changes of default risk in the expected lifetime of financial instruments. The main criteria considered are as follows:

- Significant adverse change in the issuer or the debtor's operation or financial status;
- Significant downgrade in debtor's actual or expected internal and external credit ratings;
- The creditor offers the debtor a grace period or an extension period or debt restructuring;
- Significant increase in credit spread; and
- Overdue information.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

(ii) Definition of credit-impaired financial asset

The standard adopted by the Group to determine whether a credit impairment occurs under IFRS 9 is consistent with the internal credit risk management objectives of the relevant financial instrument. When the Group assesses whether the credit impairment of debtors occurred, the following factors are mainly considered:

- Significant financial difficulty of the issuer or the debtor;
- Debtors are in breach of contract, such as defaulting on interest or becoming overdue on interest or principal payments overdue;
- The creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession that the creditor would not otherwise consider;
- It is becoming probable that the debtor will enter bankruptcy or other financial restructuring;
- The disappearance of an active market for that financial asset because of financial difficulties;
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses; and
- Overdue information.

The credit impairment on a financial asset may be caused by the combined effect of multiple events and may not be necessarily due to a single event. For credit-impaired financial assets, the Group evaluate the future cash flow (including the recoverable value of the collateral held), mainly based on individual financial instruments, in different circumstances and accrue the differences between the present value and the book value determined at the original effective interest rate as impairment loss or gain in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

(iii) Parameters of the ECL measurement

According to whether there is a significant increase in credit risk and whether there is an impairment of assets, the Group measures the impairment loss for different assets with ECL of 12 months or the entire lifetime respectively. The key measuring parameters of the ECL include probability of default (PD), loss given default (LGD) and exposure at default (EAD). Based on the requirement of IFRS 9, the Group takes into account the quantitative analysis of historical statistics (such as ratings of counterparties) and forward-looking information in order to establish the models of PD, LGD and EAD.

Relative definitions are listed as follows:

- PD refers to the possibility that the debtor will not be able to fulfill its obligations of repayment in the next 12 months or throughout the entire remaining lifetime;

- LGD refers to the Group's expectation of the extent of the loss resulting from the default exposure, and is the percentage of loss of risk exposure at the time of default. LGD is calculated over the next 12 months or over the entire remaining lifetime;

- EAD is the amount that the Group should be reimbursed at the time of the default in the next 12 months or throughout the entire remaining lifetime.

(iv) Forward-looking information

The assessment of a significant increase in credit risk and the calculation of ECL both involve forward-looking information. Through the analysis of historical data, the Group identifies the key economic indicators that affect the credit risk and ECL of various business types.

The impact of these economic indicators on the ECL measurement varies according to different types of business. The Group applies experts' judgement in this process, and predicts these economic indicators on a regular basis and determines the impacts on these economic indicators on the ECL measurement by conducting regression analysis.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.4 Impairment of financial assets (continued)

(iv) Forward-looking information (continued)

In addition to providing a baseline economic scenario, the Group combines statistical analysis with experts' judgement to determine the weight of other possible scenarios. The Group measures the weighted average ECL of 12 months (Stage I) or life time (Stage II and Stage III). The weighted average credit loss above is calculated by multiplying the ECL for each scenario by the weight of the corresponding scenario.

(v) Modification of contractual cash flows

A modification or re-negotiation of a contract between the Group and a counterparty may result in a change to the contractual cash flows without resulting in the derecognition of the financial assets. Such restructuring activities include extended payment term arrangements, repayment schedule modifications and changes to the interest settlement method. The risk of default of such assets after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original asset and the book value of the financial asset is recalculated and the related gain or loss is included in current profit or loss. The recalculated book value of the financial asset is determined based on the present value of the contractual cash flows following the renegotiation or modification, as calculated using the original effective interest rate of the financial asset.

The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage III or Stage II to Stage I, the impairment allowance is changed to measure at an amount equivalent to the ECL of the financial instruments for the next 12 months from the ECL over the lifetime of the financial instruments.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.5 Transfer of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognize the asset to the extent of its continuing involvement and recognizes an associated liability. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes the financial liability for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between (i) the carrying amount allocated to the part derecognized; and (ii) the sum of the consideration received and receivable for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss.

7.6 Classification, recognition and measurement of financial liabilities

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.6 Classification, recognition and measurement of financial liabilities (continued)

Financial liabilities at fair value through profit or loss

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

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognized in the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognized in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognized in the statement of profit or loss does not include any interest charged on these financial liabilities.

Other financial liabilities

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.7 Derecognition of financial liabilities

Financial liabilities are derecognized when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

7.8 Derivative financial instruments and hedge accounting

The Group uses derivative financial instruments, such as forward currency contracts and interest rate swaps, to hedge its foreign currency risk and interest rate risk, respectively. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives are taken directly to the statement of profit or loss, except for the effective portion of cash flow hedges, which is recognized in other comprehensive income and later reclassified to profit or loss when the hedged item affects profit or loss.

For the purpose of hedge accounting, hedges are classified as:

- fair value hedges when hedging the exposure to changes in the fair value of a recognized asset or liability or an unrecognized firm commitment; or

- cash flow hedges when hedging the exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or a foreign currency risk in an unrecognized firm commitment; or

- hedges of a net investment in a foreign operation.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.8 Derivative financial instruments and hedge accounting (continued)

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting, the risk management objective and its strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item, the nature of the risk being hedged and how the Group will assess whether the hedging relationship meets the hedge effectiveness requirements.

A hedging relationship qualifies for hedge accounting if it meets all of the following effectiveness requirements:

- There is "an economic relationship" between the hedged item and the hedging instrument.
- The effect of credit risk does not "dominate the value changes" that result from that economic relationship.
- The hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

Cash flow hedge

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the cash flow hedge reserve, while any ineffective portion is recognized immediately in the statement of profit or loss.

The amount accumulated in other comprehensive income is reclassified to the statement of profit or loss as a reclassification adjustment in the same period or periods during which the hedged cash flows affect the statement of profit or loss.

If cash flow hedge accounting is discontinued, the amount that has been accumulated in other comprehensive income must remain in accumulated other comprehensive income if the hedged future cash flows are still expected to occur. Otherwise, the amount will be immediately reclassified to the statement of profit or loss as a reclassification adjustment.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

7. Financial instruments (continued)

7.8 Derivative financial instruments and hedge accounting (continued)

Fair value hedge

The change in the fair value of a hedging instrument is recognized in the statement of profit or loss as other expenses. The change in the fair value of the hedged item attributable to the risk hedged is recorded as a part of the carrying amount of the hedged item and is also recognized in the statement of profit or loss as other expenses.

For fair value hedges relating to items carried at amortized cost, the adjustment to carrying value is amortized through the statement of profit or loss over the remaining term of the hedge using the effective interest rate method. Effective interest rate amortization may begin as soon as an adjustment exists and shall begin no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognized, the unamortized fair value is recognized immediately in the statement of profit or loss.

When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss recognized in the statement of profit or loss. The changes in the fair value of the hedging instrument are also recognized in the statement of profit or loss.

Hedges of a net investment in a foreign operation

Hedges of a net investment in a foreign operation, including a hedge of a monetary item that is accounted for as part of the net investment, are accounted for in a similar way to cash flow hedges. Gains or losses on the hedging instrument relating to the effective portion of the hedge are recognized in other comprehensive income while any gains or losses relating to the ineffective portion are recognized in the statement of profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is transferred to the statement of profit or loss.

7.9 Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when both of the following conditions are satisfied: (i) the Group has a legal right to set off the recognized amounts and the legal right is currently enforceable; and (ii) the Group intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

8. Inventories

Properties under development and properties held for sale

Properties under development and properties held for sale are stated at the lower of cost and net realizable value on an individual basis. Cost comprises the acquisition cost and other costs directly attributable to such properties as well as borrowing costs capitalized in accordance with the Group's accounting policy.

Others

Inventories are stated at the lower of cost and net realizable value. Cost is calculated using the weighted average method. Net realizable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

9. Contract assets and contract liabilities

The Group presents contract assets or contract liabilities in the statement of financial position based on the relationship between performance obligations and customer payments.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Group performs under the contract.

A contract asset and a contract liability relating to a contract are accounted for and presented on a net basis.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

9. Contract assets and contract liabilities (continued)

Incremental costs of obtaining a contract

Other than the costs which are capitalized as inventories, property, plant and equipment and intangible assets, costs incurred to obtain a contract with a customer are capitalized as an asset, unless the amortization period of the assets is one year or less, if all of the following criteria are met:

- The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- The costs are expected to be recovered.

The capitalized contract costs are amortized and charged to the statement of profit or loss on a systematic basis that is consistent with the pattern of the revenue to which the asset related is recognized.

10. Interests in associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parities parties that have joint control of the arrangement have the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant require unanimous consent of the parties sharing control.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Interests in associates and joint ventures (continued)

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates or joint ventures used for equity accounting purpose are prepared using uniform accounting policies as those of the group for like transactions and events in similar circumstances. Under the equity method, investments in associates or joint ventures are initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associates or joint ventures. When the Group's share of losses of an associate or joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the investee is recognized at the date of acquisition is recognized as goodwill, which is included within the carrying amount of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 Impairment of Assets as a single asset by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

10. Interests in associates and joint ventures (continued)

When the Group can no longer exercise joint control of or significant influence over an investee due to partial disposal of equity investment or other reasons,, any retained investment is measured at fair value at that date and the fair value is regarded as its fair value on initial recognition of a financial asset in accordance with IFRS 9. The difference between the previous carrying amount of the associate or joint venture attributable to the retained interest and its fair value is included in the determination of the gain or loss on disposal of associates and joint ventures. In addition, the Group accounts for all amount previously recognized in other comprehensive income in relation to that associate and joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when it can no longer exercise joint control of or significant influence over an investee. When a group entity transacts with its associate or joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

11. Investment properties

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

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

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

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

Investment properties are depreciated or amortized in accordance with the same policies of buildings and land use rights.

(Amounts in thousands of RMB, unless otherwise stated)

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

12. Property and equipment

Property and equipment including buildings held for use in the supply of services, or for administrative purpose (other than construction in progress) are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Depreciation is recognized so as to write off the cost of items of property and equipment (other than construction in progress) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

The useful lives, estimated residual value rates and annual depreciation rates of each class of property and equipment are as follows:

	Depreciation period	Residual value rates	Annual depreciation rates
Buildings	20-50 years	3%-10%	1.80%-4.85%
Aircrafts	25 years	5%-15%	3.80%-4.00%
Machinery and equipment	2-15 years	0%-5%	6.33%-50.00%
Electronic equipment and furniture	2-15 years	0%-5%	6.33%-50.00%
Motor vehicles	2-15 years	0%-5%	6.33%-50.00%

Properties in the course of construction for supply of services or administrative purposes are carried at cost, less any recognized impairment loss and borrowing cost capitalized in accordance with the Group’s accounting policy. Such properties are reclassified to the appropriate category of property and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

13. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally. Capitalization is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

During the capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

14. Intangible assets

Intangible assets include trading seat fee, computer software systems and others, trade names, core deposits intangible and credit card customer relationships, etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortized over its estimated useful life using the straight-line method. An intangible asset with an indefinite useful life is not amortized.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

14. Intangible assets (continued)

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the reporting period, and makes adjustments when necessary.

An intangible asset is derecognized on disposal or when no future economic benefits are expected from its use. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in profit or loss in the period when the asset is derecognized.

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

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

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

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or a cash-generating unit) in prior years. A reversal of an impairment loss is recognized as income immediately.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

16. Resale and repurchase agreements

16.1 Financial assets held under resale agreements

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

16.2 Financial assets sold under repurchase agreements

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

17. Provisions

Provisions are recognized when the Group has a present obligation related to a contingency such as action at law, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

Where all or some of the expenditure required to settle a provision is expected to be reimbursed by a third party, the reimbursement is recognized as a separate asset only when it is virtually certain that reimbursement will be received, and the amount of reimbursement recognized does not exceed the carrying amount of the provision.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

18. Insurance contracts and significant insurance risk testing

Insurance contracts are those contracts under which the Group has accepted significant insurance risk from the policyholders by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. Insurance contracts held by the Group are classified as direct insurance contracts and reinsurance contracts. The significance of insurance risk as determined by the Group is dependent on both the probability of an insurance event and the magnitude of its potential effect.

Some insurance contracts contain both an insurance component and a deposit component. The Group should unbundle the insurance component and the deposit component.

The unbundled insurance component is accounted for according to IFRS 4 and the unbundled deposit component is accounted for as investment contract liabilities according to relevant accounting policies. If the insurance component and the deposit component are not distinct and separately measurable, the whole contract is accounted for as an insurance contract.

For contracts issued by the Group which require testing the significance of insurance risk, it will be performed at the initial recognition of such contracts, and based on a group of contracts with similar nature. When performing the insurance risk significance test, the Group makes judgements in sequence as to whether the contract transfers insurance risk, whether the contract has commercial substance, and whether the transferred insurance risk is significant.

19. Insurance contract liabilities

Insurance contract liabilities of the Group include long-term life insurance contract liabilities, unearned premium reserves and claim reserves.

When measuring the long-term life insurance contract liabilities, the Group classifies insurance contracts whose insurance risks are of a similar nature as a measurement unit and mainly considers the characteristics of policies, including product type, gender, age, and durations of policies, when determining the measurement unit, etc.

The Group's short-term insurance contracts, which include non-life and short-term accident and health insurance policies, are grouped into certain measurement units by business line.

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contract liabilities (continued)

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

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

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

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

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

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

Margins are considered and separately measured in determining insurance contract liabilities. Margins are released in the statement of profit or loss over the insurance coverage period using systematic and reasonable methods. Margins include risk margin and residual margin.

- Risk margin represents provision for the uncertainty associated with the future net cash flows.

- At inception of an insurance contract, any "Day 1" gain is not recognized in the statement of profit or loss, but included in the insurance contract liabilities as a residual margin. However, any "Day 1" loss should be recognized in the statement of profit or loss at inception when it occurs. Any residual margin is amortized over the life of the contracts. The subsequent measurement of residual margin is independent from reasonable estimate of future discounted cash flows and risk margin, and will not be adjusted for future changes in assumptions.

For long-term life insurance contracts, the Group amortizes the residual margin on the basis of the effective sum of insured amount or estimated dividends payout during the whole insurance coverage period. For short-term insurance contracts, the Group amortizes the residual margin on a time basis during the whole insurance coverage period and records it in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contract liabilities (continued)

When measuring insurance contract liabilities, time value of money is considered. The related future cash flows are discounted when the impact of time value of money is significant. For short-term insurance contracts which duration is within one year, the cash flows are not discounted. The discount rates used in the measurement of time value of money are determined with reference to information available at the end of each reporting period.

The Group uses information available at the end of each reporting period to derive the following assumptions used for measuring the reserve of long-term life insurance contracts:

- For insurance contracts whose future insurance benefits will not be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on the market interest rate which is in line with the period and risk of liability of cash outflows. For insurance contracts whose future insurance benefits will be affected by investment income of the corresponding investment portfolio, the discount rates are determined based on expected investment return rates of the portfolios backing the liabilities.

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

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

Unearned premium reserves

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contract liabilities (continued)

Claim reserves

Claim reserves are provided for insurance claims of short-term insurance contracts and include incurred and reported reserves, Incurred but not reported reserves ("IBNR") and claim expense reserves.

Incurred and reported reserves are measured at amounts not higher than the sum insured of the insurance contracts, using methods such as the case-by-case estimate method or average claim per case method, based on a reasonable estimate of ultimate claim amounts as well as margins.

IBNR are measured according to the nature and distribution of insurance risks, claims development, experience data, etc., using methods such as the chain ladder method, average claim per case method, expected loss ratio method, based on a reasonable estimate of ultimate claim amounts as well as margins.

Claim expense reserves are measured based on the best estimates of the future payments for claim expenses.

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

Liability adequacy test

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contract liabilities (continued)

Investment contracts

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

- Premium receipts are recognized not as premium income, but rather as liabilities, presented as investment contract liabilities. For those non-life investment type policies without guaranteed benefits, the related contract liabilities are measured at fair value and the related transaction costs are recognized in the statement of profit or loss. For other investment contracts, the related liabilities are initially measured at fair value and subsequently measured at amortized cost. Commissions and other expenses incurred, net of receipts from initial charges that are meant to compensate such costs, are recognized as transaction costs in the initial amount of the liabilities.

- Charges including policy administration fees are recognized as other income during the period of service provided.

Universal life contracts

The individual universal life contracts of the Group contain significant insurance risks and are classified as insurance contracts. These policies also contain both insurance components and deposit components. The deposit components are unbundled from these hybrid insurance contracts. The rest of the contracts are accounted for as insurance contracts. Certain group universal life contracts of the Group that do not contain significant insurance risks are classified as investment contracts.

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

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

19. Insurance contract liabilities (continued)

Reinsurance

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

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

Ceded reinsurance arrangements do not relieve the Group from its obligations to policyholders. The Group also assumes reinsurance risk in the normal course of business. Premiums and claims on assumed reinsurance are recognized as income and expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Amounts payable to reinsurers are estimated in a manner consistent with that of the associated reinsurance contracts.

Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance unless a legal right and the intention of offset exist. Reinsurance assets or liabilities are derecognized when the contractual rights are extinguished or expire or when the contract is transferred to another party.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

20. Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortized once held for sale.

Assets and liabilities held for sale are presented separately in the statement of financial position.

A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is held for sale, and:

- Represents a separate major line of business or geographical area of operations

- Is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations

Or

- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

21. Preference shares

Preference shares issued by the Company contain no contractual obligation to deliver cash or another financial asset; or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; and preference shares issued are non-derivative instruments that will be settled in the Company's own equity instruments, but includes no contractual obligation for the Company to deliver a variable number of its own equity instruments. The Company classifies preference shares issued as an equity instrument. Fees, commissions and other transaction costs of preference shares issuance are deducted from equity. The dividends on preference shares are recognized as profit distribution at the time of declaration.

22. Revenue recognition

22.1 Income from distressed assets

Income from distressed assets is mainly generated from distressed debt assets included in financial assets at amortized cost and financial assets at fair value through profit or loss, equity instruments relating to distressed asset business included in financial assets at fair value through profit or loss and assets in satisfaction of debts.

Income from distressed debt assets includes interest income and gains or losses arising on distressed debt assets classified as financial assets at amortized cost, gains or losses from disposal of distressed debt assets at fair value through profit or loss and unrealized fair value changes on such assets, both of which are accounted for as fair value changes on distressed debt assets. Any interest income arising from distressed debt assets at fair value through profit or loss is also included in fair value changes of such assets. Income is also generated from the disposal of assets in satisfaction of debts. The accounting policy for interest income arising on distressed debt assets classified as financial assets at amortized cost is detailed in Note IV.22.5 Interest income and expense.

Income from equity instruments relating to distressed asset business classified as financial assets at fair value through profit or loss includes dividend income, Unrealized fair value changes and gains or losses from disposal of these instruments and are presented under fair value changes of other financial instruments. The accounting policy for dividend income is detailed in Note IV.22.7 Dividend income.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

22. Revenue recognition (continued)

22.2 Commission and fee income

The Group earns commission and fee income from securities and futures brokerage business, securities underwriting business, fund and asset management business, consultancy and financial advisory business, trustee services business, banking business, agency business services etc. which the Group provides to the customers. For those services that are provided over a period of time, commission and fee income are accrued in accordance with the actual progress. For other services, commission and fee income are recognized when the transactions are completed.

22.3 Premium income

Premium income and reinsurance premium income are recognized when the insurance contracts are issued, related insurance risk is undertaken by the Group, it is probable that related economic benefits will flow to the Group and related income can be reliably measured.

Premiums from long-term life insurance contracts are recognized as revenue when due from the policyholders. Premiums from direct short-term insurance contracts are recognized as revenue based on the amount of total premium stated in the contracts.

Reinsurance premiums are recognized as revenue in accordance with the terms stated in the reinsurance contracts.

22.4 Revenue from sale of goods

Revenue from sale of goods of the Group is recognized when control of goods is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

When the contract contains a financing component which provides the customer or the Group a significant benefit of financing the transfer of goods to the customer, either explicitly or implicitly, the transaction price for such contracts is discounted to take into consideration the significant financing component.

Using the practical expedient in IFRS 15, the Group does not adjust the promised amount of consideration for the effects of a significant financing component if it expects, at contract inception, that the period between the transfer of the promised good or service to the customer and when the customer pays for that good or service will be one year or less.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

22. Revenue recognition (continued)

22.5 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for interest income from distressed debt assets, are recognized within "interest income" and "interest expense" in profit or loss using the effective interest method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognized using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

22.6 Investment income

Investment income includes dividend income from the equity instruments at fair value through other comprehensive income, and gain/loss from disposal of financial assets other than financial assets at fair value through profit or loss, equity investment at fair value through other comprehensive income and distressed debt assets at amortized cost.

22.7 Dividend income

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

22.8 Other income

Property rental income

The property rental income is recognized when the amount can be measured reliably and it is probable that the associated economic benefits will flow to the Group.

Property management fee

The Group earns property management fee income from property management services which the Group provides to the customers. For those services that are provided over a period of time, property management fee income is accrued in accordance with the actual progress. For other property management services, property management fee income is recognized when the services are completed.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

23. Taxation

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

23.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

23.2 Deferred tax

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

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

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

23. Taxation (continued)

23.2 Deferred tax (continued)

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

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

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

24. Leasing (effective on and after January 1, 2019)

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

24.1 As Lessee

The lease term is the non-cancellable period of a lease for which the Group has the right to use an underlying asset. The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. The Group considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. The Group includes the renewal period as part of the lease term for leases when the renewal options are reasonably certain to be exercised. The renewal periods for leases with longer non-cancellable periods are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease for which the value of the individual underlying asset is relatively low when it is new as a lease of a low-value asset. The Group chooses not to recognize the right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the rent is amortized on a straight-line basis in each period of the lease term and included in profit or loss.

The Group uses the incremental borrowing rate as the discount rate to calculate the present value of lease payments. When determining the incremental borrowing rate, each institution of the Group uses its economic environment and the observable interest rate as the foundation. On this basis, the applicable incremental borrowing rate is calculated through the adjustment of the reference interest rate, which is determined according to the situation of the institution and the underlying asset, the lease term, the amount of lease liability and other specific conditions of the lease.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

24. Leasing (effective on and after January 1, 2019) (continued)

24.1 As Lessee (continued)

Right-of-use assets

The right-of-use assets of the Group mainly include buildings, machinery and equipment, vehicles and other right-of-use assets.

At the commencement date of the lease, the Group recognizes a right-of-use asset. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred when the Group is a lessee; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the asset from the commencement date to the end of the useful life of the asset or the end of the lease term, whichever is shorter. The right-of-use assets are also subject to impairment assessment, which is detailed in Note IV.15 Impairment losses on tangible and intangible assets other than goodwill.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly, when the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognizes the remaining amount of the remeasurement in profit or loss.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

24. Leasing (effective on and after January 1, 2019) (continued)

24.1 As Lessee (continued)

Lease liability

At the commencement date of the lease, the Group measures the lease liability at the present value of the lease payments that are not paid at that date, except for short-term leases and leases of low-value assets.

In calculating the present value of the lease payments, the Group uses the incremental borrowing rate of lessee as the discount rate. The Group calculates the interest expenses of the lease liability in each period during the lease term using the constant periodic rate of interest, and recognizes such interest expenses in profit or loss. Variable lease payments that are not included in the measurement of the lease liabilities are recognized in profit or loss as incurred.

After the commencement date, the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate if either: (i) there is a change in the amounts expected to be payable under a residual value guarantee; (ii) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments; or (iii) there is a change in the assessment of an option to purchase, extend or terminate the underlying asset, assessed in the context of a purchase option.

Lease modification

Lease modification is a change in the scope of a lease, the consideration for a lease or lease term, that was not part of the original terms and conditions of the lease. For example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both: (i) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and (ii) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

24. Leasing (effective on and after January 1, 2019) (continued)

24.2 As Lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

When the Group is a lessor under finance leases, the Group recognizes the receivable as the sum of the minimum lease payment receivable and initial direct costs at the commencement date, and records the unguaranteed residual value. The difference between the aggregation, which consists of the receivable and the unguaranteed residual value, and the sum of the present value is recognized as unearned finance income. The Group uses the effective interest method to recognize the current finance income. In the initial measurement of the finance lease receivable, the Group recognizes the net investment of the lease as the book value. The net investment in a lease is the sum of the unguaranteed residual value and the present value of the unreceived minimum lease payment receivable at the commencement date, which is discounted by the interest rate implicit in the lease. The Group calculates and recognizes the interest income in each period during the lease term using the constant periodic rate of interest, and recognizes such interest expenses in profit or loss. Variable lease payments that are not measured as part of the net investment in the lease are recognized in profit or loss as incurred.

When the Group is a lessor under operating leases, the Group still reflects the underlying assets as the Group's assets. The rent income is amortized on a straight-line basis in each period of the lease term and recognized in profit or loss. Variable lease payments that are not measured as part of the receivable in the lease are recognized in profit or loss as incurred.

25. Fiduciary activities

The Group's fiduciary activities mainly include trust and asset custody services.

The trust service of the Group refers to the business that the Group acts as trustee to undertake investment activity within the agreed period and scope on behalf of the third-party lenders who provide the fund.

The Group is responsible for the arrangement and collection of the entrusted loans and receives a commission for the services rendered. As the Group does not assume the risks and rewards of the entrusted loans and the funding for the corresponding entrusted funds, they are not recognized as assets and liabilities of the Group.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

26. Employee benefits

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

Social welfare

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

Annuity scheme

The employees of the Group participate in Annuity scheme set up by the Company (the "Annuity scheme"). The Group made annuity contributions with reference to employees' salaries of last year, and the contributions are expensed in profit or loss when incurred. The Group has no further obligation even if the Annuity scheme does not have sufficient assets for payment of supplementary retirement benefits to employees.

Defined benefit plans

The Group's subsidiary Nanyang Commercial Bank, Limited (the "NCB") operates a defined benefit plan for all its retired employees.

Under the plan, the employees are entitled to retirement benefits which included fully redeemed medical care, housing allowance and other retirement benefits.

The liability related to the above post-retirement benefit obligations existing at the end of each reporting period is calculated by independent actuaries using the projected unit credit method and is recorded as a liability. The present value of the liability is determined through discounting the estimated future cash outflows using interest rates of RMB treasury bonds which have terms to maturity approximating the terms of the related liability. The actuarial gains or losses of post-retirement benefit obligations are recognized in "other comprehensive income" immediately when they occur. Except for the actuarial changes, other changes are recognized in profit or loss for the period immediately when they occur.

IV. SIGNIFICANT ACCOUNTING POLICIES (continued)

27. Government grants

Government grants are not recognized until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognized in profit or loss on a systematic basis over the periods in which the Group recognizes as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognized as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognized in profit or loss in the period in which they become receivable.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

The following are the critical judgements and key estimation uncertainties that the management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognized in the consolidated financial statements and/or in the next financial year in 2019.

1. Classification of financial assets

The Group's critical judgements on determining the classification of financial assets include business model and analysis of contractual cash flow characteristics. The Group's assessment of the business model is performed on a financial assets portfolio basis, taking into consideration of how to generate cash flows of the assets in the past, how the performance of the financial assets are evaluated and reported to the Group's key management personnel, how the risks are evaluated and managed, and how managers of are compensated. The Group's critical judgements on whether the cash flows are solely payments of principal and interest on the principal amount outstanding include whether principal amount may change over the life of the financial asset (for example, if there are repayments of principal) and whether interest only consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as a profit margin.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

2. Fair value of financial instruments

The Group uses valuation techniques for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, comparable listed company method, option pricing models or other valuation methods as appropriate. In practical applications, only observable data are used in the models. However, areas such as credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of the financial instruments.

3. Impairment of financial assets

The models and assumptions used by the Group in assessing the expected credit losses on financial assets are highly dependent on management's judgement. When determining whether the credit risk of an asset has increased significantly or not, the Group needs to consider internal and external historical information, current conditions and future economic forecasts. The criteria for a significant increase in credit risk will be used to determine whether an asset needs to accrue lifetime expected credit losses, rather than expected credit losses for the subsequent 12 months. The parameters used by the Group to measure the ECL model, including PD, LGD and EAD, where each of them involves numerous judgements and assumptions. The Group applies expert judgements to predict macroeconomic indicators, analyses the correlations with model parameters such as PD, and makes forward-looking adjustments. At the same time, the Group also needs to judge the probability of occurrence of multiple different macroeconomic scenarios and calculate probability-weighted expected credit losses. The estimation of future cash flows is critical for an impaired asset that uses a single assessment method to measure expected credit losses. Factors that may affect this estimate include, but are not limited to: the level of detail of the financial information of a particular debtor, the relationship between industry trends and the future performance of a particular debtor and cash flows which can be recovered from realizing collateral and so on.

4. Transfer of financial assets

Whether the derecognition should be applied to part of a financial asset or the financial asset in its entirety, as well as whether, and to what extent, derecognition is appropriate requires significant judgement. In making this judgement, the Group evaluates whether it has transferred the right to collect the contractual cash flows, retained substantially all the risks and rewards of the transferred assets, or retained control of the transferred assets.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

5. Measurement method of insurance contract reserve

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

6. Control on structured entities

The Group's management needs to assess whether the Group has the power over a structured entity and is exposed to significant variable return of the structured entities. If such power and exposure exist, the Group should consolidate such structured entities. The judgments the Group used in determining if it has control over the structured entities are detailed in Note VI.36 Interests in consolidated structured entities.

The Group reassess whether it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control as listed in Note IV.2 Basis of consolidation.

7. Judgment on joint control

The joint control over the investees is determined by the Group's assessment of the existence of sharing of control. The assessment involves judgment on whether decisions about the relevant activities require the unanimous consent of the parties sharing control.

8. Judgment on significant influence

The significant influence over the investees is determined by the Group's assessment of its power to participate in the investees' financial and operating policy decisions. The assessment involves significant judgment based on factors such as the investees' policy-making process, composition of board of directors or other governing body, change in ownership and existence of contractual arrangements.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

9. Recognition and allocation of properties under development

The construction cost is accumulated in properties under development during the construction period and recognized as purchases and changes in inventories in the statement of profit or loss when they are sold. The construction cost is estimated by the management of the Group in accordance with budget and the progress of development. The cost directly related to development in current period is accumulated in properties under development and the common cost among construction periods cost is allocated among each period on the basis of saleable area.

10. Taxes

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

11. Impairment of goodwill

Goodwill is tested for impairment annually or more frequently. This requires an estimate of the present value of future cash flows for the asset group or portfolio of assets allocated to goodwill. When estimating the present value of future cash flows, the Group needs to anticipate future cash flows from the asset group or portfolio of assets, and select the appropriate discount rate to determine the present value of future cash flows.

12. Determining the lease term of contracts with renewal and termination options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised. By considering all relevant factors that create an economic incentive,the Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

V. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (continued)

13. Leases – Estimating the incremental borrowing rate

The Group uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Group estimates the IBR using observable inputs when available and is required to make certain entity-specific estimates to reflect the terms and conditions of the lease.

VI. EXPLANATORY NOTES

1. Income from distressed debt assets at amortized cost

The amounts mainly represent interest income 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 VI.29 Financial assets at amortized cost).

For the year ended December 31, 2019, the net loss on the derecognition of distressed debt assets at amortized cost was RMB1,991 million (For the year ended December 31, 2018, the net gain was RMB166 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 year (see Note VI.25 Financial assets at fair value through profit or loss).

The fair value changes comprise both realized gains or losses from disposal of distressed debt assets at fair value through profit or loss and unrealized fair value changes on such assets. Any interest income arising from such assets is included in fair value changes.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

3. Fair value changes on other financial instruments

The amounts represent fair value changes on both financial assets at fair value through profit or loss (excluding distressed debt assets at fair value through profit or loss) and financial liabilities at fair value through profit or loss during the period (see Note VI.25 Financial assets at fair value through profit or loss and Note VI.46 Financial liabilities at fair value through profit or loss).

The fair value changes comprise realized gains and losses on disposal and unrealized fair value changes, from financial assets at fair value through profit or loss (excluding distressed debt assets at fair value through profit or loss), loans and advances to customers at fair value through profit or loss and financial liabilities at fair value through profit or loss. Any interest or dividend income arising from such instruments is included in fair value changes.

For the year ended December 31, 2019 and 2018, the fair value changes on financial liabilities at fair value through profit or loss were insignificant.

	Year ended December 31	
	2019	2018
Financial instruments at fair value through profit or loss	**14,840,082**	16,084,956
Total	**14,840,082**	16,084,956

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

4. Investment income

	Year ended December 31	
	2019	2018
Net realized gain from disposal of		
– Financial assets at fair value through other comprehensive income	**232,019**	62,918
– Loans and advances to customers at amortized cost	**149,338**	–
– Other debt assets (1)	**73,253**	32,945
Dividend income from		
– Financial assets at fair value through other comprehensive income	**9,916**	12,155
Others	**(37)**	44,880
Total	**464,489**	152,898

(1) For the year ended December 31, 2019, all the net gains recognized from derecognition of other debt assets at amortized cost are resulting from disposing agreed repurchase trading receivables. (For the year ended December 31, 2018, all the net gains recognized from derecognition of other debt assets at amortized cost are resulting from disposing collaterals of debt.)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

5. Interest income

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

	Year ended December 31	
	2019	2018
Loans and advances to customers		
– Corporate and personal loans and advances	**13,968,075**	13,584,025
– Finance lease receivables	**2,668,779**	2,795,319
– Loans to margin clients	**477,482**	537,123
Financial assets at fair value through other comprehensive income	**3,219,886**	2,792,680
Other debt investments at amortized cost	**2,353,062**	1,427,495
Deposits with banks and financial institutions	**952,399**	1,007,775
Placements with banks and financial institutions	**816,906**	1,081,370
Financial assets held under resale agreements	**670,706**	1,532,966
Others	**274,331**	246,946
Total	**25,401,626**	25,005,699

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

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

	Year ended December 31	
	2019	2018
Revenue from sales of inventories	**18,169,404**	17,446,425
Purchases and changes in inventories	**(12,868,770)**	(11,382,225)
Including:		
Revenue from sales of properties held for sale	**18,155,303**	17,438,487
Purchases and changes in properties held for sale	**(12,855,288)**	(11,376,575)
Gross profit from sales of properties	**5,300,015**	6,061,912
Revenue from other trading operations	**14,101**	7,938
Purchases and changes in inventories of other trading operations	**(13,482)**	(5,650)
Gross profit from other trading operations	**619**	2,288

Recognition time of revenue from sales of properties held for sale

	Year ended December 31	
	2019	2018
Recognized revenue at a point in time		
Sales of properties held for sale	**18,155,303**	17,438,487

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	Year ended December 31	
	2019	2018
Within one year	**19,837,139**	20,494,994
More than one year	**3,253,016**	3,870,035
Total	**23,090,155**	24,365,029

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

7. Commission and fee income

	Year ended December 31	
	2019	2018
Banking business	**1,053,541**	993,197
Securities and futures brokerage	**953,384**	811,153
Fund and asset management business	**662,337**	870,981
Agency business	**303,234**	363,092
Trustee services	**223,313**	342,965
Consultancy and financial advisory	**190,187**	157,819
Securities underwriting	**107,928**	65,833
Others	**42,634**	44,782
Total	**3,536,558**	3,649,822

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

	Year ended December 31	
	2019	2018
Net gains on disposal of subsidiaries	**97,122**	(32)
Net gains on disposal of associates and joint ventures	**784,482**	1,550,939
Total	**881,604**	1,550,907

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

9. Other income and other net gains or losses

	Year ended December 31	
	2019	2018
Net gains on exchange differences	**839,648**	1,148,936
Rental income	**815,654**	472,745
Revenue from hotel operation	**401,199**	471,902
Revenue from property management business	**286,499**	265,164
Government grants and compensation (1)	**188,893**	190,270
Revenue from project supervision	**122,705**	262,198
Net gains on disposal of other assets	**97,771**	175,912
Others	**51,843**	465,771
Total	**2,804,212**	3,452,898

(1) For the year ended December 31, 2019, the government grant and compensation from operating activities, as part of other income and other net gains or losses, amounted to RMB170.31 million.

10. Interest expense

	Year ended December 31	
	2019	2018
Borrowings		
– Wholly repayable within five years	**(24,227,058)**	(28,822,304)
– Not wholly repayable within five years	**(1,895,185)**	(1,670,423)
Bonds issued	**(12,046,251)**	(10,838,283)
Due to customers	**(4,955,494)**	(3,431,290)
Deposits from banks and financial institutions	**(662,126)**	(946,641)
Placements from banks and financial institutions	**(218,188)**	(242,729)
Financial assets sold under repurchase agreements	**(191,900)**	(210,714)
Accounts payable to brokerage clients	**(45,212)**	(37,362)
Lease liabilities	**(43,732)**	–
Others	**(81,407)**	(86,749)
Total	**(44,366,553)**	(46,286,495)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

11. Employee benefits

	Year ended December 31	
	2019	2018
Wages or salaries, bonuses, allowances and subsidies	**(4,637,647)**	(4,159,077)
Defined contribution plans	**(477,259)**	(462,302)
Social insurance	**(273,801)**	(240,390)
Housing funds	**(185,529)**	(190,540)
Labour union fees and staff education expenses	**(131,238)**	(125,556)
Defined benefit plans	**(4,611)**	(3,860)
Others	**(291,855)**	(188,794)
Total	**(6,001,940)**	(5,370,519)

12. Commission and fee expense

	Year ended December 31	
	2019	2018
Securities and futures brokerage	**(345,044)**	(248,054)
Asset management business	**(239,119)**	(255,374)
Others	**(135,417)**	(346,816)
Total	**(719,580)**	(850,244)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

13. Impairment losses on assets

	Year ended December 31	
	2019	2018
Allowances of impairment losses on assets		
Financial assets at amortized cost		
– Distressed debt assets	**(3,544,082)**	(4,380,136)
– Other debt investments	**(328,260)**	(370,298)
Loans and advances to customers	**(2,084,043)**	(2,075,415)
Interests in associates and joint ventures	**(1,858,375)**	(3,126)
Financial assets held under resale agreements	**(521,947)**	11,601
Properties held for sale	**(433,819)**	(6,356)
Accounts receivable	**115,494**	(949,968)
Property and equipment	**(75,367)**	–
Deposits with banks and financial institutions	**(61,668)**	(1,335)
Goodwill	**(4,282)**	(9,763)
Other assets	**(127,884)**	(371,382)
Total	**(8,924,233)**	(8,156,178)

14. Profit before tax

	Year ended December 31	
	2019	2018
Profit before tax for the year has been arrived at after charging:		
Depreciation of property and equipment	**(559,797)**	(461,851)
Depreciation of right-of-use assets	**(463,665)**	–
Amortization	**(344,540)**	(309,952)
Depreciation of investment properties	**(190,671)**	(167,955)
Operating lease expenses	**(93,109)**	(481,606)

Principal auditors' remuneration for the year ended December 31, 2019 was RMB41.95 million (2018: RMB39.60 million).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

15. Income tax expense

	Year ended December 31	
	2019	2018
Current income tax:		
– PRC Enterprise Income Tax	**(5,021,262)**	(6,529,218)
– PRC Land Appreciation Tax ("LAT")	**(1,023,527)**	(1,851,627)
– Hong Kong Profits Tax	**(463,137)**	(465,056)
– Overseas taxation	**(151)**	(400)
Overprovision in prior years	**116,055**	98,103
Subtotal	**(6,392,022)**	(8,748,198)
Deferred income tax (Note VI.42)	**637,400**	1,796,313
Total	**(5,754,622)**	(6,951,885)

The statutory income tax rate applicable to PRC enterprises is 25% for the year (2018: 25%). A subsidiary of the Company set up in the Western Region (as defined in Note VI.72.1 Credit Risk) of the PRC is taxed at 15% (2018: 15%) subject to an annual special approval by the tax bureau.

Hong Kong Profits Tax is calculated at 16.5% (2018: 16.5%) of the estimated assessable profit for the year.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

15. Income tax expense (continued)

Reconciliation of profit before tax to income tax expense is as follows:

	Year ended December 31	
	2019	2018
Profit before tax from continuing operations	**19,272,440**	22,697,843
Profit before tax from a discontinued operation	**273,224**	(3,909,297)
Profit before tax	**19,545,664**	18,788,546
Income tax calculated at the tax rate of 25%	**(4,886,416)**	(4,697,137)
Tax effect of a discontinued operation	**1,200,107**	–
Effect of tax losses and deductible temporary differences not recognized	**(1,175,654)**	(1,534,815)
LAT	**(1,023,527)**	(1,851,627)
Tax effect of LAT	**255,882**	462,907
Tax effect of income not taxable for tax purpose (1)	**412,590**	493,858
Effect of different tax rates of subsidiaries	**398,718**	304,900
Tax effect of share of results of associates and joint ventures	**277,740**	182,733
Tax effect of expenses not deductible for tax purpose (2)	**(227,048)**	(500,483)
Overprovision in prior years	**116,055**	98,103
Adjustment in respect of cost and distribution payment for additional equity instruments	**68,293**	65,656
Effect of utilization of tax losses not previously recognized	**55,813**	67,268
Income tax expense	**(4,527,447)**	(6,908,637)
Income tax expense attributable to continuing operations	**(5,754,622)**	(6,951,885)
Income tax credit attributable to a discontinued operation (3)	**1,227,175**	43,248

(1) Income not taxable for tax purpose mainly includes interest income on treasury bonds and dividend income.

(2) Expenses not deductible for tax purpose mainly include commission and fee expense, employee benefits and entertainment expenses in excess of the tax deduction limits according to the PRC tax regulations.

(3) In 2019, Happy Life was classified as held for sale, and the Group recognized deferred tax asset of approximately RMB1.2 billion due to deductible temporary difference resulted from cumulative losses of Happy Life.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

16. Earnings per share

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

	Year ended December 31	
	2019	2018
Earnings:		
Profit attributable to ordinary equity holders of the parent:	**13,052,946**	12,036,131
Continuing operations	**11,821,754**	14,102,659
Discontinued operation	**1,231,192**	(2,066,528)
Profit attributable to equity holders of the Company	**13,052,946**	12,036,131
Less: Dividends on preference shares declared and distributed	**1,120,767**	1,077,050
Profit attributable to ordinary shareholders of the Company	**11,932,179**	10,959,081
Profit attributable to ordinary shareholders of the Company from continuing operations	**10,700,987**	13,025,609
Number of shares:		
Weighted average number of shares in issue for the purpose of basic earnings per share (in thousand)	**38,164,535**	38,164,535
Weighted average number of shares in issue for the purpose of diluted earnings per share (in thousand)	**38,164,535**	38,164,535
Basic earnings per share (RMB Yuan)	**0.31**	0.29
Diluted earnings per share (RMB Yuan)	**0.31**	0.29
Basic earnings per share from continuing operations (RMB Yuan)	**0.28**	0.34
Diluted earnings per share from continuing operations (RMB Yuan)	**0.28**	0.34

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

17. Dividends

	Year ended December 31	
	2019	2018
Final dividend of 2018	**3,625,631**	–
Final dividend of 2017	**–**	5,419,364
Dividends recognized as distribution during the period	**3,625,631**	5,419,364

The resolution on the profit distribution plan for 2018 was duly approved by the shareholders at the Annual General Meeting held on June 25, 2019. In accordance with the plan, the dividend of RMB3,625.63 million was distributed during the year.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

18. Emoluments of directors and supervisors

	Year ended December 31, 2019			
	Fees	Paid remuneration	All kinds of social insurance, housing funds and annuity schemes	Total (before tax)
Executive directors				
ZHANG Zi'ai	–	579	149	728
CHEN Xiaozhou (1)	–	483	121	604
ZHANG Weidong (2)	–	75	24	99
Non-executive directors				
HE Jieping (3)	–	–	–	–
XU Long (3)	–	–	–	–
YUAN Hong (3)	–	–	–	–
ZHANG Guoqing (3)	–	–	–	–
LIU Chong (3)	–	–	–	–
Independent non-executive directors				
CHANG Tso Tung, Stephen (4)	220	–	–	220
XU Dingbo (5)	208	–	–	208
ZHU Wuxiang	250	–	–	250
SUN Baowen	250	–	–	250
LU Zhengfei (6)	63	–	–	63
LAM Chi Kuen (7)	32	–	–	32
Supervisors				
GONG Jiande	–	579	145	724
LIU Yanfen	200	–	–	200
LI Chun	200	–	–	200
ZHANG Zheng	200	–	–	200
GONG Hongbing (12)	20	–	–	20
LIN Dongyuan (8)(12)	13	–	–	13
JIA Xiuhua (9)(12)	13	–	–	13
LU Baoxing (10)(12)	7	–	–	7
YUAN Liangming (11)(12)	7	–	–	7
Total	1,683	1,716	439	3,838

VI. EXPLANATORY NOTES (continued)

18. Emoluments of directors and supervisors (continued)

(1) Chen Xiaozhou ceased to be the President and executive director in October 2019, and his emoluments disclosed above include those for services rendered by him as the President and executive director during the year.

(2) Zhang Weidong was appointed as the proposed president by the Board in October 2019, and his qualification was approved by the CBIRC in January 2020. Zhang Weidong was nominated as the executive director by the Board in October 2019, which was approved by the second extraordinary general meeting in December 2019, and his qualification was approved by the CBIRC in January 2020.

(3) These non-executive directors did not receive any fees from the Company.

(4) Chang Tso Tung, Stephen ceased to be the independent non-executive director in November 2019.

(5) Xu Dingbo ceased to be the independent non-executive director in September 2019.

(6) Lu Zhengfei was elected as the independent non-executive director in September 2019.

(7) Lam Chi Kuen was elected as the independent non-executive director in November 2019.

(8) Lin Dongyuan ceased to be the supervisor in August 2019.

(9) Jia Xiuhua ceased to be the supervisor in August 2019.

(10) Lu Baoxing was elected as the supervisor in August 2019.

(11) Yuan Liangming was elected as the supervisor in August 2019.

(12) The amounts only included fees for their services as employee representative supervisors.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

18. Emoluments of directors and supervisors (continued)

	Year ended December 31, 2018			
	Fees	Paid remuneration	All kinds of social insurance, housing funds and annuity schemes	Total (before tax)
Executive directors				
HOU Jianhang (1)	–	466	122	588
ZHANG Zi'ai (2)	–	408	114	522
CHEN Xiaozhou	–	701	182	883
Non-executive directors				
LI Honghui (3)(4)	–	–	–	–
SONG Lizhong (3)(5)	–	–	–	–
XIAO Yuping (3)(6)	–	–	–	–
HE Jieping (3)(7)	–	–	–	–
XU Long (3)(8)	–	–	–	–
YUAN Hong (3)	–	–	–	–
ZHANG Guoqing (3)	–	–	–	–
LIU Chong (3)	–	–	–	–
Independent non-executive directors				
CHANG Tso Tung, Stephen	250	–	–	250
XU Dingbo	250	–	–	250
ZHU Wuxiang	250	–	–	250
SUN Baowen	250	–	–	250
Supervisors				
GONG Jiande	–	701	182	883
LIU Yanfen	200	–	–	200
LI Chun	200	–	–	200
ZHANG Zheng	200	–	–	200
GONG Hongbing (9)	20	–	–	20
LIN Dongyuan (9)	20	–	–	20
JIA Xiuhua (9)	20	–	–	20
Total	1,660	2,276	600	4,536

VI. EXPLANATORY NOTES (continued)

18. Emoluments of directors and supervisors (continued)

(1) Hou Jianhang ceased to be the Chairman of the Board and executive director in August 2018, and his emoluments disclosed above include those for services rendered by him as the Chairman of the Board and executive director during the year.

(2) Zhang Zi'ai was elected as the Chairman of the Board and executive director in August 2018, and his emoluments disclosed above include those for services rendered by him as the Chairman of the Board and executive director during the year.

(3) These non-executive directors did not receive any fees from the Company.

(4) Li Honghui ceased to be the non-executive director in July 2018.

(5) Song Lizhong ceased to be the non-executive director in July 2018.

(6) Xiao Yuping ceased to be the non-executive director in July 2018.

(7) He Jieping was elected as the non-executive director in July 2018.

(8) Xu Long was elected as the non-executive director in July 2018.

(9) The amounts only included fees for their services as employee representative supervisors.

The total compensation packages for the above executive directors and supervisors for the year ended December 31, 2019 have not yet been finalized in accordance with regulations of the relevant authorities in the PRC. The final compensation will be disclosed in a separate announcement when determined. The total compensation packages for the above executive directors and supervisors for the year ended December 31, 2018 have not yet been approved by the Annual General Meeting. The final compensation will be disclosed in a separate announcement after approval.

During the year, no emolument was paid by the Group to any of the directors, supervisors, key management personnel or the five highest paid individuals as set out in Note VI.19 Key management personnel and five highest paid individuals below as an inducement to join or upon joining the Group or as a compensation for loss of office. None of them waived any emoluments during the year. Bonus was determined based on the performance of individuals by the Group on a discretionary basis.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

19. Key management personnel and five highest paid individuals

(1) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including directors and executive officers. The aggregate compensation paid/payable to key management personnel for employment services, excluding the directors and supervisors whose emolument details have been reflected in Note VI.18 Emoluments of directors and supervisors, is as follows:

	Year ended December 31	
	2019	2018
Emoluments of key management personnel		
Paid emoluments	**9,528**	8,946
All kinds of social insurance, housing funds and annuity schemes	**1,003**	1,167
Total (before tax)	**10,531**	10,113

The number of key management personnel with emoluments within the following bands is as follows:

	Year ended December 31	
	2019	2018
RMB100,001 to RMB500,000	**1**	1
RMB500,001 to RMB1,000,000	**5**	2
RMB1,000,001 to RMB1,500,000	**1**	–
RMB1,500,001 to RMB2,000,000	**–**	4
RMB2,000,001 to RMB2,500,000	**1**	–
RMB2,500,001 to RMB3,000,000	**–**	–
RMB3,000,001 to RMB3,500,000	**1**	–
Total	**9**	7

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

19. Key management personnel and five highest paid individuals (continued)

(2) Five highest paid individuals

The emoluments of the five highest paid individuals whose emoluments were the highest in the Group for the year ended December 31, 2019 were as follows:

	Year ended December 31	
	2019	2018
Remuneration	**17,302**	15,820
All kinds of social insurance, housing funds and annuity schemes	**1,082**	1,697
Total (before tax)	**18,384**	17,517

Among the five highest paid individuals in the Group, none of them was a director. The number of these five individuals with emoluments within the following bands is as follows:

	Year ended December 31	
	2019	2018
RMB3,000,001 to RMB3,500,000	**2**	4
RMB3,500,001 to RMB4,000,000	**3**	–
RMB4,000,001 to RMB4,500,000	**–**	–
RMB4,500,001 to RMB5,000,000	**–**	1
Total	**5**	5

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

20. Statement of financial position

	Notes VI	As at December 31 2019	2018
Assets			
Cash and balances with central banks	21	**2,798**	2,892
Deposits with banks and financial institutions	22	**12,018,928**	11,466,189
Financial assets at fair value through profit or loss	25	**323,508,433**	312,663,768
Financial assets held under resale agreements	26	**10,479,747**	21,091,389
Financial assets at fair value through other comprehensive income	27	**4,199,647**	3,379,133
Financial assets at amortized cost	29	**187,365,891**	216,392,215
Accounts receivable	30	**552,805**	535,573
Amounts due from subsidiaries	31	**43,596,732**	36,794,063
Investment properties	33	**295,963**	312,414
Interests in subsidiaries	34	**39,484,717**	50,415,410
Interests in consolidated structured entities	36	**35,124,121**	36,849,179
Interests in associates and joint ventures	37	**48,497,327**	47,507,801
Property and equipment	39	**1,113,793**	1,183,930
Other intangible assets	41	**25,332**	32,018
Deferred tax assets	42	**2,722,196**	2,416,834
Assets held for sale		**7,449,679**	–
Other assets	43	**12,596,788**	9,859,046
Total assets		**729,034,897**	750,901,854

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (Continued)

20. Statement of financial position (Continued)

	Notes VI	As at December 31 **2019**	2018
Liabilities			
Borrowings from central bank	44	**986,058**	986,058
Financial liabilities at fair value through profit or loss	46	**717,977**	739,392
Borrowings	49	**426,086,925**	456,462,235
Accounts payable	52	**–**	168,760
Tax payable	54	**38,503**	1,700,450
Bonds issued	56	**154,916,816**	145,255,843
Other liabilities	58	**10,162,315**	10,965,545
Total liabilities		**592,908,594**	616,278,283
Equity			
Share capital	59	**38,164,535**	38,164,535
Other equity instruments	60	**21,281,215**	21,281,215
Capital reserve	61	**19,008,206**	20,025,375
Other comprehensive income	62	**(106,328)**	(849,991)
Surplus reserve	63	**8,499,569**	7,847,305
General reserve	64	**10,629,877**	10,080,764
Retained earnings	65	**38,649,229**	38,074,368
Total equity		**136,126,303**	134,623,571
Total equity and liabilities		**729,034,897**	750,901,854

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

CHAIRMAN

PRESIDENT

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

21. Cash and balances with central banks

Group

	As at December 31	
	2019	2018
Cash	**577,491**	540,490
Mandatory reserve deposits with central banks (1)	**8,932,048**	10,045,805
Surplus reserve deposits with central banks	**5,318,432**	4,322,828
Other deposits with central banks	**4,174,080**	1,742,788
Total	**19,002,051**	16,651,911
Including:		
Restricted		
– Balances with central banks	**8,964,522**	10,243,576

Company

	As at December 31	
	2019	2018
Cash	**399**	511
Other deposits with central banks	**2,399**	2,381
Total	**2,798**	2,892

(1) In accordance with relevant regulations, NCB, subsidiary of bank operations, is required to place mandatory reserve deposits with the People's Bank of China (the "PBOC") for customer deposits in both RMB and foreign currencies. As at December 31, 2019, the mandatory deposits were calculated at 10.5% (As at December 31, 2018: 12.5%) of customer deposits denominated in RMB and 5% (As at December 31, 2018: 5%) of customer deposits denominated in foreign currencies. Mandatory reserve deposits are not available for use by the Group in its daily operations.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

22. Deposits with banks and financial institutions

Group

	As at December 31	
	2019	2018
Deposits with banks		
– House accounts	**55,937,328**	68,434,427
– Cash held on behalf of clients	**11,414,878**	7,907,350
Clearing settlement funds		
– House accounts	**559,594**	694,075
– Clients	**2,154,836**	2,177,804
Deposits with other financial institutions		
– House accounts	**688,204**	702,227
Interest receivable	**146,626**	188,864
Subtotal	**70,901,466**	80,104,747
Less: Allowance for impairment losses	**63,873**	2,165
Total	**70,837,593**	80,102,582
Including:		
Restricted funds	**21,566,732**	30,286,755

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

22. Deposits with banks and financial institutions (continued)

Company

	As at December 31	
	2019	2018
Deposits with banks	**12,014,605**	11,452,665
Interest receivable	**4,323**	13,524
Subtotal	**12,018,928**	11,466,189
Less: Allowance for impairment losses	**–**	–
Total	**12,018,928**	11,466,189

Pledged bank deposits represent deposits that have been pledged to secure bank borrowings. As at December 31, 2019, the Group's pledged bank deposits amounted to RMB1,193.00 million (As at December 31, 2018: RMB630.10 million).

The Group's clearing settlement funds were interest-bearing at prevailing market interest rates and mainly deposited in the China Securities Depository and Clearing Corporation Limited. As at December 31, 2019, the Group's restricted clearing settlement funds amounted to RMB2,154.84 million (As at December 31, 2018: RMB2,177.80 million).

As at December 31, 2019, the Group's deposits with banks and financial institutions in Stage I, II and III amounted to RMB70,838.20 million, nil and RMB63.27 million, respectively (December 31, 2018: RMB80,104.75 million, nil and nil, respectively). The allowance for impairment losses amounted to RMB0.60 million, nil and RMB63.27 million, respectively (December 31, 2018: RMB2.17 million, nil and nil, respectively).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

23. Deposits with exchanges and others

Group

	As at December 31	
	2019	2018
Shanghai Stock Exchange	**48,796**	50,061
Shenzhen Stock Exchange	**26,620**	19,678
The Stock Exchange of Hong Kong Limited	**3,550**	3,860
National Equities Exchange and Quotations	**636**	1,004
Hong Kong Securities Clearing Company Limited	**399**	532
China Securities Finance Corporation Limited	**1,042**	1,024
Shanghai Futures Exchange	**463,366**	291,965
China Financial Futures Exchange	**219,240**	138,649
Dalian Commodity Exchange	**372,643**	272,425
Zhengzhou Commodity Exchange	**143,217**	134,961
Shanghai International Energy Exchange	**10,158**	1,756
The SEHK Options Clearing House Limited	**–**	1,314
Others	**33,692**	50,470
Total	**1,323,359**	967,699

The Company had no deposits with any exchanges or financial institutions at the end of 2019 and 2018.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

24. Placements with banks and financial institutions

Group

	As at December 31	
	2019	2018
Banks	**11,106,600**	16,926,311
Other financial institutions	**100,000**	1,530,000
Interest receivable	**32,862**	25,287
Subtotal	**11,239,462**	18,481,598
Less: Allowance for impairment losses	**87,162**	11,101
Total	**11,152,300**	18,470,497

As at December 31, 2019, the Group's placements with banks and financial institutions in Stage I, II and III amounted to RMB11,153.75 million, nil and RMB85.71 million, respectively (December 31, 2018: RMB18,481.60 million, nil and nil, respectively). The allowance for impairment losses amounted to RMB1.45 million, nil and RMB85.71 million, respectively (December 31, 2018: RMB11.10 million, nil and nil, respectively).

As at December 31, 2019 and December 31, 2018, the Company had no placements with banks and financial institutions.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

25. Financial assets at fair value through profit or loss

Group

	As at December 31	
	2019	2018
Financial assets classified as at fair value through profit or loss		
Listed investments:		
Equity investments	**9,565,812**	9,262,107
Debt securities		
– Government bonds	**5,968,207**	4,826,641
– Public sector and quasi-government bonds	**1,044**	280,475
– Corporate bonds	**4,521,715**	5,484,535
Funds	**2,071,045**	2,694,955
Corporate convertible bonds	**55,579**	107,788
	22,183,402	22,656,501
Unlisted investments:		
Distressed debt assets	**197,621,332**	189,113,890
Funds	**89,143,751**	101,548,345
Equity investments	**55,791,190**	56,426,584
Debt instruments	**28,148,647**	17,458,309
Trust products and asset management plans	**15,459,780**	35,776,180
Security investments	**1,642,858**	2,044,751
Wealth management products	**1,475,898**	3,072,818
Derivative financial assets (1)	**619,316**	620,429
Others	**78,409**	73,229
	389,981,181	406,134,535
Total	**412,164,583**	428,791,036

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

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

Group (continued)

(1) Derivative financial instruments

	As at December 31, 2019			As at December 31, 2018		
	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	**43,518,087**	**477,815**	**(404,521)**	30,659,252	553,874	(268,965)
Currency options	**693,389**	**6,080**	**(6,081)**	2,472,512	21,842	(22,068)
Subtotal	**44,211,476**	**483,895**	**(410,602)**	33,131,764	575,716	(291,033)
Interest rate derivatives						
Interest rate swaps	**116,508,057**	**27,365**	**(131,429)**	48,008,610	18,904	(19,103)
Interest rate futures	**–**	**–**	**–**	99,542	–	–
Subtotal	**116,508,057**	**27,365**	**(131,429)**	48,108,152	18,904	(19,103)
Equity derivatives	**488,509**	**26,288**	**–**	73,413	2,679	–
Commodity derivatives and others	**1,255,240**	**81,768**	**(826)**	513,255	23,130	(4,582)
Total	**162,463,282**	**619,316**	**(542,857)**	81,826,584	620,429	(314,718)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

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

Company

	As at December 31	
	2019	2018
Financial assets classified as at fair value through profit or loss		
Distressed debt assets	**198,146,517**	189,458,426
Funds	**55,470,435**	62,986,962
Equity investments	**33,758,192**	30,375,503
Debt instruments	**27,224,738**	16,352,022
Trust products and asset management plans	**8,097,423**	12,287,606
Security investments	**811,128**	1,203,249
Total	**323,508,433**	312,663,768
Analyzed as:		
Listed	**7,463,951**	6,825,021
Unlisted	**316,044,482**	305,838,747

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

26. Financial assets held under resale agreements

Group

	As at December 31	
	2019	2018
By collateral type:		
Bonds	**11,886,129**	31,371,483
Stocks	**1,722,173**	2,397,079
Interest receivable	**14,837**	50,468
Subtotal	**13,623,139**	33,819,030
Less: Allowance for impairment losses	**410,685**	13,966
Total	**13,212,454**	33,805,064

Company

	As at December 31	
	2019	2018
By collateral type:		
Bonds	**10,477,409**	21,073,824
Interest receivable	**2,575**	19,461
Subtotal	**10,479,984**	21,093,285
Less: Allowance for impairment losses	**237**	1,896
Total	**10,479,747**	21,091,389

As at December 31, 2019, the Group's assets held under resale agreements in Stage I, II and III amounted to RMB12,613.92 million, RMB344.55 million, 664.67 million, respectively (As at December 31, 2018: RMB33,819.03 million, nil, nil, respectively). The allowance for impairment losses amounted to RMB1.18 million, RMB44.13 million and RMB365.38 million, respectively (As at December 31, 2018: RMB13.97 million, nil, nil, respectively).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

27. Financial assets at fair value through other comprehensive income

Group

	As at December 31	
	2019	2018
Debt investments at fair value through other comprehensive income		
Debt securities		
– Government bonds	**54,394,469**	40,803,900
– Public sector and quasi-government bonds	**4,948,670**	12,286,782
– Financial institution bonds	**48,552,354**	41,043,939
– Corporate bonds	**23,483,657**	18,014,096
Interest receivable	**1,196,252**	1,271,835
Subtotal	**132,575,402**	113,420,552
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	**4,227,563**	3,407,026
Subtotal	**4,227,563**	3,407,026
Total	**136,802,965**	116,827,578

As at December 31, 2019, the Group's debt investments at fair value through other comprehensive income in Stage I, II and III amounted to RMB132,013.38 million, nil, RMB160.44 million, respectively (As at December 31, 2018: RMB113,000.86 million, nil, and RMB198.57 million, respectively). The allowance for impairment losses amounted to RMB60.19 million, nil and RMB160.44 million, respectively (As at December 31, 2018: RMB54.87 million, nil and RMB185.80 million respectively).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

27. Financial assets at fair value through other comprehensive income (continued)

Company

	As at December 31	
	2019	2018
Equity investments designated as at fair value through other comprehensive income		
Equity instruments	**4,199,647**	3,379,133
Total	**4,199,647**	3,379,133

As at December 31, 2019, the Company had no debt investments at fair value through other comprehensive income.

The above equity investments were irrevocably designated as at fair value through other comprehensive income as the Group considers these investments to be strategic in nature.

During the year ended December 31, 2019, the Group received dividends in the amounts of RMB9.92 million (During the year ended December 31, 2018: RMB12.16 million) from equity investments designated as at fair value through other comprehensive income.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

28. Loans and advances to customers

Group

	As at December 31	
	2019	2018
At amortized cost		
Corporate loans and advances		
– Loans and advances	**229,007,729**	238,020,434
– Discounted bills	**2,036,542**	1,222,268
Personal loans and advances		
– Mortgages	**26,274,047**	25,305,237
– Personal consumption loans	**20,483,984**	13,572,686
Loans to margin clients	**7,070,164**	5,803,632
Finance lease receivables	**44,234,870**	47,830,493
Subtotal	**329,107,336**	331,754,750
Interest accrued	**2,014,792**	1,908,181
Total loans and advances to customers at amortized cost	**331,122,128**	333,662,931
At fair value through profit or loss		
Corporate loans and advances	**15,007,348**	10,615,171
Total loans and advances to customers	**346,129,476**	344,278,102
Less: Allowance for impairment losses on loans and advances to customers at amortized cost	**8,270,412**	7,661,600
Net loans and advances to customers	**337,859,064**	336,616,502

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

28. Loans and advances to customers (continued)

Group (continued)

Loans and advances at amortized cost are as follows:

	Stage I (12-month ECL)	**Stage II (Lifetime ECL)**	**Stage III (Lifetime ECL-impaired)**	**Total**
As at December 31, 2019				
Gross loans and advances	**313,233,263**	**10,607,636**	**7,281,229**	**331,122,128**
Less: Allowances for impairment losses	**2,681,287**	**2,211,544**	**3,377,581**	**8,270,412**
Net loans and advances to customers	**310,551,976**	**8,396,092**	**3,903,648**	**322,851,716**

	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)

VI. EXPLANATORY NOTES (continued)

28. Loans and advances to customers (continued)

Group (continued)

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

	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	64,757	(3,763)	(60,994)	–
Convert to Stage II	(123,209)	128,486	(5,277)	–
Convert to Stage III	(318,097)	(77,220)	395,317	–
Impairment losses recognized	997,163	711,559	1,223,224	2,931,946
Impairment losses reversed	(1,578,466)	(174,417)	(499,505)	(2,252,388)
Stage conversion	(56,408)	658,114	802,779	1,404,485
Write-off and transfer out	–	–	(1,516,518)	(1,516,518)
Recovery of loans and advances written off in previous years	–	–	5,401	5,401
Unwinding of discount on allowance	–	–	(9,189)	(9,189)
Exchange differences	27,388	9,481	8,206	45,075
As at December 31	2,681,287	2,211,544	3,377,581	8,270,412

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 2019 was not significant.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

28. Loans and advances to customers (continued)

Group (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)

VI. EXPLANATORY NOTES (continued)

28. Loans and advances to customers (continued)

Group (continued)

Finance lease receivable are analyzed as follow:

	As at December 31	
	2019	2018
Minimum finance lease receivables:		
Within 1 year (inclusive)	**19,918,981**	23,134,980
1 year to 5 years (inclusive)	**25,986,358**	27,453,858
Over 5 years	**3,262,264**	2,415,066
Gross amount of finance lease receivables	**49,167,603**	53,003,904
Less: Unearned finance income	**4,932,733**	5,173,411
Subtotal	**44,234,870**	47,830,493
Interest accrued	**224,304**	281,650
Net amount of finance lease receivables	**44,459,174**	48,112,143
Less: Allowance for impairment losses	**2,769,653**	1,851,469
Carrying amount of finance lease receivables	**41,689,521**	46,260,674
Present value of minimum lease receivables:		
Within 1 year (inclusive)	**17,788,548**	21,059,345
1 year to 5 years (inclusive)	**23,717,962**	24,953,462
Over 5 years	**2,952,664**	2,099,336
Total	**44,459,174**	48,112,143
Including:		
Finance lease receivables pledged for borrowings	**3,051,730**	881,110

The Company had no loans and advances to customers as at December 31, 2019 and 2018.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost

Group

	As at December 31	
	2019	2018
Distressed debt assets		
– Acquired from financial institutions	**10,080,485**	14,294,061
– Acquired from non-financial institutions	**184,439,371**	211,064,002
Subtotal	**194,519,856**	225,358,063
Interest accrued	**3,426,127**	2,382,607
Gross of distressed debt assets	**197,945,983**	227,740,670
Less: Allowance for impairment losses	**11,510,610**	12,887,465
Net of distressed debt assets	**186,435,373**	214,853,205
Other debt investments		
– Trust products and asset management plans	**17,348,906**	19,559,219
– Securities investments	**6,043,894**	12,727,687
– Others	**18,598,157**	6,792,730
Subtotal	**41,990,957**	39,079,636
Interest accrued	**660,311**	361,231
Gross of other debt investments	**42,651,268**	39,440,867
Less: Allowance for impairment losses	**1,441,574**	1,877,356
Net of other debt investments	**41,209,694**	37,563,511
Total	**227,645,067**	252,416,716

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Group (continued)

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2019				
Gross distressed debt assets	**164,890,144**	**27,156,262**	**5,899,577**	**197,945,983**
Less: Allowance for impairment losses	**5,767,608**	**2,403,302**	**3,339,700**	**11,510,610**
Net distressed debt assets	**159,122,536**	**24,752,960**	**2,559,877**	**186,435,373**

The changes of gross carrying amounts of the Group were mainly due to the following:

The Group adjusted the five tier classification and customer internal rating of distressed debt assets, and the distressed debt assets with a gross carrying amount of RMB26,046 million was transferred from Stage I to Stage II and Stage III, and the corresponding impairment allowance was increased by RMB4,392 million. The gross carrying amount of debt assets transferred from Stage II to Stage I was RMB1,974 million, with a corresponding decrease in impairment allowance of RMB343 million. No distressed debt assets were transferred from Stage II to Stage III, or Stage III to Stage II and Stage I.

The Group transferred out impaired distressed debt assets with a gross carrying amount of RMB8,160 million, resulting in a corresponding reduction of RMB4,091 million in impairment allowance for Stage III debt assets.

The gross carrying amount of the distressed debt assets transferred from Stage III or Stage II to Stage I due to the modification of the contractual cash flows in the year of 2019 was not significant.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Group (continued)

The movements of allowance for distressed debt assets in the year of 2019 are as follows:

	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	**831,292**	**(831,292)**	**–**	**–**
Convert to Stage II	**(322,471)**	**322,471**	**–**	**–**
Convert to Stage III	**(75,261)**	**–**	**75,261**	**–**
Impairment losses recognized	**2,959,532**	**844,937**	**219,502**	**4,023,971**
Impairment losses reversed	**(3,936,123)**	**(526,918)**	**(65,734)**	**(4,528,775)**
Stage conversion	**(343,423)**	**1,491,199**	**2,901,110**	**4,048,886**
Write-off and transfer out	**(120,762)**	**(708,436)**	**(4,091,409)**	**(4,920,607)**
Unwinding of discount on allowance	**–**	**–**	**(330)**	**(330)**
As at December 31	**5,767,608**	**2,403,302**	**3,339,700**	**11,510,610**

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2018				
Gross distressed debt assets	204,908,974	15,556,542	7,275,154	227,740,670
Less: Allowance for impairment losses	6,774,824	1,811,341	4,301,300	12,887,465
Net distressed debt assets	198,134,150	13,745,201	2,973,854	214,853,205

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Group (continued)

The changes of gross carrying amounts of the Group were mainly due to the following:

The Group adjusted the five tier classification and customer internal rating of distressed debt assets, and the distressed debt assets with a gross carrying amount of RMB13,851 million was transferred from Stage I to Stage II and Stage III, and the corresponding impairment allowance was increased by RMB1,213 million. The gross carrying amount of debt assets which transferred from Stage II to Stage III was RMB2,039 million, with a corresponding increase in impairment allowance of RMB1,113 million. No distressed debt assets were transferred from Stage II to Stage I or Stage III to Stage II and Stage I.

The Group transferred out impaired distressed debt assets with a gross carrying amount of RMB701 million, resulting in a corresponding reduction of RMB321 million in impairment allowance for Stage III debt assets.

The gross carrying amount of the distressed debt assets which 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.

The movements of allowance for distressed debt assets are in the year of 2018 as follows:

	2018			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	5,832,741	1,212,040	1,936,941	8,981,722
Convert to Stage II	(285,773)	285,773	–	–
Convert to Stage III	(54,225)	(120,325)	174,550	–
Impairment losses recognized	3,711,883	329,416	795,786	4,837,085
Impairment losses reversed	(2,429,802)	(352,599)	(731)	(2,783,132)
Stage conversion	–	457,036	1,869,147	2,326,183
Write-off and transfer out	–	–	(321,372)	(321,372)
Unwinding of discount on allowance	–	–	(153,021)	(153,021)
As at December 31	6,774,824	1,811,341	4,301,300	12,887,465

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Company

	As at December 31	
	2019	2018
Distressed debt assets		
– Acquired from financial institutions	**10,080,485**	14,294,061
– Acquired from non-financial institutions	**185,020,419**	211,967,441
Subtotal	**195,100,904**	226,261,502
Interest accrued	**3,436,246**	2,432,763
Gross of distressed debt assets	**198,537,150**	228,694,265
Less: Allowance for impairment losses	**11,412,402**	12,904,752
Net of distressed debt assets	**187,124,748**	215,789,513
Other debt investments		
– Trust products and asset management plans	**248,597**	–
– Securities investments	**–**	678,131
– Others	**46,843**	46,843
Subtotal	**295,440**	724,974
Interest accrued	**4,231**	12,603
Gross of other debt investments	**299,671**	737,577
Less: Allowance for impairment losses	**58,528**	134,875
Net of other debt investments	**241,143**	602,702
Total	**187,365,891**	216,392,215

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Company (continued)

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2019				
Gross distressed debt assets	165,674,836	27,156,262	5,706,052	198,537,150
Less: Allowance for impairment losses	5,818,128	2,403,302	3,190,972	11,412,402
Net distressed debt assets	159,856,708	24,752,960	2,515,080	187,124,748

Refer to the Group for the changes of gross carrying amounts of the Company.

The movements of allowance for distressed debt assets in the year of 2019 are as follows :

	2019			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	6,910,134	1,811,341	4,183,277	12,904,752
Convert to Stage I	831,292	(831,292)	–	–
Convert to Stage II	(322,471)	322,471	–	–
Convert to Stage III	(75,261)	–	75,261	–
Impairment losses recognized	2,959,532	844,937	205,286	4,009,755
Impairment losses reversed	(4,020,913)	(526,918)	(82,223)	(4,630,054)
Stage conversion	(343,423)	1,491,199	2,901,110	4,048,886
Write-off and transfer out	(120,762)	(708,436)	(4,091,409)	(4,920,607)
Unwinding of discount on allowance	–	–	(330)	(330)
As at December 31	5,818,128	2,403,302	3,190,972	11,412,402

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

29. Financial assets at amortized cost (continued)

Company (continued)

Distressed debt assets are as follows:

	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at December 31, 2018				
Gross distressed debt assets	206,029,130	15,556,542	7,108,593	228,694,265
Less: Allowance for impairment losses	6,910,134	1,811,341	4,183,277	12,904,752
Net distressed debt assets	199,118,996	13,745,201	2,925,316	215,789,513

Refer to the Group for the changes of gross carrying amounts of the Company.

The movements of allowance for distressed debt assets in the year of 2018 are as follows :

	2018			
	Stage I (12-month ECL)	Stage II (Lifetime ECL)	Stage III (Lifetime ECL-impaired)	Total
As at January 1	5,832,741	1,212,040	1,945,186	8,989,967
Convert to Stage II	(285,773)	285,773	–	–
Convert to Stage III	(54,225)	(120,325)	174,550	–
Impairment losses recognized	3,847,193	329,416	804,030	4,980,639
Impairment losses reversed	(2,429,802)	(352,599)	(731)	(2,783,132)
Stage conversion	–	457,036	1,869,147	2,326,183
Write-off and transfer out	–	–	(455,884)	(455,884)
Unwinding of discount on allowance	–	–	(153,021)	(153,021)
As at December 31	6,910,134	1,811,341	4,183,277	12,904,752

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

30. Accounts receivable

Group

	As at December 31	
	2019	2018
Agreed repurchase trading receivables	**–**	2,534,873
Accounts receivable relating to equity assets (1)	**1,206,745**	1,507,524
Accounts receivable from sales of properties	**620,439**	479,165
Commission and fee receivables	**248,450**	190,669
Accounts receivable relating to distressed debt assets	**327,432**	175,229
Insurance premium and reinsurance refund receivables	**–**	133,801
Others	**277,171**	191,005
Gross of accounts receivable	**2,680,237**	5,212,266
Less: Allowance for impairment losses	**277,512**	1,060,332
Net of accounts receivable	**2,402,725**	4,151,934

Company

	As at December 31	
	2019	2018
Accounts receivable relating to equity assets (1)	**400,008**	445,524
Accounts receivable relating to distressed debt assets	**283,872**	175,229
Others	**244,382**	106,270
Gross of accounts receivable	**928,262**	727,023
Less: Allowance for impairment losses	**375,457**	191,450
Net of accounts receivable	**552,805**	535,573

(1) As at December 31, 2019, accounts receivable relating to disposal of debt-to-equity assets amounted to RMB400.01 million (As at December 31, 2018: RMB445.52 million). These receivables bear interest at nil to 5.87% per annum (As at December 31, 2018: Nil to 7.5%).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

30. Accounts receivable (continued)

The ageing analysis of accounts receivable relating to distressed debt assets and debt-to-equity swap assets is as follows:

Group

	As at December 31							
	2019				2018			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	193,560	27	–	193,560	27,857	4	–	27,857
1 year to 2 years (inclusive)	–	–	–	–	–	–	–	–
2 years to 3 years (inclusive)	–	–	–	–	–	–	–	–
Over 3 years	533,880	73	(133,872)	400,008	592,896	96	(91,450)	501,446
Total	727,440	100	(133,872)	593,568	620,753	100	(91,450)	529,303

Company

	As at December 31							
	2019				2018			
	Gross amount	%	Impairment	Carrying amount	Gross amount	%	Impairment	Carrying amount
Within 1 year (inclusive)	150,000	22	–	150,000	27,857	4	–	27,857
1 year to 2 years (inclusive)	–	–	–	–	–	–	–	–
2 years to 3 years (inclusive)	–	–	–	–	–	–	–	–
Over 3 years	533,880	78	(133,872)	400,008	592,896	96	(91,450)	501,446
Total	683,880	100	(133,872)	550,008	620,753	100	(91,450)	529,303

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

30. Accounts receivable (continued)

The movements of allowance for impairment loss during the years are as follows:

Group

	Year ended December 31	
	2019	2018
At beginning of the year	**1,060,332**	158,462
Impairment losses recognized	**112,146**	951,661
Impairment losses reversed	**(227,640)**	(1,693)
Amounts written off and transfer out	**(667,326)**	(48,098)
At end of the year	**277,512**	1,060,332

Company

	Year ended December 31	
	2019	**2018**
At beginning of the year	**191,450**	189,893
Impairment losses recognized	**184,007**	1,557
At end of the year	**375,457**	191,450

31. Amounts due from subsidiaries

Amounts due from subsidiaries are unsecured. The Company expected to recover a majority portion of the amounts due from subsidiaries within one year from the end of the fiscal year.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

32. Properties held for sale

Group

	As at December 31	
	2019	2018
Completed properties	**13,619,506**	7,542,289
Properties under development	**46,750,573**	54,662,458
Others	**37,426**	16,209
Subtotal	**60,407,505**	62,220,956
Less: Allowance for impairment losses	**820,348**	496,906
Total	**59,587,157**	61,724,050
Including:		
Pledged for borrowings	**16,819,551**	20,761,098

As at December 31, 2019 and 2018, included in the properties held for sale were amounts of RMB27,844 million and RMB21,317 million which represented the carrying amounts of the properties not expected to be completed and sold within twelve months from the end of each reporting period.

The Company had no properties held for sale at the end of 2019 and 2018.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

33. Investment properties

Group

	Year ended December 31	
	2019	2018
Cost		
At beginning of the year	**5,145,287**	3,997,869
Acquisition of subsidiaries	**1,691,052**	749,706
Additions during the year	**170,758**	80,875
Transfer in	**14,263**	370,880
Disposals	**(31,683)**	(22,777)
Transfer to assets held for sale	**–**	(31,266)
At end of the year	**6,989,677**	5,145,287
Accumulated depreciation		
At beginning of the year	**(858,671)**	(689,433)
Change for the year	**(190,671)**	(196,865)
Disposals	**1,754**	5,992
Transfer to assets held for sale	**–**	21,635
At end of the year	**(1,047,588)**	(858,671)
Allowance for impairment losses		
At beginning of the year	**(19,103)**	(10,158)
Change for the year	**(61,927)**	(8,945)
At end of the year	**(81,030)**	(19,103)
Net book value		
At beginning of the year	**4,267,513**	3,298,278
At end of the year	**5,861,059**	4,267,513
Net book value of investment properties pledged for borrowings	**2,850,447**	639,901

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

33. Investment properties (continued)

Group (continued)

The net book value of investment properties is analyzed based on the remaining terms of the leases as follows:

	As at December 31	
	2019	2018
– on long-term leases (over 50 years)	**87,652**	30,296
– on medium-term leases (10 to 50 years)	**5,653,969**	4,120,345
– on short-term leases (less than 10 years)	**119,438**	116,872
Total	**5,861,059**	4,267,513

As at December 31, 2019, the Group had no investment properties for which the Group has not obtained a certificate of land use right or certificate of property ownership (2018: RMB0.09 million).

Company

	Year ended December 31	
	2019	2018
Cost		
At beginning of the year	**448,526**	438,758
Transfers in	**–**	9,768
At end of the year	**448,526**	448,526
Accumulated depreciation		
At beginning of the year	**(136,112)**	(119,344)
Change for the year	**(16,451)**	(16,293)
Transfers in	**–**	(475)
At end of the year	**(152,563)**	(136,112)
Net book value		
At beginning of the year	**312,414**	319,414
At end of the year	**295,963**	312,414

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

33. Investment properties (continued)

Company (continued)

The net book value of investment properties is analyzed based on the remaining terms of the leases as follows:

	As at December 31	
	2019	2018
– on medium-term leases (10 to 50 years)	**295,963**	312,414

34. Interests in subsidiaries

Company

	As at December 31	
	2019	2018
At cost	**39,484,717**	50,415,410
Total	**39,484,717**	50,415,410

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

34. Interests in subsidiaries (continued)

Company (continued)

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid- in capital as at December 31, 2019 (In '000)	Proportion of ownership held by the Group As at December 31 2019 %(1)	2018 %(1)	Proportion of voting rights held by the Group As at December 31 2019 %(1)	2018 %(1)	Principal activities
China Cinda (HK) Holdings Co., Ltd.*	Hong Kong, PRC	December 16, 1998	HKD24,975,487	**100.00**	100.00	**100.00**	100.00	Investment holding
Zhongrun Economic Development Co., Ltd.* (f)	Beijing, PRC	May 8, 2000	RMB30,000	**100.00**	100.00	**100.00**	100.00	Investment management
Cinda Securities Co., Ltd.* (e)	Beijing, PRC	September 4, 2007	RMB2,568,700	**99.33**	99.33	**99.33**	99.33	Securities brokerage
Cinda Investment Co., Ltd.* (a)	Beijing, PRC	August 1, 2000	RMB2,000,000	**100.00**	100.00	**100.00**	100.00	Business investment
Happy Life Insurance Co., Ltd.* (e) (2)	Beijing, PRC	November 5, 2007	RMB10,130,376	**51.00**	51.00	**51.00**	51.00	Life insurance
China Jingu International Trust Co., Ltd.* (f)	Beijing, PRC	April 21, 1993	RMB2,200,000	**92.29**	92.29	**92.29**	92.29	Trust service
Cinda Financial Leasing Co., Ltd.* (f)	Lanzhou, PRC	December 28, 1996	RMB3,505,249	**99.92**	99.92	**99.92**	99.92	Financial leasing
Nanyang Commercial Bank, Limited	Hong Kong, PRC	February 2, 1948	HKD3,144,517	**100.00**	100.00	**100.00**	100.00	Commercial Bank
China Cinda (HK) Asset Management Co., Ltd.	Hong Kong, PRC	April 21, 1999	HKD0.002	**100.00**	100.00	**100.00**	100.00	Asset management
China Cinda Fund Management Co., Ltd.	Hong Kong, PRC	June 23, 1999	HKD0.002	**100.00**	100.00	**100.00**	100.00	Fund management
China Cinda (HK) Investment Management Co., Ltd.	Hong Kong, PRC	November 22, 2006	HKD0.001	**100.00**	100.00	**100.00**	100.00	Investment holding
Cinda (China) Investment Co., Ltd.	Hong Kong, PRC	March 24, 1994	HKD10	**100.00**	100.00	**100.00**	100.00	Investment holding
China Cinda (Macau) Asset Management Co., Ltd.	Macao, PRC	May 28, 1999	MOP100	**100.00**	100.00	**100.00**	100.00	Asset management
Well Kent International Group Co., Ltd.	Hong Kong, PRC	May 27, 1993	HKD1,000	**100.00**	100.00	**100.00**	100.00	Investment holding
Cinda Financial Holdings Co., Limited	Hong Kong, PRC	August 11, 2015	HKD68,000,001	**100.00**	100.00	**100.00**	100.00	Investment holding
Cinda Futures Co., Ltd. (a)	Hangzhou, PRC	October 5, 1995	RMB500,000	**99.33**	99.33	**100.00**	100.00	Futures and brokerage

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

34. Interests in subsidiaries (continued)

Company (continued)

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid- in capital as at December 31, 2019 (In '000)	Proportion of ownership held by the Group As at December 31 2019 %(1)	2018 %(1)	Proportion of voting rights held by the Group As at December 31 2019 %(1)	2018 %(1)	Principal activities
Xinfeng Investment Management Co., Ltd. (a)	Beijing, PRC	April 9, 2012	RMB400,000	**99.33**	99.33	**100.00**	100.00	Investment management
Cinda Innovation Investment Co., Ltd. (a)	Beijing, PRC	August 20, 2013	RMB400,000	**99.33**	99.33	**100.00**	100.00	Investment management
First State Cinda Fund Management Co., Ltd. (b)	Shenzhen, PRC	June 5, 2006	RMB100,000	**53.64**	53.64	**54.00**	54.00	Fund management
Hainan Jianxin Investment Management Co., Ltd. (e)	Haikou, PRC	April 10, 1993	RMB412,500	**100.00**	100.00	**100.00**	100.00	Investment management
Sanya Horizon Industry Co., Ltd. (c)	Sanya, PRC	December 19, 1992	RMB60,000	**51.00**	51.00	**51.00**	51.00	Real estate development
Shanghai Tongda Venture Capital Co., Ltd. (d) (l) (3)	Shanghai, PRC	July 27, 1991	RMB139,144	**40.68**	40.68	**40.68**	40.68	Investment management
Shenzhen Jianxin Investment Development Co., Ltd. (a)	Shenzhen, PRC	April 21, 1993	RMB400,000	**100.00**	100.00	**100.00**	100.00	Business investment
Hebei Cinda Jinjian Investment Co., Ltd. (a)	Langfang, PRC	November 24, 1998	RMB76,000	**100.00**	100.00	**100.00**	100.00	Business investment
Henan Jinboda Investment Co., Ltd. (a)	Zhengzhou, PRC	February 23, 1993	RMB400,000	**100.00**	100.00	**100.00**	100.00	Property leasing
Cinda Capital Management Co., Ltd. (f)	Tianjin, PRC	December 16, 2008	RMB200,000	**100.00**	100.00	**100.00**	100.00	Investment holding
Wuhan Oriental Jianguo Hotel Co., Ltd. (f)	Wuhan, PRC	December 15, 1995	RMB282,000	**90.25**	90.25	**90.25**	90.25	Hotel management
Cinda Real Estate Co., Ltd. (d) (l)	Beijing, PRC	July 20, 1984	RMB2,851,879	**55.45**	55.45	**55.45**	55.45	Real estate development
Changhuai Cinda Real Estate Co., Ltd. (a)	Anhui, PRC	June 8,2006	RMB5,136,643	**55.45**	55.45	**100.00**	100.00	Real estate development

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

34. Interests in subsidiaries (continued)

Company (continued)

Name of entity	Place of incorporation/ establishment	Date of incorporation/ establishment	Authorized/ paid- in capital as at December 31, 2019 (In '000)	Proportion of ownership held by the Group As at December 31 2019 %(1)	2018 %(1)	Proportion of voting rights held by the Group As at December 31 2019 %(1)	2018 %(1)	Principal activities
Cinda Jianrun Real Estate Co., Ltd. (b)	Beijing, PRC	December 28, 2007	RMB200,000	**70.00**	70.00	**70.00**	70.00	Real estate development
Dalian Cinda Zhonglian Investment Co., Ltd. (f)	Dalian, PRC	March 3, 2010	RMB51,110	**55.00**	55.00	**55.00**	55.00	Project investment
Cinda International Holdings Limited (II)	Bermuda	April 19, 2000	HKD64,121	**62.58**	63.00	**63.00**	63.00	Investment holding
Beijing Cinda Shiyuxin Investment Management Co., Ltd. (a)	Beijing, PRC	May 11, 2015	RMB10,000	**55.45**	55.45	**100.00**	100.00	Asset management
Cinda Equity Investment (Tianjin) Co., Ltd. (f) (4)	Tianjin, PRC	December 29, 2011	RMB170,000	**36.71**	36.71	**36.71**	36.71	Private fund
Hefei Asia-Pacific Science and Technology Development Co., Ltd. (a)	Hefei, PRC	September 30, 1999	RMB23,000	**55.45**	55.45	**100.00**	100.00	Real estate development
Ningbo Meishan Tax-protected Zone Runzhe Asset Management Co., Ltd. (a) (III)	Ningbo, PRC	February 13, 2017	RMB60,000	**0.00**	100.00	**0.00**	100.00	Investment management
Beijing Cinda Real Estate Development Co., Ltd. (a)	Beijing, PRC	September 14, 2015	RMB10,000	**55.45**	55.45	**100.00**	100.00	Real estate development
Hefei Zhonghuan Rongcheng Real Estate Co., Ltd. (f)	Anhui, PRC	June 15, 2006	RMB150,000	**68.82**	68.82	**100.00**	100.00	Real estate development
Hefei Zhonghuan Yicheng Real Estate Co., Ltd. (f)	Anhui, PRC	December 23, 2016	RMB100,000	**68.82**	68.82	**100.00**	100.00	Real estate development
Jade Aviation LLC	Cayman Islands	January 11, 2018	USD87,440	**80.00**	80.00	**80.00**	80.00	Aircraft leasing

The above table lists the principal subsidiaries of the Company. To give details of other subsidiaries would, in the opinion of the management, result in particulars of excessive length.

VI. EXPLANATORY NOTES (continued)

34. Interests in subsidiaries (continued)

Company (continued)

* These subsidiaries are directly held by the Company.

(a) This entity is registered as solely invested by a corporation limited liability company under the PRC laws.

(b) This entity is registered as a Sino-foreign joint venture limited liability company under the PRC laws.

(c) This entity is registered as a mainland joint venture with a Hong Kong, Macao or Taiwan limited liability company under the PRC laws.

(d) This entity is registered as a listed joint stock limited company under the PRC laws.

(e) This entity is registered as an unlisted joint stock limited company under the PRC laws.

(f) This entity is registered as other limited liability company under the PRC laws.

(I) The shares of these subsidiaries are listed in Mainland China.

(II) The shares of these subsidiaries are listed in Hong Kong.

(III) These subsidiaries were disposed of in 2019.

(1) The percentage of voting rights is combined by a direct holding percentage and an indirect controlling percentage of the subsidiaries. The percentage of ownership is the multiple of the holding percentages of different control levels.

(2) On November 19, 2019, the Group publicly announced the decision of its Board of Directors to sell Happy Life, a wholly-owned subsidiary, and classified Happy Life as held for sale.

(3) The Group's shareholding in Shanghai Tongda Venture Capital Co., Ltd. ("Shanghai Tongda") is less than 50%, but the shareholding percentage of other shareholders is widely dispersed. Moreover, according to the corporate charter, the Board's resolutions must be approved by more than half of all the directors, and the Group takes three of the four seats of Shanghai Tongda's Board, with the exception of two independent directors. Therefore, Shanghai Tongda is accounted for as a subsidiary of the Company.

(4) The Group's shareholding in Cinda Equity Investment (Tianjin) Co., Ltd. ("Cinda Equity") is less than 50%. According to the corporate charter, the key persons in the Investment Committee, which is the operating decision-making institution of Cinda Equity, are all from the Group. Thus, the Group can direct Cinda Equity's relevant activities, and it is therefore accounted for as a subsidiary of the Company.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

35. Non-controlling interests in the subsidiaries of the Group

Cinda Real Estate Co., Ltd. ("Cinda Real Estate") and Happy Life are the subsidiaries which have significant influence on non-controlling interests the in consolidated financial statements of the Group.

General information about Cinda Real Estate has been set out in Note VI.34 Interests in subsidiaries. Summarized financial information about Cinda Real Estate before intra-group eliminations is as follows:

Cinda Real Estate

	As at December 31	
	2019	2018
Current assets	**84,703,761**	91,434,964
Non-current assets	**13,900,867**	10,048,508
Current liabilities	**52,734,792**	55,045,319
Non-current liabilities	**23,109,786**	25,563,188
Total equity	**22,760,049**	20,874,965
Non-controlling interests of the subsidiary	**10,633,217**	9,842,152

	Year ended December 31	
	2019	2018
Total revenue	**19,478,393**	18,754,067
Profit before tax	**3,620,703**	3,364,012
Total comprehensive income	**2,556,093**	2,509,315
Profit attributable to non-controlling interests of the subsidiary during the year	**1,272,196**	1,316,602
Dividend distribution to non-controlling interests	**502,776**	179,619

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

35. Non-controlling interests in the subsidiaries of the Group (continued)

Cinda Real Estate (continued)

	Year ended December 31	
	2019	2018
Net cash flow from operating activities	**8,114,810**	7,061,357
Net cash flow from investing activities	**(5,570,048)**	4,473,504
Net cash flow from financing activities	**(7,589,064)**	(8,425,069)
Net (decrease)/increase in cash and cash equivalents	**(5,044,302)**	3,109,792

On November 19, 2019, the Group publicly announced the decision of its Board of Directors to sell Happy Life and classified Happy Life as held for sale. General information about Happy Life has been set out in Note VI.34 Interests in subsidiaries. Summarized financial information about Happy Life prepared in accordance with the accounting policies of the Group and before intra-group eliminations is as follows:

Happy Life

	As at December 31	
	2019	2018
Total assets	**63,061,829**	67,894,132
Total liabilities	**57,866,713**	63,146,923
Total equity	**5,195,116**	4,747,209
Non-controlling interests of the subsidiary	**2,545,867**	2,326,370

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

35. Non-controlling interests in the subsidiaries of the Group (continued)

Happy Life (continued)

	Year ended December 31	
	2019	2018
Total revenue	**11,871,558**	9,116,830
Profit/(loss) before tax	**492,117**	(3,709,345)
Total comprehensive income/(expense)	**513,086**	(3,567,472)
Profit/(loss) attributable to non-controlling interests of the subsidiary during the year	**390,550**	(2,710,237)
Dividend distribution to non-controlling interests	**–**	–

	Year ended December 31	
	2019	2018
Net cash flow from operating activities	**(4,054,974)**	(12,370,017)
Net cash flow from investing activities	**8,801,809**	3,132,569
Net cash flow from financing activities	**(4,553,335)**	7,014,005
Net increase/(decrease) in cash and cash equivalents	**193,500**	(2,223,443)

VI. EXPLANATORY NOTES (continued)

36. Interests in consolidated structured entities

The Group had consolidated certain structured entities including private equity funds, trusts, and asset management plans. To determine whether control exists, the Group uses the following judgements:

(1) For the private equity funds, trusts and asset management plans, to which the Group provides financial guarantees, the Group has an obligation to fund the losses beyond its investments, if any, in accordance with the guarantee agreements. The Group concludes that its exposure to variability of returns is of such significance that these structured entities shall be consolidated.

(2) For the private equity funds where the Group involves as both general partner and limited partner, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of the funds that is of such significance that it indicates that the Group is a principal. The funds shall be consolidated if the Group acts in the role of principal.

(3) For the trusts or asset management plans where the Group involves as manager or trustee and also as investor, the Group assesses whether the combination of investments it held together with its remuneration creates exposure to variability of returns from the activities of such trusts or asset management plans that is of such significance that it indicates that the Group is a principal. The trusts or asset management plans shall be consolidated if the Group acts in the role of principal.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

36. Interests in consolidated structured entities (continued)

Details of the Group's significant consolidated structured entities are as follows:

Name of structured entity	Paid-in capital/size of trust plan As at December 31 2019 (In RMB'000)	Proportion of interests held by the Group As at December 31 2019 %	2018 %	Principal activities
Ningbo Meishan Bonded Port Area Jusheng Jiada Investment Partnership (Limited Partnership)	8,002,000	86.25	86.25	Investment management
Shenzhen Xinting Investment Partnership No.[1] (Limited Partnership)	5,597,800	99.82	99.83	Investment management
Wuhu Xinshi Heli Investment Management Partnership (Limited Partnership)	4,059,290	100.00	100.00	Investment management
Jingu·Borui Single Capital Trust No.[95]	3,761,000	100.00	–	Trust
Ningbo Meishan Bonded Port Area Cinda Runze Investment Partnership (Limited Partnership)	2,885,020	100.00	100.00	Investment management
Ningbo Meishan Bonded Port Area Jinxin Tairun Investment Partnership (Limited Partnership)	2,807,000	99.93	–	Investment management
Ningbo Meishan Bonded Port Area Cinda Yingxin Investment Partnership (Limited Partnership)	2,763,404	100.00	100.00	Investment management
Bohai Trust·Hangzhou Chengmao Capital Trust	2,315,000	100.00	100.00	Trust
Wuhu Xinshi Xinye Investment Management Partnership (Limited Partnership)	1,977,100	100.00	100.00	Investment management
Shanghai Qixin Investment Partnership (Limited Partnership)	1,800,000	99.94	99.69	Investment management
Ningbo Juxin Xizhao Investment Management Partnership (Limited Partnership)	1,550,000	100.00	64.58	Investment management
Ningbo Xintai Kaiyuan Equity Investment Partnership (Limited Partnership)	1,500,100	99.99	99.99	Investment management
Shanghai Yuxin Equity Investment Partnership (Limited Partnership)	1,490,665	99.87	99.87	Investment management
Shenzhen Cinda City Development Investment Partnership (Limited Partnership)	1,397,950	100.00	100.00	Investment management
Jingu·Huiyin Single Capital Trust No.[73]	1,100,000	100.00	–	Trust

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

36. Interests in consolidated structured entities (continued)

Name of structured entity	Paid-in capital/size of trust plan As at December 31 2019 (In RMB'000)	Proportion of interests held by the Group As at December 31 2019 %	Proportion of interests held by the Group As at December 31 2018 %	Principal activities
Ningbo Huajian Dingsheng Equity Investment Partnership (Limited Partnership)	**1,001,000**	**89.91**	89.91	Investment management
Guotong Trust·Cinda Single Capital Trust No.[1]	**981,000**	**100.00**	100.00	Trust
Wuhu Xindongzhen Investment Center (Limited Partnership)	**953,500**	**96.54**	96.54	Investment management
Ningbo Meishan Bonded Port Area Xinji Investment Partnership (Limited Partnership)	**929,360**	**100.00**	100.00	Investment management
Huaxin Trust Ruike Single Capital Trust No.[15]	**900,000**	**100.00**	–	Trust
Jingu·Jinrui Single Capital Trust No.[61]	**850,000**	**100.00**	–	Trust
Cinda Xinyuan Directed Assets Management Plan No.[1]	**819,145**	**100.00**	100.00	Asset management plan
Wuhu Xinzerun Investment Management Partnership (Limited Partnership)	**800,000**	**100.00**	100.00	Investment management
Hainan Shoutai Rongxin Equity Investment Partnership (Limited Partnership)	**800,000**	**98.75**	98.75	Investment management

The financial impact of each of the private equity funds, trusts, asset management plans on the Group's financial position as at December 31, 2019 and 2018, and results and cash flows for the years ended December 31, 2019 and 2018, though consolidated, are not significant and therefore not disclosed separately.

Interests in all consolidated structured entities directly held by the Company amounted to RMB35,124.12 million and RMB36,849.18 million, at December 31, 2019 and 2018, respectively.

Interests held by other interest holders are presented as changes in net assets attributable to other holders of consolidated structured entities in the consolidated statement of profit or loss and included in other liabilities in the consolidated statement of financial position as set out in Note VI.58 Other liabilities.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

37. Interests in associates and joint ventures

Group

	As at December 31	
	2019	2018
Interests in associates		
Carrying amount of unlisted companies	**35,976,942**	29,939,097
Carrying amount of listed companies	**21,094,870**	22,015,159
Allowance for impairment losses	**(1,772,054)**	(63,539)
Net carrying amounts of associates	**55,299,758**	51,890,717
Interests in joint ventures		
Carrying amount of unlisted companies	**17,858,751**	22,404,993
Allowance for impairment losses	**(152,220)**	–
Net carrying amounts of joint ventures	**17,706,531**	22,404,993
Net carrying amounts	**73,006,289**	74,295,710

Company

	As at December 31	
	2019	2018
Interests in associates		
Carrying amount of unlisted companies	**28,731,266**	20,279,713
Carrying amount of listed companies	**12,316,210**	13,490,696
Allowance for impairment losses	**(1,423,000)**	–
Net carrying amounts of associates	**39,624,476**	33,770,409
Interests in joint ventures		
Carrying amount of unlisted companies	**9,025,071**	13,737,392
Allowance for impairment losses	**(152,220)**	–
Net carrying amounts of joint ventures	**8,872,851**	13,737,392
Net carrying amounts	**48,497,327**	47,507,801

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

37. Interests in associates and joint ventures (continued)

Name of entity	Place of incorporation/ establishment principal activities	Authorized/ paid-in capital As at December 31	Book value As at December 31		Proportion of equity interests held by the Group As at December 31		Proportion of voting power held by the Group As at December 31		Principal activities
		2019	2019	2018	2019	2018	2019	2018	
		(In'000)	(In'000)	(In'000)	%	%	%	%	
Shenhua Group Zhungeer Energy Co., Ltd.	Ordos, PRC	RMB7,102,343	**15,609,962**	14,516,427	**42.24**	42.24	**42.24**	42.24	Coal mining
Yancoal Australia Ltd.(1)	Australia	AUD5,023,000	**5,460,841**	5,249,817	**16.70**	16.70	**16.70**	16.70	Coal mining
Wuhu Xinyunhanshi Investment Partnership (Limited Partnership) (2)	Wuhu, PRC	RMB5,379,050	**4,750,086**	4,646,229	**79.89**	79.89	**33.33**	33.33	Investment holding
Shenzhen Tencent Cinda Limited Partnership (Limited Partnership) (2)	Shenzhen, PRC	RMB11,007,330	**4,052,474**	4,012,142	**36.35**	36.35	**50.00**	50.00	Investment holding
China Nuclear Engineering Co., Ltd. (3)	Beijing, PRC	RMB2,625,000	**3,697,392**	3,574,618	**11.78**	11.78	**11.78**	11.78	Construction
Wengfu Group Co., Ltd. (4)	Guiyang, PRC	RMB4,609,091	**3,319,881**	–	**32.74**	–	**32.74**	–	Chemical materials and products
Huainan Mining (Group) Co., Ltd. (5)	Huainan, PRC	RMB18,102,549	**3,106,642**	3,000,000	**8.32**	8.96	**8.32**	8.96	Coal mining
Ordos Yihua Mining Resources Co., Ltd. (6)	Ordos, PRC	RMB1,274,087	**2,860,618**	–	**29.96**	–	**29.96**	–	Coal mining
Kailuan Energy Chemical Co., Ltd.	Tangshan, PRC	RMB1,587,800	**2,790,866**	2,555,035	**22.24**	22.24	**22.24**	22.24	Coal mining
Xinjiang Chang Yuan Water Group Co., Ltd.	Urumqi, PRC	RMB800,000	**2,556,920**	2,556,920	**51.00**	51.00	**51.00**	51.00	Hydraulic generation
Baiyin Nonferrous Group Co., Ltd. (7)	Baiyin, PRC	RMB7,212,335	**2,247,730**	2,420,062	**5.06**	5.38	**5.06**	5.38	Mining
Prometeon Tyre Group S.r.l.	Milan, Italy	EUR100,000	**1,847,055**	1,903,418	**38.00**	38.00	**38.00**	38.00	Manufacturing
Xishan Coal Electricity Group Co., Ltd.	Taiyuan, PRC	RMB9,250,327	**1,784,056**	3,449,727	**41.14**	41.14	**41.14**	41.14	Coal mining
BAIC BluePark New Energy Technology Co., Ltd. (8)	Beijing, PRC	RMB3,493,659	**1,843,285**	2,014,890	**5.36**	5.58	**5.36**	5.58	Manufacturing
Zhongxin Boda (Wuhu) Investment Partnership (Limited Partnership) (2)	Wuhu, PRC	RMB4,803,340	**1,713,958**	3,706,971	**74.50**	74.50	**33.33**	33.33	Investment holding
Qinghai Salt Lake Industry Co., Ltd.(9)	Ge'ermu, PRC	RMB1,857,394	**–**	2,791,482	**6.23**	6.23	**6.23**	6.23	Chemical materials and products

VI. EXPLANATORY NOTES (continued)

37. Interests in associates and joint ventures (continued)

The above table lists the principal associates and joint ventures of the Group. To give details of other associates and joint ventures would, in the opinion of the management, result in particulars of excessive length. The directors, therefore do not disclose them separately.

(1) The Group has a 16.70% interest in Yancoal Australia Ltd. ("YAL"), thus the Group can exercise significant influence on the financial and operating policy decision of YAL by nominating a director to its board of directors. The Group accounts for this investment by equity method as an associate.

(2) The Group holds part of interests in the partnership, and has joint control on the financial and operating policy decision of the partnership with other parties under the contractual agreement. The Group accounts for this investment by equity method as a joint venture.

(3) The Company has a 11.78% interest in China Nuclear Engineering Co., Ltd. ("CNE"). The Company has significant influence over CNE, as it is the second largest shareholder and can nominate a director to its board of directors. The Group accounts for this investment by equity method as an associate.

(4) The Company has a 32.74% interest in Wengfu Group Co.,Ltd. ("Wengfu Group"), thus the Group can exercise significant influence on the financial and operating policy decision of Wengfu Group by nominating five directors to its board of directors. The Group accounts for this investment by equity method as an associate.

(5) The Company has an 8.32% interest in Huainan Mining (Group) Co.,Ltd. ("Huainan Mining"), thus the Group can exercise significant influence on the financial and operating policy decision of Huainan Mining by nominating two directors to its board of directors. The Group accounts for this investment by equity method as an associate. The decrease of the holding percentage in Huainan Mining is due to the capital increase and share expansion of Huainan Mining in this year.

(6) The Company has a 29.96% interest in Ordos Yihua Mining Resources Co., Ltd. ("Yihua Mining"), thus the Group can exercise significant influence on the financial and operating policy decision of Yihua Mining by nominating two directors to its board of directors. The Group accounts for this investment by equity method as an associate.

(7) The Company has a 5.06% interest in Baiyin Nonferrous Group Co., Ltd. ("Baiyin Nonferrous"), thus the Company can exercise significant influence on financial and operating policy decision of Baiyin Nonferrous by nominating a director to its board of directors. The Company accounts for this investment by equity method as an associate. The decrease of the holding percentage in Baiyin Nonferrous is due to the capital increase and share expansion of Baiyin Nonferrous in this year.

(8) The Group has a 5.36% interest in BAIC BluePark New Energy Technology Co.,Ltd. ("BAICBP"), thus the Group can exercise significant influence on the financial and operating policy decision of BAICBBP by nominating a director to its board of directors. The Group accounts for this investment by equity method as an associate. The decrease of the holding percentage in BAICBP is due to the capital increase and share expansion of BAICBP in this year.

(9) The Company has a 6.23% interest in Qinghai Salt Lake Industry Co., Ltd. ("Qinghai Salt Lake"), thus the Company can exercise significant influence on the financial and operating policy decision of Qinghai Salt Lake by nominating a director to its board of directors. The Group accounts for this investment by equity method as an associate. For the year ended December 31, 2019, the book value of Qinghai Salt Lake is RMB0 million, which caused by the Company's recognition of impairment and equity method adjustment regarding to the reorganization of Qinghai Salt Lake.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

38. Interests in unconsolidated structured entities

The Group is principally involved with structured entities through financial investments. These structured entities generally purchase assets through financing. The Group determines whether or not to consolidate these structured entities depending on whether the Group has control over them. Whether control exists is determined by the manner described in Note VI.36 Interests in consolidated structured entities. The unconsolidated structured entities include private equity funds, trust products, asset management plans and mutual funds, etc. The interests held by the Group in the unconsolidated structured entities are set out as below.

As at December 31, 2019, the maximum exposure to risk and the book value of relevant investments of the Group rising from the interests held in directly invested structured entities that are sponsored by the Group or the third party financial institutions are set out as below:

	As at December 31			
	2019		2018	
	Carrying amount	**Maximum exposure to risk**	Carrying amount	Maximum exposure to risk
Financial assets at fair value through profit or loss	**106,530,006**	**106,530,006**	148,311,436	148,311,436
Financial assets at amortized cost	**17,926,727**	**17,926,727**	17,741,198	17,741,198
Interests in associates and joint ventures	**7,379,050**	**7,379,050**	11,687,910	11,687,910

In 2019, the Group obtained management fee, commission and performance fee amounting to RMB384.99 million (2018: RMB458.05 million) from unconsolidated structured entities sponsored by the Group, in which the Group held no interest as at the year end.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

39. Property and equipment

Group

	Buildings	Aircrafts	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost							
As at January 1, 2019	10,629,724	2,279,663	450,811	862,180	283,898	204,487	14,710,763
Acquisition of subsidiaries	–	–	117	11	–	–	128
Additions	3,798,998	2,619,070	31,567	52,866	19,861	62,667	6,585,029
Transfer to assets held for sale	(203,881)	–	(162,031)	(20,376)	(34,053)	–	(420,341)
Disposals of subsidiaries	(5,889)	–	(2,028)	(23,518)	(815)	–	(32,250)
Disposals	(1,815)	(290,351)	(15,670)	(28,842)	(19,740)	–	(356,418)
Construction in progress transfer in/(out)	187,525	–	2,379	959	–	(222,753)	(31,890)
Transfer in/(out)	144,915	–	–	(29,292)	(7,914)	–	107,709
Exchange differences	193,158	46,297	1,398	1,724	258	543	243,378
As at December 31, 2019	14,742,735	4,654,679	306,543	815,712	241,495	44,944	20,806,108
Accumulated depreciation							
As at January 1, 2019	(1,782,294)	(21,990)	(267,539)	(620,506)	(221,730)	–	(2,914,059)
Change for the year	(303,949)	(112,935)	(47,264)	(104,615)	(15,887)	–	(584,650)
Transfer to assets held for sale	28,159	–	117,094	18,927	30,283	–	194,463
Disposals of subsidiaries	4,513	–	1,306	18,373	772	–	24,964
Disposals	387	9,259	13,411	56,203	26,416	–	105,676
Exchange differences	(15,015)	(1,287)	(939)	(1,277)	(200)	–	(18,718)
As at December 31, 2019	(2,068,199)	(126,953)	(183,931)	(632,895)	(180,346)	–	(3,192,324)
Allowance for impairment losses							
As at January 1, 2019	(1,624)	–	(16)	–	(346)	(484)	(2,470)
Change for the year	–	(75,367)	–	–	–	–	(75,367)
Disposals	–	75,367	–	–	–	–	75,367
Exchange difference	(5)	–	–	–	–	–	(5)
As at December 31, 2019	(1,629)	–	(16)	–	(346)	(484)	(2,475)
Net book value							
As at January 1, 2019	8,845,806	2,257,673	183,256	241,674	61,822	204,003	11,794,234
As at December 31, 2019	12,672,907	4,527,726	122,596	182,817	60,803	44,460	17,611,309
Including:							
Net book value of assets pledged as at December 31, 2019	198,741	551,165	–	–	–	–	749,906

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

39. Property and equipment (continued)

Group (continued)

	Buildings	Aircrafts	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Construction in progress	Total
Cost							
As at January 1, 2018	10,363,465	–	536,427	799,483	278,821	171,144	12,149,340
Acquisition of subsidiaries	1,429	–	3,147	115	3,799	–	8,490
Additions	1,571	2,212,753	42,493	115,620	14,018	37,398	2,423,853
Assets held for sale	(1,530)	–	–	(107)	–	–	(1,637)
Disposals	(6,724)	–	(11,681)	(54,198)	(13,241)	(4,916)	(90,760)
Construction in progress transfer in/(out)	3,762	–	600	241	–	(5,051)	(448)
Transfer in/(out)	8,102	–	(122,489)	(522)	–	–	(114,909)
Exchange differences	259,649	66,910	2,314	1,548	501	5,912	336,834
As at December 31, 2018	10,629,724	2,279,663	450,811	862,180	283,898	204,487	14,710,763
Accumulated depreciation							
As at January 1, 2018	(1,477,078)	–	(231,815)	(563,368)	(216,274)	–	(2,488,535)
Change for the year	(301,936)	(21,254)	(45,304)	(91,466)	(15,608)	–	(475,568)
Assets held for sale	1,234	–	–	100	–	–	1,334
Disposals	932	–	10,665	47,332	11,285	–	70,214
Exchange differences	(5,446)	(736)	(1,085)	(13,104)	(1,133)	–	(21,504)
As at December 31, 2018	(1,782,294)	(21,990)	(267,539)	(620,506)	(221,730)	–	(2,914,059)
Allowance for impairment losses							
As at January 1, 2018	(1,613)	–	(16)	–	(346)	(484)	(2,459)
Exchange difference	(11)	–	–	–	–	–	(11)
As at December 31, 2018	(1,624)	–	(16)	–	(346)	(484)	(2,470)
Net book value							
As at January 1, 2018	8,884,774	–	304,596	236,115	62,201	170,660	9,658,346
As at December 31, 2018	8,845,806	2,257,673	183,256	241,674	61,822	204,003	11,794,234
Including:							
Net book value of assets pledged as at December 31, 2018	205,028	–	–	–	–	–	205,028

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

39. Property and equipment (continued)

Group (continued)

As at December 31, 2019 and 2018, the original cost of the fully depreciated property and equipment that were still in use amounted to RMB563.50 million and RMB578.24 million, respectively.

As at December 31, 2019 and 2018, the Group's property and equipment for which the Group has not obtained a certificate of property ownership amounted to RMB583.44 million and RMB658.12 million, respectively.

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31	
	2019	2018
– on long-term leases (over 50 years)	**3,271,516**	3,323,412
– on medium-term leases (10 to 50 years)	**9,233,755**	5,333,807
– on short-term leases (less than 10 years)	**167,636**	188,587
Total	**12,672,907**	8,845,806

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

39. Property and equipment (continued)

Company

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Total
Cost					
As at January 1, 2019	1,057,609	104,463	326,626	99,737	1,588,435
Additions	–	202	26,231	8,138	34,571
Disposals	–	–	(29,292)	(7,914)	(37,206)
As at December 31, 2019	1,057,609	104,665	323,565	99,961	1,585,800
Accumulated depreciation					
As at January 1, 2019	(80,770)	(46,590)	(196,788)	(80,357)	(404,505)
Change for the year	(34,867)	(7,207)	(56,456)	(4,939)	(103,469)
Disposals	–	–	28,354	7,613	35,967
As at December 31, 2019	(115,637)	(53,797)	(224,890)	(77,683)	(472,007)
Net book value					
As at January 1, 2019	976,839	57,873	129,838	19,380	1,183,930
As at December 31, 2019	941,972	50,868	98,675	22,278	1,113,793

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

39. Property and equipment (continued)

Company (continued)

	Buildings	Machinery and equipment	Electronic equipment and furniture	Motor vehicles	Total
Cost					
As at January 1, 2018	942,130	226,940	281,536	99,692	1,550,298
Additions	–	12	68,036	8,077	76,125
Transfer in/(out)	115,479	(122,489)	(522)	–	(7,532)
Disposals	–	–	(22,424)	(8,032)	(30,456)
As at December 31, 2018	1,057,609	104,463	326,626	99,737	1,588,435
Accumulated depreciation					
As at January 1, 2018	(51,491)	(22,371)	(182,040)	(81,470)	(337,372)
Change for the year	(29,744)	(17,258)	(43,112)	(6,198)	(96,312)
Transfer in/(out)	465	(6,961)	6,961	–	465
Disposals	–	–	21,403	7,311	28,714
As at December 31, 2018	(80,770)	(46,590)	(196,788)	(80,357)	(404,505)
Net book value					
As at January 1, 2018	890,639	204,569	99,496	18,222	1,212,926
As at December 31, 2018	976,839	57,873	129,838	19,380	1,183,930

As at December 31, 2019 and 2018, the original cost of the fully depreciated property and equipment that were still in use amounted to RMB230.58 million and RMB215.38 million, respectively.

The net book value of buildings located on land with the following remaining lease terms are as follows:

	As at December 31	
	2019	2018
– on medium-term leases (10 to 50 years)	**941,972**	976,839

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

40. Goodwill

Group

	As at December 31	
	2019	2018
Carrying amount		
At beginning of the year	**24,169,379**	23,123,316
Disposal of subsidiaries	**(98,905)**	(35)
Acquisition of subsidiaries	**106,324**	–
Exchange differences	**506,608**	1,046,098
At end of the year	**24,683,406**	24,169,379
Allowance for impairment losses		
At beginning of the year	**(1,130,562)**	(1,120,799)
Change for the year	**(4,282)**	(9,763)
At end of the year	**(1,134,844)**	(1,130,562)
Net book value		
At beginning of the year	**23,038,817**	22,002,517
At end of the year	**23,548,562**	23,038,817

VI. EXPLANATORY NOTES (continued)

40. Goodwill (continued)

Group (continued)

The goodwill acquired through the business combination of NCB, which was accounted for as the majority portion of the Group's goodwill as of December 31, 2019, is allocated to the NCB cash-generating units for impairment testing. The recoverable amount of the NCB cash-generating units has been determined based on a value-in-use calculation method, using cash flow projections based on both financial forecasts covering a 5-year period ("projection period") approved by senior management and a forward speculated 5-year period ("transition period"). The stable growth rate used to extrapolate the cash flows of NCB cash-generating units beyond the 10-year period is fixed at 3%, which does not exceed the long-term average growth rate of the banking industry. The pre-tax discount rates applied to the goodwill impairment testing are 10.44% (Hong Kong) and 11.85% (Mainland China), respectively.

The Group management believes that there are no impairment indications of the goodwill acquired through the business combination of NCB and the key assumptions used to calculate the present value of future cash flow on NCB cash-generating units may change. Management holds that any reasonable fluctuation of key assumptions will not lead to a lower recoverable amount of the NCB cash-generating units compared with the book value of the goodwill, thus no impairment losses need to be recognized.

For the goodwill impairment testing, the Group make the following assumptions on the key hypothesis in the process of cash flow projection: 1) Discount rate: pre-tax discount rate reflecting the specific risk of the relevant cash-generating units; 2) Cash flow's growth rate: based on both the past performance and the projection of market development. The information used by the Group in determining these key assumptions is consistent with external information.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

41. Other intangible assets

Group

	Trading rights	Computer software systems and others	Trade names	Core deposits intangible	Credit card customer relationships	Total
Cost						
As at January 1, 2019	23,794	785,622	605,400	3,694,911	7,991	5,117,718
Increase resulting from subsidiaries purchased	–	21	–	–	–	21
Transfer to assets held for sale	–	(173,384)	–	–	–	(173,384)
Additions	–	205,529	–	–	–	205,529
Disposals	(5)	(1,751)	–	–	–	(1,756)
Exchange differences	31	3,417	13,529	82,568	179	99,724
Others	–	(226)	–	–	–	(226)
As at December 31, 2019	23,820	819,228	618,929	3,777,479	8,170	5,247,626
Accumulated amortization						
As at January 1, 2019	–	(395,704)	–	(477,259)	(2,037)	(875,000)
Transfer to assets held for sale	–	130,760	–	–	–	130,760
Change for the year	–	(102,362)	–	(185,552)	(792)	(288,706)
Disposals	–	1,707	–	–	–	1,707
Exchange differences	–	(485)	–	(13,987)	(60)	(14,532)
As at December 31, 2019	–	(366,084)	–	(676,798)	(2,889)	(1,045,771)
Net book value						
As at January 1, 2019	23,794	389,918	605,400	3,217,652	5,954	4,242,718
As at December 31, 2019	23,820	453,144	618,929	3,100,681	5,281	4,201,855

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

41. Other intangible assets (continued)

Group (continued)

	Trading rights	Computer software systems and others	Trade names	Core deposits intangible	Credit card customer relationships	Total
Cost						
As at January 1, 2018	23,926	551,997	577,562	3,525,009	7,523	4,686,017
Increase resulting from subsidiaries purchased	–	1,233	–	–	–	1,233
Additions	–	227,371	–	–	102	227,473
Disposals	(132)	(1,862)	–	–	–	(1,994)
Exchange differences	–	6,883	27,838	169,902	366	204,989
As at December 31, 2018	23,794	785,622	605,400	3,694,911	7,991	5,117,718
Accumulated amortization						
As at January 1, 2018	–	(320,836)	–	(279,063)	(1,191)	(601,090)
Change for the year	–	(75,373)	–	(178,464)	(762)	(254,599)
Disposals	–	1,096	–	–	–	1,096
Exchange differences	–	(591)	–	(19,732)	(84)	(20,407)
As at December 31, 2018	–	(395,704)	–	(477,259)	(2,037)	(875,000)
Net book value						
As at January 1, 2018	23,926	231,161	577,562	3,245,946	6,332	4,084,927
As at December 31, 2018	23,794	389,918	605,400	3,217,652	5,954	4,242,718

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

41. Other intangible assets (continued)

Company

	Computer software systems and others	Total
Cost		
As at January 1, 2019	**96,068**	**96,068**
Additions	**9,574**	**9,574**
As at December 31, 2019	**105,642**	**105,642**
Accumulated amortization		
As at January 1, 2019	**(64,050)**	**(64,050)**
Change for the year	**(16,260)**	**(16,260)**
As at December 31, 2019	**(80,310)**	**(80,310)**
Net book value		
As at January 1, 2019	**32,018**	**32,018**
As at December 31, 2019	**25,332**	**25,332**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

41. Other intangible assets (continued)

Company (continued)

	Computer software systems and others	Total
Cost		
As at January 1, 2018	66,631	66,631
Additions	29,437	29,437
As at December 31, 2018	96,068	96,068
Accumulated amortization		
As at January 1, 2018	(51,074)	(51,074)
Change for the year	(12,976)	(12,976)
As at December 31, 2018	(64,050)	(64,050)
Net book value		
As at January 1, 2018	15,557	15,557
As at December 31, 2018	32,018	32,018

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

42. Deferred taxation

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

Group

	As at December 31	
	2019	2018
Deferred tax assets		
– Continuing operations	**6,756,583**	6,159,808
– Discontinued operation	**1,279,149**	–
Deferred tax liabilities		
– Continuing operations	**(2,299,671)**	(2,387,044)
– Discontinued operation	**(68,710)**	–
Deferred taxation	**5,667,351**	3,772,764

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

42. Deferred taxation (continued)

Group (continued)

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

	Allowance for impairment losses	Withholding land appreciation tax	Asset revaluation	Fair value adjustments in business combination	Staff costs accrued but not paid	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	Unrealized loss due to income rights transfer	Discontinued operation	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	1,200,581	29,621	35,331	31,075	112,477	149,465	139,540	(106,472)	(1,469,354)	(419,669)	(4)	762,684	1,227,175	172,125	1,864,575
Charge to other comprehensive income/(expense)	-	-	-	-	2,289	-	-	-	-	(42,764)	(248,530)	-	(22,822)	-	(311,827)
Acquisitions of subsidiaries	-	-	-	(15,417)	-	-	-	-	-	-	-	-	-	-	(15,417)
Discontinued operation	-	-	-	-	-	-	(51,974)	-	-	-	45,888	-	6,086	-	-
Others	3,567	-	(18,064)	(13,812)	413	-	6,147	52	(2,501)	383,459	(421)	-	-	(1,584)	357,256
As at December 31, 2019	6,702,675	388,147	(953,580)	(980,723)	1,134,472	644,986	474,584	96,785	264,196	(4,346,589)	(26,137)	762,684	1,210,439	295,412	5,667,351

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

42. Deferred taxation (continued)

Group (continued)

	Allowance for impairment losses	Withholding land appreciation tax	Advance from sale of real estate	Asset revaluation	Fair value adjustments in business combination	Staff costs accrued but not paid	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, 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 values and the tax bases for the associates and joint ventures not holding for long-term by the Group.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

42. Deferred taxation (continued)

Group (continued)

Tax losses and temporary differences that are not recognized as deferred income tax assets are as follows:

	As at December 31	
	2019	2018
Unused tax losses	**11,637,614**	7,055,579
Deductible temporary differences	**2,928,241**	5,484,964
	14,565,855	12,540,543

As at December 31, 2019, the above unused tax loses would expire from 2020 to 2024 (As at December 31, 2018: from 2019 to 2023).

Company

	As at December 31	
	2019	2018
Deferred tax assets	**2,722,196**	2,416,834
Deferred tax liabilities	**–**	–
Deferred taxation	**2,722,196**	2,416,834

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

42. Deferred taxation (continued)

Company (continued)

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

	Allowance for impairment losses	Staff costs accrued but not paid	Provisions	Changes in fair value of financial assets at FVTPL	Changes in fair value and impairment losses on financial assets at FVOCI	Temporary differences related to the cost of associates and joint ventures(i)	Unrealized loss due to income rights transfer	Others	Total
As at January 1, 2019	3,726,885	664,190	146,343	1,827,681	288,584	(4,222,439)	–	(14,410)	2,416,834
Credit/(charge) to profit or loss	1,094,372	25,027	(88,314)	(1,327,885)	(4)	(420,242)	762,684	124,153	169,791
Charge to other comprehensive income	–	–	–	–	(205,124)	(42,764)	–	–	(247,888)
Charge to capital reserve	–	–	–	–	–	383,459	–	–	383,459
As at December 31, 2019	4,821,257	689,217	58,029	499,796	83,456	(4,301,986)	762,684	109,743	2,722,196
As at January 1, 2018	2,493,171	695,847	114,215	1,261,288	(3,681)	(3,892,717)	–	(9,328)	658,795
Credit/(charge) to profit or loss	1,233,714	(31,657)	32,128	566,393	4	(288,285)	–	(5,082)	1,507,215
Charge to other comprehensive income	–	–	–	–	292,261	(41,437)	–	–	250,824
As at December 31, 2018	3,726,885	664,190	146,343	1,827,681	288,584	(4,222,439)	–	(14,410)	2,416,834

(i) The temporary differences related to the costs of associates and joint ventures are temporary differences arising from the difference between the book values and the tax bases for the associates and joint ventures not holding for long-term by the Company.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

43. Other assets

Group

	As at December 31	
	2019	2018
Other receivables (1)	**11,625,262**	6,623,815
Assets in satisfaction of debts (2)	**6,309,257**	3,895,221
Prepayments	**4,127,253**	1,245,776
Prepaid taxes	**2,207,861**	2,709,262
Dividends receivable	**1,545,985**	1,458,337
Right-of-use assets	**1,306,740**	–
Interest receivable	**484,201**	357,992
Notes receivable	**302,260**	741,668
Assets with continuing involvement (Note VI.69)	**237,392**	1,399,434
Precious metals	**225,035**	193,572
Long-term prepaid expenses	**192,749**	263,141
Land use rights	**–**	77,275
Statutory deposits (3)	**–**	2,142,147
Others	**296,859**	327,200
Total	**28,860,854**	21,434,840

Company

	As at December 31	
	2019	2018
Assets in satisfaction of debts (2)	**6,032,563**	3,694,779
Dividends receivable	**2,602,758**	2,538,988
Prepayments	**1,705,015**	58,675
Right-of-use assets	**847,633**	–
Other receivables (1)	**798,839**	1,212,885
Assets with continuing involvement (Note VI.69)	**237,392**	1,399,434
Interest receivable	**178,448**	199,130
Notes receivable	**174,762**	683,081
Long-term prepaid expenses	**18,143**	28,619
Land use rights	**–**	42,828
Others	**1,235**	627
Total	**12,596,788**	9,859,046

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

43. Other assets (continued)

(1) Other receivables

Group

	As at December 31	
	2019	2018
Other receivables	**12,635,049**	7,697,688
Less: Allowance for impairment losses	**1,009,787**	1,073,873
Net book value	**11,625,262**	6,623,815

Company

	As at December 31	
	2019	2018
Other receivables	**2,186,104**	2,163,375
Less: Allowance for impairment losses	**1,387,265**	950,490
Net book value	**798,839**	1,212,885

Other receivables mainly include guarantee deposits and accounts receivable relating to assets disposal within one year.

As at December 31, 2019, the carrying amount of other receivables was RMB12,635.05 million, in which the allowance for impairment losses was RMB1,009.79 million. The principal in Stage III amounted to RMB1,928.90 million, with the allowance for impairment losses amounting to RMB994.21 million.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

43. Other assets (continued)

(2) Assets in satisfaction of debts

Assets in satisfaction of debts include those obtained from the Group's debtors to settle their defaulted debts and those acquired directly from financial institutions, which came into their possession through similar arrangements.

Group

	As at December 31	
	2019	2018
Buildings	**5,997,845**	3,661,897
Land use rights	**314,022**	167,087
Others	**345,696**	368,369
Subtotal	**6,657,563**	4,197,353
Less: Allowance for impairment losses	**348,306**	302,132
Net book value	**6,309,257**	3,895,221

Company

	As at December 31	
	2019	2018
Buildings	**5,829,873**	3,587,321
Land use rights	**314,022**	167,087
Others	**213,547**	227,055
Subtotal	**6,357,442**	3,981,463
Net book value	**6,032,563**	3,694,779

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

43. Other assets (continued)

(3) Statutory deposits

In accordance with the Insurance Law of the PRC and the Interim Measures for the Administration of the Capital Guarantee Funds of Insurance Companies (Baojianfa [2007] No.66) issued by the China Insurance Regulatory Commission, the Group's subsidiaries engaging in insurance business shall deposit at least 20% of their registered capital as statutory deposits in designated banks. Statutory deposits outlined above are only allowed to be used in paying off debts during the liquidation by insurance companies. Statutory deposits have been classified as held for sale.

44. Borrowings from central bank

Group

	As at December 31	
	2019	2018
Borrowings from central bank	**1,010,860**	986,058

Company

	As at December 31	
	2019	2018
Borrowings from central bank	**986,058**	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)

VI. EXPLANATORY NOTES (continued)

45. Accounts payable to brokerage clients

Group

	As at December 31	
	2019	2018
Personal customers	**11,933,196**	9,076,718
Corporate customers	**2,387,148**	1,239,124
Total	**14,320,344**	10,315,842

Accounts payable to brokerage clients mainly include money held on behalf of clients at banks and at clearing houses by the Group, and the portion relating to securities brokerage clients amounting to RMB11,232.95 million at December 31, 2019 (As at December 31, 2018: RMB7,866.87 million) bears interest at the prevailing market interest rate.

The majority of the accounts payable balances are repayable on demand except where certain balances represent margin deposits and cash collateral received from clients for their trading activities under normal course of business. Only the excess amounts over the required margin deposits and cash collateral stipulated are repayable on demand.

No ageing analysis is disclosed as in the opinion of the directors of the Company, as the ageing analysis does not give additional value to the readers of this report in view of the nature of this business.

As at December 31, 2019 and 2018, included in the Group's accounts payable to brokerage clients were cash collateral of approximately RMB1,310.40 million and RMB906.06 million received from clients for margin financing and securities lending arrangement, respectively.

As at December 31, 2019 and 2018, the Company had no accounts payable to brokerage clients.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

46. Financial liabilities at fair value through profit or loss

Group

	As at December 31	
	2019	2018
Derivative financial liabilities (Note VI.25.(1))	**542,857**	314,718
Short positions in exchange fund bills and notes	**4,522,399**	4,208,631
Total	**5,065,256**	4,523,349

Company

	As at December 31	
	2019	2018
Income guarantee and repurchase commitment	**717,977**	739,392
Total	**717,977**	739,392

47. Financial assets sold under repurchase agreements

Group

	As at December 31	
	2019	2018
By collateral type:		
Debt securities	**18,978,707**	11,956,611
Loans to margin clients	**500,000**	1,001,658
Subtotal	**19,478,707**	12,958,269
Interest payable	**16,883**	11,938
Total	**19,495,590**	12,970,207

The Company had no financial assets sold under repurchase agreements as at December 31, 2019 and 2018.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

48. Placements from banks and financial institutions

Group

	As at December 31	
	2019	2018
Placements from banks	**13,820,783**	19,799,625
Placements from financial institutions	**244,167**	325,204
Subtotal	**14,064,950**	20,124,829
Interest payable	**19,869**	93,821
Total	**14,084,819**	20,218,650

The Company had no placements from banks and financial institutions as at December 31, 2019 and 2018.

49. Borrowings

Group

	As at December 31	
	2019	2018
Banks and other financial institutions borrowings		
Unsecured loans	**503,932,122**	535,913,172
Loans secured by properties	**8,251,987**	4,659,428
Other secured loans	**21,401,193**	26,857,385
Subtotal	**533,585,302**	567,429,985
Interest payable	**3,006,002**	3,440,165
Total	**536,591,304**	570,870,150

Loans secured by properties were collateralized by investment properties, properties held for sale, property and equipment at an aggregate carrying amount of RMB20,255 million as at December 31, 2019 (As at December 31, 2018: RMB21,606 million).

Other secured loans were collateralized by deposits with banks and financial institutions, interests in associates and joint ventures, and finance lease receivables at an aggregate carrying amount of RMB5,790 million as at December 31, 2019 (As at December 31, 2018: RMB3,636 million).

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

49. Borrowings (continued)

Group (continued)

	As at December 31	
	2019	2018
Carrying amount repayable*:		
Within one year	**412,328,796**	372,697,707
More than one year, but not exceeding two years	**65,190,249**	127,131,897
More than two years, but not exceeding five years	**18,430,123**	32,005,373
More than five years	**2,066,369**	713,896
Interest payable	**2,816,603**	3,234,174
Subtotal	**500,832,140**	535,783,047
Carrying amount of borrowings that contain a repayment on demand clause repayable*:		
Within one year	**546,067**	696,138
More than one year, but not exceeding two years	**15,718,741**	–
More than two years, but not exceeding five years	**1,734,099**	17,029,758
More than five years	**17,570,858**	17,155,216
Interest payable	**189,399**	205,991
Subtotal	**35,759,164**	35,087,103
Total	**536,591,304**	570,870,150

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

49. Borrowings (continued)

Group (continued)

The exposure of the Group's fixed-rate borrowings by the remaining contractual maturity period is as follows:

	As at December 31	
	2019	2018
Fixed-rate borrowings:		
Within one year	**409,227,151**	370,836,456
More than one year, but not exceeding two years	**77,704,796**	126,588,166
More than two years, but not exceeding five years	**15,884,855**	48,587,841
More than five years	**18,730,624**	17,589,112
Subtotal	**521,547,426**	563,601,575
Interest payable	**2,968,355**	3,432,788
Total	**524,515,781**	567,034,363

In addition, the Group has variable-rate borrowings which carry interest based on borrowing or deposit benchmark interest rate of PBOC, Shanghai Inter-bank Offered Rate ("SHIBOR"), Hong Kong Inter-bank Offered Rate ("HIBOR"), London Inter-bank Offered Rate ("LIBOR") or the prime rate.

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

	As at December 31	
	2019	2018
Effective interest rate		
Fixed-rate borrowings	**2.64%-23.00%**	1.40%-8.40%
Variable-rate borrowings	**2.48%-7.83%**	1.85%-7.83%

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

49. Borrowings (continued)

Company

	As at December 31	
	2019	2018
Bank borrowings		
Unsecured loans	**423,679,000**	453,654,700
Interest payable	**2,407,925**	2,807,535
Total	**426,086,925**	456,462,235
Carrying amount repayable*:		
Within one year	**358,679,000**	314,954,700
More than one year, but not exceeding two years	**55,000,000**	114,700,000
More than two years, but not exceeding five years	**10,000,000**	24,000,000
Subtotal	**423,679,000**	453,654,700
Interest payable	**2,407,925**	2,807,535
Total	**426,086,925**	456,462,235

* The amounts due are based on scheduled repayment dates set out in the loan agreements.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

49. Borrowings (continued)

Company (continued)

The exposure of the Company's fixed-rate borrowings by the remaining contractual maturity period is as follows:

	As at December 31	
	2019	2018
Fixed-rate borrowings:		
Within one year	**358,679,000**	314,954,700
More than one year, but not exceeding two years	**55,000,000**	114,700,000
More than two years, but not exceeding five years	**10,000,000**	24,000,000
Subtotal	**423,679,000**	453,654,700
Interest payable	**2,407,925**	2,807,535
Total	**426,086,925**	456,462,235

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

	As at December 31	
	2019	2018
Effective interest rate		
Fixed-rate borrowings	**3.20%-6.45%**	3.85%-7.06%
Variable-rate borrowings	**–**	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

50. Due to customers

Group

	As at December 31	
	2019	2018
Demand deposits		
Corporate	**47,822,264**	47,376,723
Personal	**38,903,720**	39,407,741
Time deposits		
Corporate	**86,160,226**	86,118,498
Personal	**90,288,769**	70,787,827
Guarantee deposits	**10,363,607**	9,265,403
Subtotal	**273,538,586**	252,956,192
Interest payable	**1,667,180**	1,143,726
Total	**275,205,766**	254,099,918

The Company had no due to customers at the end of 2019 and 2018.

51. Deposits from banks and financial institutions

Group

	As at December 31	
	2019	2018
Banks	**1,403,302**	2,872,080
Other financial institutions	**12,625,758**	19,241,357
Subtotal	**14,029,060**	22,113,437
Interest payable	**128,068**	267,312
Total	**14,157,128**	22,380,749

The Company had no deposits from banks and financial institutions at the end of 2019 and 2018.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

52. Accounts payable

Group

	As at December 31	
	2019	2018
Accounts payable associated with real estate business (1)	**4,539,013**	4,206,861
Asset purchase payable	**2,175**	171,126
Others	**509,609**	925,826
Total	**5,050,797**	5,303,813

Company

	As at December 31	
	2019	2018
Asset purchase payable	**–**	168,760
Total	**–**	168,760

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

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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

53. Investment contract liabilities for policyholders

Group

	Year ended December 31	
	2019	2018
At beginning of the year	**13,206,016**	19,961,369
Deposits received	**2,162,972**	4,118,398
Deposits withdrawn	**(7,700,197)**	(10,873,751)
Transfer to liabilities held for sale	**(7,668,791)**	–
At end of the year	**–**	13,206,016

The Group has reclassified investment contract liabilities for policyholders to liabilities held for sale as at December 31, 2019.

The Company had no investment contract liabilities for policyholders at the end of 2019 and 2018.

54. Tax payable

Group

	As at December 31	
	2019	2018
PRC Enterprise income tax	**1,604,228**	3,750,025
PRC Land appreciation tax	**2,227,867**	1,721,947
Hong Kong profits tax	**499,684**	2,984
Total	**4,331,779**	5,474,956

Company

	As at December 31	
	2019	2018
PRC Enterprise income tax	**38,503**	1,700,450
Total	**38,503**	1,700,450

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

55. Insurance contract liabilities

Group

	January 1, 2019	Increase	Decrease	Transfer to liabilities held for sale	December 31, 2019
Short-term insurance contracts					
– Unearned premium reserves	**123,291**	**236,007**	**(231,150)**	**(128,148)**	**–**
– Outstanding claim reserves	**145,769**	**170,528**	**(152,815)**	**(163,482)**	**–**
Long-term life insurance contracts	**37,337,514**	**11,263,875**	**(6,874,391)**	**(41,726,998)**	**–**
Total	**37,606,574**	**11,670,410**	**(7,258,356)**	**(42,018,628)**	**–**

	January 1, 2018	Increase	Decrease	Transfer to liabilities held for sale	December 31, 2018
Short-term insurance contracts					
– Unearned premium reserves	101,185	202,473	(180,367)	–	123,291
– Outstanding claim reserves	84,838	138,133	(77,202)	–	145,769
Long-term life insurance contracts	39,380,141	10,627,331	(12,669,958)	–	37,337,514
Total	39,566,164	10,967,937	(12,927,527)	–	37,606,574

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

55. Insurance contract liabilities (continued)

Group (continued)

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

	As at December 31, 2019			As at December 31, 2018		
	Within 1 year	**Over 1 year**	**Total**	Within 1 year	Over 1 year	Total
Short-term insurance contracts						
– Unearned premium reserves	–	–	–	112,824	10,467	123,291
– Outstanding claim reserves	–	–	–	138,810	6,959	145,769
Long-term life insurance contracts	–	–	–	13,916	37,323,598	37,337,514
Total	–	–	–	265,550	34,341,024	37,606,574

The Group had reclassified insurance contract liabilities to liabilities held for sale as at December 31, 2019

The Company had no insurance contract liabilities at the end of 2019 and 2018.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

56. Bonds issued

Group

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at December 31 2019	2018
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%	**10,257,119**	10,249,017
2015-II Financial bonds (5-year)	(1)	4,000,000	RMB	2015/9	2020/9	3.75%	**4,039,049**	4,038,254
2015-II Financial bonds (10-year)	(1)	10,000,000	RMB	2015/9	2025/9	4.60%	**10,115,008**	10,114,314
2016 Tier-II Capital bonds (10-year)	(2)	10,000,000	RMB	2016/6	2026/6	3.70%	**10,189,368**	10,183,114
2017 Financial bonds (3-year)	(1)	2,000,000	RMB	2017/4	2020/4	4.30%	**2,061,405**	2,060,684
2017 Financial bonds (5-year)	(1)	4,000,000	RMB	2017/4	2022/4	4.40%	**4,124,058**	4,123,232
2017 Financial bonds (10-year)	(1)	24,000,000	RMB	2017/4	2027/4	4.75%	**24,795,662**	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%	**15,762,374**	15,762,217
2018-II Financial bonds (10-year)	(1)	11,000,000	RMB	2018/3	2028/3	5.50%	**11,477,834**	11,477,707
2018 Cinda Ningyuan-II-1 ABS	(18)	9,517,000	RMB	2018/5	2018/9-2019/7	4.70%-5.05%	**–**	4,732,416
2018 Cinda Ningyuan-II-2 ABS	(18)	10,318,000	RMB	2018/6	2019/3-2019/12	5.00%-5.15%	**–**	10,618,367
2018 Cinda Ningyuan-II-3 ABS	(18)	9,818,000	RMB	2018/7	2018/12-2021/6	4.20%-5.15%	**5,192,037**	8,600,459
2018 Cinda Ningyuan-II-4 ABS	(18)	9,650,000	RMB	2018/9	2018/12-2021/6	3.20%-4.80%	**4,983,414**	7,625,188
2018 Cinda Ningyuan-II-5 ABS	(18)	9,920,000	RMB	2018/11	2019/3-2020/10	3.55%-4.35%	**3,927,077**	9,962,690
2019 Cinda Xinze-I-1 ABS	(18)	9,820,000	RMB	2019/3	2019/6-2021/10	3.10%-3.95%	**5,877,340**	–
2019 Cinda Xinze-I-2 ABS	(18)	9,920,000	RMB	2019/5	2019/12-2022/1	3.33%-4.15%	**8,390,064**	–
2019 Cinda Xinze-I-3 ABS	(18)	9,920,000	RMB	2019/6	2019/9-2022/1	3.25%-3.95%	**8,644,580**	–
2019 Cinda Xinhe-I-1 ABS	(18)	5,990,000	RMB	2019/6	2022/1-2022/7	4.80%-7.00%	**5,648,000**	–
2019 Cinda Xinze-I-4 ABS	(18)	9,920,000	RMB	2019/7	2019/12-2021/12	2.98%-3.90%	**8,092,976**	–
2019 Cinda Xinze-I-5 ABS	(18)	9,980,000	RMB	2019/10	2019/12-2022/5	2.90%-3.70%	**7,408,737**	–
2019 Cinda Xinze-I-6 ABS	(18)	9,930,000	RMB	2019/12	2020/9-2022/11	3.40%-3.80%	**9,957,465**	–
2015 Capital supplement bonds	(3)	3,000,000	RMB	2015/12	2025/12	4.00%	**–**	3,001,055
2018 Capital supplement bonds	(3)	3,000,000	RMB	2018/11	2023/11	5.20%	**–**	3,014,616
2017-I Subordinate bonds	(4)	3,000,000	RMB	2017/2	2020/2	4.99%	**3,127,963**	3,127,963
2017-II Subordinate bonds	(4)	3,000,000	RMB	2017/3	2020/3	5.12%	**3,122,038**	3,122,038
2017-I Corporation bonds (3-year)	(19)	2,500,000	RMB	2017/7	2020/7	5.05%	**2,554,998**	2,554,997
2019-I Subordinate bonds	(4)	1,700,000	RMB	2019/3	2022/3	4.55%	**1,761,244**	–
2019-II Subordinate bonds	(4)	900,000	RMB	2019/7	2022/7	4.64%	**919,450**	–
Beneficiary certificates-VII	(4)	1,000,000	RMB	2017/5	2019/5	5.50%	**–**	1,033,151

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

56. Bonds issued (continued)

Group (continued)

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at December 31 2019	As at December 31 2018
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%	**111,526**	105,256
Beneficiary certificates-XIV	(4)	100,000	RMB	2019/7	2021/7	4.60%	**102,042**	–
Beneficiary certificates-XV	(4)	500,000	RMB	2019/9	2021/9	4.45%	**507,132**	–
Beneficiary certificates-XVII	(4)	300,000	RMB	2019/10	2021/10	4.45%	**300,402**	–
Beneficiary certificates-XVIII	(4)	200,000	RMB	2019/11	2021/11	4.33%	**200,854**	–
Xinke beneficiary certificates-VII	(4)	1,400	RMB	2019/12	2020/1	6.00%	**1,402**	–
Xinke beneficiary certificates-VIII	(4)	900	RMB	2019/12	2020/1	6.00%	**900**	–
HKD bonds	(11)	10,000	HKD	2013/12	2020/9	4.00%	**9,070**	8,875
HKD bonds	(29)	20,000	HKD	2014/7	2021/7	4.00%	**9,070**	17,843
HKD bonds	(29)	12,000	HKD	2014/9	2021/9	4.00%	**10,884**	8,870
HKD bonds	(29)	10,000	HKD	2014/10	2021/10	4.00%	**9,070**	10,595
HKD bonds	(11)	10,000	HKD	2016/3	2021/3	4.00%	**9,070**	8,861
2015 Corporation bonds	(5)	3,000,000	RMB	2015/12	2023/12	3.80%	**2,995,095**	2,993,197
2016-I Corporation bonds (8-year)	(5)	2,000,000	RMB	2016/1	2024/1	3.70%	**2,064,502**	2,063,238
2016-I Corporation bonds (5-year)	(25)	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	4.30%	**1,650,437**	5,062,935
2015-I Mid-term notes	(7)	1,500,000	RMB	2015/6	2020/6	5.80%	**1,547,928**	1,550,152
2015-II Mid-term notes	(7)	1,400,000	RMB	2015/8	2020/8	5.50%	**1,428,541**	1,427,513
2015-III Mid-term notes	(7)	100,000	RMB	2015/12	2020/12	5.50%	**102,010**	100,804
2019-I Corporation bonds (3-year)	(6)	3,000,000	RMB	2019/5	2022/5	4.94%	**3,091,946**	–
2019-I Corporation bonds (5-year)	(6)	400,000	RMB	2019/8	2024/8	3.89%	**405,200**	–
2019-II Corporation bonds	(6)	600,000	RMB	2019/8	2022/8	4.27%	**608,136**	–
2019-III Corporation bonds	(6)	2,375,000	RMB	2019/8	2022/8	4.68%	**2,415,696**	–
2019 Sanya Tianyu ABS	(28)	1,995,000	RMB	2019/9	2037/9	5.19%	**2,020,196**	–
2016-I Corporation bonds (5-year)	(8)	2,500,000	RMB	2016/3	2021/2	5.30%	**2,590,338**	2,578,144
2016-II Corporation bonds (5-year)	(8)	500,000	RMB	2016/3	2021/3	5.10%	**471,296**	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%	**–**	1,550,233

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

56. Bonds issued (continued)

Group (continued)

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at December 31 2019	As at December 31 2018
2018-I Debt financing plans	(20)	900,000	RMB	2018/11	2020/11	6.80%	**906,708**	906,213
2018-I Mid-term notes	(21)	2,000,000	RMB	2018/12	2021/12	4.56%	**1,997,808**	1,994,602
2018-I Debt financing instruments	(22)	1,000,000	RMB	2018/12	2021/12	5.68%	**1,002,801**	1,002,801
2018-II Debt financing instruments	(22)	1,000,000	RMB	2018/12	2021/12	5.97%	**1,001,145**	1,001,145
2019 Cinda-I ABN	(23)	950,000	RMB	2019/1	2019/7-2028/1	5.30%-5.50%	**909,218**	–
2019-I Corporation bonds (3-year)	(24)	1,500,000	RMB	2019/1	2022/1	5.50%	**1,577,530**	–
2019-II Corporation bonds (3-year)	(9)	2,700,000	RMB	2019/5	2022/5	4.98%	**2,782,172**	–
2019-III Corporation bonds (3-year)	(9)	700,000	RMB	2019/7	2022/7	4.90%	**718,706**	–
2019-I Debt financing plans	(27)	1,300,000	RMB	2019/11	2022/11	5.50%	**1,301,881**	–
2019-II Debt financing plans	(27)	400,000	RMB	2019/11	2020/5-2021/11	6.20%	**398,512**	–
2019-III Debt financing plans	(27)	381,000	RMB	2019/12	2022/12	6.37%	**381,399**	–
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%	**–**	3,034,083
2019 Financial bonds (3-year)	(10)	3,000,000	RMB	2019/3	2022/3	3.78%	**3,082,157**	–
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%	**3,465,428**	3,412,609
USD Guaranteed senior notes	(13)	230,000	USD	2014/12	2029/12	5.20%	**1,590,597**	1,564,951
USD Guaranteed senior notes	(13)	90,000	USD	2015/2	2029/12	5.20%	**625,608**	615,751
USD Guaranteed senior notes	(13)	1,300,000	USD	2015/4	2020/4	3.125%	**9,116,035**	8,995,150
USD Guaranteed senior notes	(13)	1,700,000	USD	2015/4	2025/4	4.25%	**11,902,861**	11,659,361
USD Guaranteed senior notes	(13)	100,000	USD	2015/2	2030/2	5.20%	**706,171**	694,304
USD Guaranteed senior notes	(13)	80,000	USD	2015/3	2022/3	4.45%	**564,173**	554,547
USD Guaranteed senior notes	(13)	300,000	USD	2017/3	2020/3	3.00%	**2,111,618**	2,138,490
USD Guaranteed senior notes	(13)	1,300,000	USD	2017/3	2022/3	3.65%	**9,148,254**	8,905,821
USD Guaranteed senior notes	(13)	700,000	USD	2017/3	2024/3	4.10%	**4,926,334**	4,846,346
USD Guaranteed senior notes	(13)	700,000	USD	2017/3	2027/3	4.40%	**4,920,910**	4,787,676
USD Guaranteed senior notes	(12)	545,000	USD	2017/12	2037/12	4.75%	**3,782,339**	3,733,677
USD Guaranteed senior notes	(13)	800,000	USD	2018/2	2023/2	3.88%	**5,634,390**	5,511,730
USD Guaranteed senior notes	(13)	300,000	USD	2018/2	2025/2	4.38%	**2,118,225**	2,202,149
USD Guaranteed senior notes	(13)	1,200,000	USD	2018/2	2028/2	4.75%	**8,479,038**	8,279,761
USD Guaranteed senior notes	(13)	200,000	USD	2018/2	2048/2	5.00%	**1,396,366**	1,381,762

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

56. Bonds issued (continued)

Group (continued)

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at December 31 2019	2018
USD Guaranteed senior notes	(12)	200,000	USD	2019/2	2022/2	3.75%	**1,406,601**	–
USD Guaranteed senior notes	(12)	200,000	USD	2019/2	2024/2	4.00%	**1,400,109**	–
USD Guaranteed senior notes	(12)	600,000	USD	2019/2	2029/2	4.75%	**4,233,813**	–
2016 Corporation bonds (5-year)	(14)	600,000	RMB	2016/4	2021/4	4.60%	**323,673**	618,111
2016 Corporation bonds (4-year)	(15)	800,000	RMB	2016/4	2020/4	4.98%	**617,841**	322,836
NCB 2019 Tier-II Subordinate notes	(26)	700,000	USD	2019/11	2029/11	3.80%	**4,871,598**	–
2016-I Financial bonds	(16)	500,000	RMB	2016/12	2021/12	4.67%	**500,766**	500,766
2017-I Financial bonds	(16)	2,500,000	RMB	2017/3	2022/3	5.03%	**2,600,932**	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%	**–**	293,664
18 NCB China CD024	(17)	400,000	RMB	2018/7	2019/7	4.30%	**–**	391,461
18 NCB China CD025	(17)	100,000	RMB	2018/10	2019/4	3.30%	**–**	98,986
2018-I Financial bonds	(16)	2,500,000	RMB	2018/10	2021/10	4.15%	**2,520,271**	2,519,722
2018-II Financial bonds	(16)	500,000	RMB	2018/10	2023/10	4.40%	**504,498**	504,493
2018-III Financial bonds	(16)	2,000,000	RMB	2018/11	2023/11	4.35%	**2,010,187**	2,009,953
19 NCB China CD001	(17)	100,000	RMB	2019/1	2020/1	3.10%	**99,835**	–
19 NCB China CD002	(17)	100,000	RMB	2019/2	2020/2	3.10%	**99,596**	–
19 NCB China CD003	(17)	290,000	RMB	2019/2	2020/2	3.10%	**288,751**	–
19 NCB China CD004	(17)	200,000	RMB	2019/2	2020/3	3.13%	**199,002**	–
19 NCB China CD011	(17)	100,000	RMB	2019/12	2020/3	3.15%	**99,360**	–
19 NCB China CD012	(17)	450,000	RMB	2019/12	2020/3	3.14%	**447,088**	–
19 NCB China CD013	(17)	1,000,000	RMB	2019/12	2020/6	3.15%	**985,258**	–
Total							**304,849,566**	283,115,066

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

56. Bonds issued (continued)

Company

Bond Name	Note	Face Value	Currency	Issue Date	Maturity Date	Bond Rate	As at December 31 2019	As at December 31 2018
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%	**10,254,902**	10,241,192
2015-II Financial bonds (5-year)	(1)	4,000,000	RMB	2015/9	2020/9	3.75%	**4,035,599**	4,030,205
2015-II Financial bonds (10-year)	(1)	10,000,000	RMB	2015/9	2025/9	4.60%	**10,080,558**	10,074,728
2016 Tier-II Capital bonds (10-year)	(2)	10,000,000	RMB	2016/6	2026/6	3.70%	**10,178,475**	10,165,059
2017 Financial bonds (3-year)	(1)	2,000,000	RMB	2017/4	2020/4	4.30%	**2,060,320**	2,055,835
2017 Financial bonds (5-year)	(1)	4,000,000	RMB	2017/4	2022/4	4.40%	**4,113,451**	4,108,309
2017 Financial bonds (10-year)	(1)	24,000,000	RMB	2017/4	2027/4	4.75%	**24,693,949**	24,680,693
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%	**15,690,769**	15,683,712
2018-II Financial bonds (10-year)	(1)	11,000,000	RMB	2018/3	2028/3	5.50%	**11,424,696**	11,419,561
2018 Cinda Ningyuan-II-1 ABS	(18)	9,517,000	RMB	2018/5	2018/9-2019/7	4.70%-5.05%	**–**	4,726,322
2018 Cinda Ningyuan-II-2 ABS	(18)	10,318,000	RMB	2018/6	2019/3-2019/12	5.00%-5.15%	**–**	10,610,091
2018 Cinda Ningyuan-II-3 ABS	(18)	9,818,000	RMB	2018/7	2018/12-2021/6	4.20%-5.15%	**5,182,092**	8,584,507
2018 Cinda Ningyuan-II-4 ABS	(18)	9,650,000	RMB	2018/9	2018/12-2021/6	3.20%-4.80%	**4,972,593**	7,608,493
2018 Cinda Ningyuan-II-5 ABS	(18)	9,920,000	RMB	2018/11	2019/3-2020/10	3.55%-4.35%	**3,918,540**	9,944,933
2019 Cinda Xinze-I-1 ABS	(18)	9,820,000	RMB	2019/3	2019/6-2021/10	3.10%-3.95%	**5,871,980**	–
2019 Cinda Xinze-I-2 ABS	(18)	9,920,000	RMB	2019/5	2019/12-2022/1	3.33%-4.15%	**8,383,371**	–
2019 Cinda Xinze-I-3 ABS	(18)	9,920,000	RMB	2019/6	2019/9-2022/1	3.25%-3.95%	**8,635,624**	–
2019 Cinda Xinze-I-4 ABS	(18)	9,920,000	RMB	2019/7	2019/12-2021/12	2.98%-3.90%	**8,083,227**	–
2019 Cinda Xinze-I-5 ABS	(18)	9,980,000	RMB	2019/10	2019/12-2022/5	2.90%-3.70%	**7,396,891**	–
2019 Cinda Xinze-I-6 ABS	(18)	9,930,000	RMB	2019/12	2020/9-2022/11	3.40%-3.80%	**9,939,779**	–
Total							**154,916,816**	145,255,843

VI. EXPLANATORY NOTES (continued)

56. Bonds issued (continued)

(1) The financial bonds issued by the Company have fixed coupon rates, payable annually.

(2) The tier-II capital bonds issued by the Company have a fixed coupon rate, payable annually, conditionally redeemable on the last day of the fifth year. The Company has the right to early redeem the bonds at face value in full subject to the approval of the CBIRC.

(3) The capital supplement bonds issued by Happy Life Insurance Co., Ltd., a subsidiary of the Company, have a fixed coupon rate, payable annually. The subsidiary has an option to redeem the bonds in December 2020. If the subsidiary does not exercise this option, the coupon rate of the bonds will increase by 1% per annum from January 2021 onwards. At December 31, 2019, the bonds are classified to the assets and liabilities held for sale (Note VI.76.3).

(4) The subordinate bonds and beneficiary certificates issued by Cinda Securities Co., Ltd. ("Cinda Securities"), a subsidiary of the Company, have fixed coupon rates, payable annually.

(5) The corporation bonds issued by Cinda Investment Co., Ltd. ("Cinda Investment"), a subsidiary of the Company, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the fifth year.

(6) The corporation bonds issued by Cinda Investment, a subsidiary of the Company, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rates, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the third year.

(7) The mid-term notes issued by Cinda Real Estate Co., Ltd. ("Cinda Real Estate"), a subsidiary of the Cinda Investment, have fixed coupon rates, payable annually.

(8) The corporation bonds issued by Cinda Real Estate, a subsidiary of Cinda Investment, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the third year.

(9) The corporation bonds issued by Cinda Real Estate, a subsidiary of Cinda Investment, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rates, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the second year.

(10) The financial bonds issued by Cinda Financial Leasing Co., Ltd., a subsidiary of the company, have a fixed coupon rate, payable annually.

(11) The HKD bonds issued by Cinda International holdings limited, a subsidiary of Cinda Securities Co., Ltd., 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 China Cinda Hong Kong Holdings Company Limited ("Cinda Hong Kong"), have fixed coupon rates, payable semi-annually. At any time prior to the date of maturity of the USD Notes, the issuer or Cinda Hong Kong may redeem the USD Notes, in whole or in part.

(13) USD Notes issued by China Cinda Finance Limited, a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable semi-annually. There is no early redemption option in accordance with relevant subscription agreement.

(14) The corporation bonds issued by Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the third year.

(15) The corporation bonds issued by Well Kent International Enterprises (Shenzhen) Co., Ltd., a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant corporate bonds to the subsidiary, at the end of the second year.

VI. EXPLANATORY NOTES (continued)

56. Bonds issued (continued)

(16) The financial bonds issued by Nanyang Commercial Bank (China) Limited ("NCB China"), a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually.

(17) The deposit certificates were issued by NCB China.

(18) The asset-backed securities are issued by the Company.

(19) The corporation bonds issued by Cinda Securities, a subsidiary of the Company, have fixed coupon rates, payable annually.

(20) The debt financing plans issued by Cinda Investment, a subsidiary of the Company, have fixed coupon rates, payable annually.

(21) The mid-term notes issued by Cinda Investment, a subsidiary of the Company, have fixed coupon rates, payable annually.

(22) The debt financing instruments issued by Cinda Real Estate, a subsidiary of the Cinda Investment, have fixed coupon rates, payable annually. The subsidiary shall be entitled to adjust the coupon rate, and the investors shall be entitled to sell back the relevant debt financing instruments to the subsidiary, at the end of the second year.

(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 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 back the corporation bonds in whole in May 2019 and June 2019.

(26) The subordinate notes issued by Nanyang Commercial Bank (China) Limited ("NCB China"), a subsidiary of Cinda Hong Kong, have fixed coupon rates, payable annually.

(27) The debt financing plans issued by Cinda Real Estate, a subsidiary of the Cinda Investment, have fixed coupon rates, payable annually.

(28) The asset-backed securities are issued by Cinda Real Estate, a subsidiary of the Cinda Investment.

(29) The HKD bonds issued by Cinda International holding limited, a subsidiary of Cinda Securities, have fixed coupon rates, payable semi-annually. The subsidiary and investor shall be entitled to extend the maturity date at the end of the fifth year. In July and September 2019, the investors extend the bond maturity date by 24 months through exercising the extension option.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

57. Contract liabilities

Group

	As at December 31	
	2019	2018
Sales proceeds received in advance (1)	**22,994,982**	23,486,561
Others	**1,092,054**	1,554,423
Total	**24,087,036**	25,040,984

(1) Sales proceeds received in advance

	2019	2018
At beginning of the year	**23,486,561**	13,941,442
Deferred during the year	**17,699,437**	25,004,035
Recognized as revenue during the year	**(18,191,016)**	(15,458,916)
At end of the year	**22,994,982**	23,486,561

As at December 31, 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)

VI. EXPLANATORY NOTES (continued)

58. Other liabilities

Group

	As at December 31	
	2019	2018
Other payables	**14,487,437**	12,265,735
Items in the process of clearance and settlement	**9,387,282**	4,781,470
Staff costs payable (1)	**6,548,895**	6,268,145
Risk deposit	**4,405,749**	5,132,210
Payables to interest holders of consolidated structured entities (Note VI.36)	**3,862,357**	9,199,844
Receipts in advance associated with disposal of distressed assets	**1,340,962**	678,341
Long-term payable	**1,333,437**	2,833,637
Lease liabilities	**1,236,872**	–
Sundry taxes payable	**975,741**	974,435
Provisions (2)	**921,133**	1,107,868
Deferred income related to leasing business	**770,527**	1,018,064
Receipts in advance	**359,030**	493,067
Liabilities related to insurance business	**–**	1,580,915
Liabilities with continuing involvement (Note VI.69)	**–**	1,399,434
Others	**716,069**	958,202
Total	**46,345,491**	48,691,367

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

58. Other liabilities (continued)

Group (continued)

(1) Staff costs payable

	2019 As at January 1	2019 Increase in the current year	2019 Decrease in the current year	2019 As at December 31
Wages or salaries, bonuses, allowances and subsidies	**5,669,814**	**5,275,611**	**(5,071,140)**	**5,874,285**
Social insurance	**40,373**	**319,832**	**(283,209)**	**76,996**
Defined contribution plans	**33,578**	**564,178**	**(530,037)**	**67,719**
Defined benefit plans (i)	**99,799**	**18,480**	**(636)**	**117,643**
Housing funds	**6,193**	**232,108**	**(235,690)**	**2,611**
Labor union fees and staff education expenses	**326,355**	**149,286**	**(146,796)**	**328,845**
Others	**92,033**	**360,676**	**(371,913)**	**80,796**
Total	**6,268,145**	**6,920,171**	**(6,639,421)**	**6,548,895**

	2018 As at January 1	2018 Increase in the current year	2018 Decrease in the current year	2018 As at December 31
Wages or salaries, bonuses, allowances and subsidies	5,550,303	4,891,935	(4,772,424)	5,669,814
Social insurance	84,282	287,339	(331,248)	40,373
Defined contribution plans	34,709	556,582	(557,713)	33,578
Defined benefit plans (i)	88,080	3,860	7,859	99,799
Housing funds	5,642	235,644	(235,093)	6,193
Labor union fees and staff education expenses	330,154	155,367	(159,166)	326,355
Others	1,365	338,740	(248,072)	92,033
Total	6,094,535	6,469,467	(6,295,857)	6,268,145

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

58. Other liabilities (continued)

Group (continued)

(1) Staff costs payable (continued)

(i) Defined benefit plans

Movements of retirement benefit of the Group's subsidiary NCB are as follows:

	2019	2018
At beginning of the year	**99,799**	88,080
Current service cost	**2,235**	2,260
Past service cost – plan changes	**106**	(330)
Interest cost	**2,270**	1,930
Actuarial gains/(losses) on remeasurement	**13,869**	6,094
Benefit paid	**(3,142)**	(2,734)
Exchange differences	**2,506**	4,499
At end of the year	**117,643**	99,799

Principal actuarial assumptions used are as follows:

	As at December 31	
	2019	2018
Discount rate	**1.8%**	2.3%
Expected rate of medical insurance cost increases	**6%**	6%
Expected rate of social entertainment cost increases	**0%**	0%
Expected rate of retirement souvenir cost increases	**0%**	0%
Expected rate of rental increases	**3%**	3%
Expected rate of withdrawal	**3%-18%**	3%-18%
Expected death rate	**Hong Kong Life Tables 2018**	Hong Kong Life Tables 2017

(2) Movements of provisions

	2019	2018
At beginning of the year	**1,107,868**	866,805
Provided for the year	**615,215**	964,752
Settled/Reversed	**(801,950)**	(723,689)
At end of the year	**921,133**	1,107,868

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

58. Other liabilities (continued)

Company

	As at December 31	
	2019	2018
Other payables	**4,061,205**	4,692,305
Staff costs payable (1)	**3,256,625**	3,132,482
Receipts in advance associated with disposal of distressed assets	**1,340,962**	678,341
Lease liabilities	**821,264**	–
Provisions (2)	**316,908**	617,339
Sundry taxes payable	**280,718**	364,088
Liabilities with continuing involvement (Note VI.69)	**–**	1,399,434
Others	**84,633**	81,556
Total	**10,162,315**	10,965,545

(1) Staff costs payable

	2019			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	**2,977,342**	**1,383,350**	**(1,308,305)**	**3,052,387**
Social insurance	**16,063**	**116,319**	**(75,592)**	**56,790**
Defined contribution plans	**4,007**	**191,604**	**(192,177)**	**3,434**
Housing funds	**323**	**63,931**	**(63,933)**	**321**
Labor union fees and staff education expenses	**134,106**	**48,417**	**(38,862)**	**143,661**
Others	**641**	**111,627**	**(112,236)**	**32**
Total	**3,132,482**	**1,915,248**	**(1,791,105)**	**3,256,625**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

58. Other liabilities (continued)

Company (continued)

(1) Staff costs payable (continued)

	2018			
	As at January 1	Increase in the current year	Decrease in the current year	As at December 31
Wages or salaries, bonuses, allowances and subsidies	3,036,505	1,168,391	(1,227,554)	2,977,342
Social insurance	65,061	91,776	(140,774)	16,063
Defined contribution plans	3,288	214,212	(213,493)	4,007
Housing funds	416	67,938	(68,031)	323
Labor union fees and staff education expenses	154,542	40,894	(61,330)	134,106
Others	905	(484)	220	641
Total	3,260,717	1,582,727	(1,710,962)	3,132,482

(2) Movements of provisions

	2019	2018
At beginning of the year	**617,339**	491,274
Provided for the year	**55,981**	167,518
Settled/Reversed	**(356,412)**	(41,453)
At end of the year	**316,908**	617,339

VI. EXPLANATORY NOTES (continued)

59. Share capital

Group and Company

	Year ended December 31	
	2019	2018
Authorized, issued and fully paid:		
At beginning of the year	**38,164,535**	38,164,535
Issue of shares	**–**	–
At end of the year	**38,164,535**	38,164,535

A summary of the movements of the Company's issued shares (in thousands of shares) during the year is as follows:

	2019			
	As at January 1	**Issuance**	**Transfer**	**As at December 31**
Domestic shares				
– MOF(1)	**24,596,932**	**–**	**(2,459,693)**	**22,137,239**
– NCSSF(1)	**–**	**–**	**2,459,693**	**2,459,693**
H shares	**13,567,603**	**–**	**–**	**13,567,603**
Total	**38,164,535**	**–**	**–**	**38,164,535**

	2018			
	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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

59. Share capital (continued)

Group and Company (continued)

(1) The Ministry of Finance transferred 2,459,693,232 domestic Shares to the National Council for Social Security Fund ("NCSSF") on December 27, 2019 in accordance with the Notice on fully Implementing the Work of Transferring Part of State-owned Assets to Enrich Social Security Funds (Cai Zi [2019] No.49).

As at December 31, 2019, no share of the Group was subject to lock-up restriction (As at December 31, 2018, no share of the Group was subject to lock-up restriction).

60. Other equity instruments

Group and Company

For the year ended December 31, 2019, the movements of the Company's other equity instruments were as follows:

	As at January 1, 2019		Increase		Decrease		As at December 31, 2019	
	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)	Quantity (shares) (In '000)
Preference Shares – 2016 Offshore Preference Shares	160,000	21,281,215	–	–	–	–	160,000	21,281,215
Total	160,000	21,281,215	–	–	–	–	160,000	21,281,215

The Company issued the U.S. dollar settled Non-Cumulative Perpetual Offshore Preference Shares (the "Offshore Preference Shares") on September 30, 2016. In the year of 2019, the Company distributed dividends for the Offshore Preference Shares of US$158.22 million (2018: US$158.22 million).

61. Capital reserve

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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

62. Other comprehensive income

Group

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

	Year ended December 31,	
	2019	2018
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 year	**535,521**	598,745
Amounts reclassified to profit or loss upon disposal	**(184,083)**	(47,862)
Amounts of profit or loss upon impairment	**8,461**	145,476
Income tax effect	**(53,352)**	(180,858)
	306,547	515,501
Exchange differences arising on translation of foreign operations	**(10,643)**	297,234
Share of other comprehensive income of associates and joint ventures	**260,089**	9,934
Income tax effect	**(42,764)**	(41,437)
	513,229	781,232
Items that will not be reclassified subsequently to profit or loss:		
Remeasurement of supplementary retirement benefits	**(13,869)**	(6,094)
Income tax effect	**2,288**	1,005
	(11,581)	(5,089)
Fair value changes on equity instruments designated as at fair value through other comprehensive income	**819,925**	(1,664,292)
Transfer to retained earnings	**–**	500,529
Income tax effect	**(205,129)**	291,366
	603,215	(877,486)
Other comprehensive income for the year	**1,116,444**	(96,254)
At end of the year	**(35,688)**	(1,152,132)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

62. Other comprehensive income (continued)

Company

	Year ended December 31,	
	2019	2018
At beginning of the year	**(849,991)**	(97,519)
Items that may be reclassified subsequently to profit or loss:		
Fair value changes on debt instruments at fair value through other comprehensive income		
Amounts reclassified to profit or loss upon disposal	**–**	(299)
Amounts of profit or loss upon impairment	**(18)**	18
Income tax effect	**4**	70
	(14)	(211)
Share of other comprehensive income of associates and joint ventures	**171,055**	165,749
Income tax effect	**(42,764)**	(41,437)
	128,277	124,101
Items that will not be reclassified subsequently to profit or loss:		
Fair value changes on equity instruments designated as at fair value through other comprehensive income	**820,514**	(1,669,293)
Transfer to retained earnings	**–**	500,529
Income tax effect	**(205,128)**	292,191
	615,386	(876,573)
Other comprehensive income for the year	**743,663**	(752,472)
At end of the year	**(106,328)**	(849,991)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

63. Surplus reserve

Under the PRC Laws, the Company and its domestic subsidiaries are required to transfer 10% of its net profit determined under the PRC GAAP to a non-distributable statutory surplus reserve. Appropriation to the statutory surplus reserve may cease when the balance of such reserve has reached 50% of the share capital of the entity.

64. General reserve

For the years ended December 31, 2019 and 2018, as approved by the general meetings of the Company and the board of directors meetings of its subsidiaries, the Group transferred a total of RMB918.13 million and RMB2,536.67 million, respectively to general reserve pursuant to the regulatory requirements in the PRC, among which, the Company transferred RMB549.11 million and RMB2,384.84 million, respectively to general reserve.

65. Retained earnings

During the years ended December 31, 2019 and 2018, the retained earnings of the Company were as follows:

Company

	Year ended December 31	
	2019	2018
At beginning of the year	**38,074,368**	39,090,105
Profit for the year	**6,522,636**	9,156,574
Retained earnings transferred from other comprehensive income	**–**	(375,397)
Appropriation to surplus reserve	**(652,264)**	(915,657)
Appropriation to general reserve	**(549,113)**	(2,384,843)
Dividends recognized as distribution	**(4,746,398)**	(6,496,414)
At end of the year	**38,649,229**	38,074,368

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

66. Cash and cash equivalents

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

	As at December 31	
	2019	2018
Cash	**577,491**	540,490
Balances with central banks	**9,460,038**	5,867,845
Deposits with banks and financial institutions	**49,188,108**	49,629,128
Placements with financial institutions	**9,686,980**	16,260,468
Financial assets held under resale agreements	**10,486,909**	33,768,477
Assets held for sale (1)	**3,349,811**	–
Cash and cash equivalents	**82,749,337**	106,066,408

(1) The amount is composed of cash amounting to RMB0.03 million, deposits with banks and financial institutions amounting to RMB317.23 million and financial assets held under resale agreements amounting to RMB3,032.55 million.

67. Major non-cash transactions

As part of its distressed asset management business, the Group entered into transactions of debt-to-equity swap with counterparties in the ordinary courses of business during the year. For the year ended December 31, 2019, equity instruments amounting to RMB2,328.29 million (As at December 31, 2018: RMB6,839.37 million) were swapped with debt instruments held by the Group with carrying value of RMB2,122.26 million (As at December 31, 2018: RMB6,627.81 million).

As part of the distressed asset management business, the Group entered into transactions of equity swap with counterparties in the ordinary courses of business during the year. For year ended December 31, 2019, equity instruments amounting to RMB1,626.66 million (As at December 31, 2018: RMB7,160.30 million) were swapped with equity instruments held by the Group with cost of RMB734.86 million (As at December 31, 2018: RMB6,404.87 million).

VI. EXPLANATORY NOTES (continued)

68. Contingent liabilities and commitments

(1) Legal proceedings

Group and Company

The Company and its subsidiaries are involved as defendants in certain lawsuits arising from their normal business operations. As at December 31, 2019 and 2018, total claim amounts of pending litigations were RMB2,473.81 million and RMB2,243.71 million for the Group and RMB580.31 million and RMB627.27 million for the Company respectively, and provisions of RMB54.93 million and RMB136.34 million for the Group and RMB0 million and RMB86.50 million for the Company respectively were made based on court judgements or the advice of legal counsels. The directors of the Company believe that the final result of these lawsuits will not have a material impact on the financial position or operations of the Group and the Company.

The total claim amount of pending litigations for the Group as at December 31, 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 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. 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 be paid 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. In December 2019, the Supreme People's Court issued the civil ruling that the case should be retried, and the execution of the original judgment should be suspended during the retrial. As of the reporting date, the retrial petition of the lawsuit was still in review. 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)

VI. EXPLANATORY NOTES (continued)

68. Contingent liabilities and commitments (continued)

(2) Credit commitments

	As at December 31	
	2019	2018
Bank bill acceptance	**15,145,363**	16,025,796
Loan commitments (i)	**16,427,261**	14,005,787
Letters of guarantee issued	**3,294,722**	5,385,417
Letters of credit issued	**3,092,269**	3,320,298
Undrawn credit card commitments	**593,359**	669,394
Others	**380,927**	9,512
Total	**38,933,901**	39,416,204
Impairment of credit commitments	**(91,407)**	(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 December 31, 2019, the unconditionally revocable loan commitments of the Group amounted to RMB93,668.23 million (December 31, 2018: RMB59,877.65 million).

(3) Capital commitments

Group

	As at December 31	
	2019	2018
Contracted but not provided for		
Commitments for the acquisition of property and equipment	**69,122**	94,109
Total	**69,122**	94,109

VI. EXPLANATORY NOTES (continued)

68. Contingent liabilities and commitments (continued)

(3) Capital commitments (continued)

Company

	As at December 31	
	2019	2018
Contracted but not provided for		
Commitments for the acquisition of property and equipment	**2,128**	799
Total	**2,128**	799

(4) Other commitments

As a result of the purchase commitments and guarantees provided by the Group, the Group has the ability to use its power over the structured entities to affect their returns and is exposed to significant variable returns and the structured entities. These structured entities have been consolidated into the Group's financial statements. Please refer to Note VI.36 Interests in consolidated structured entities.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

69. Transfers of financial assets

(1) Repurchase agreements

The Group entered into sales agreements with certain counterparties on its financial assets, in which the Group was subject to simultaneous agreements with commitments to repurchase these financial assets at specified future dates and prices. As stipulated in the repurchase agreements, there is no transfer of the legal ownership of these financial assets to the counterparties during the covered period. However, the Group is not allowed to sell or pledge these financial assets during the covered period unless both parties mutually agree with such arrangement. Accordingly, the Group has determined that it retains substantially all the risks and rewards of these financial assets and therefore these financial assets have not been derecognized from the financial statements but regarded as "collateral" for the secured lending from the counterparties. Normally, the counterparties could only claim from the collateral when there is an event of default on the secured lending.

	Carrying amount of pledged assets December 31		Related liabilities December 31	
	2019	2018	**2019**	2018
Financial assets at amortized cost	**4,586,420**	3,704,759	**4,357,099**	3,577,746
Financial assets at fair value through profit or loss	**1,791,560**	876,971	**1,791,560**	876,200
Financial assets at fair value through other comprehensive income	**13,635,567**	7,779,561	**12,846,266**	7,514,603
Loans to margin clients	**500,665**	1,054,368	**500,665**	1,001,658
Total	**20,514,212**	13,415,659	**19,495,590**	12,970,207

VI. EXPLANATORY NOTES (continued)

69. Transfers of financial assets (continued)

(2) 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 control 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 December 31, 2019, the Group' s carrying amount of transferred assets that did not qualify for derecognition was RMB53,952.19 million (December 31, 2018: RMB35,934.44 million), and the carrying amount of their associated liabilities was RMB64,493.89 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 nil as at December 31, 2019 (December 31, 2018: RMB588.51 million), which also approximated to the Group's maximum exposure to loss.

(3) 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 year ended December 31, 2019, the carrying amount at the time of transfer of the original financial assets, which the Group determined that it has continuing involvement, was RMB6,301.00 million (for the year ended December 31, 2018: Nil). As at December 31, 2019, the carrying amount of continuing involvement assets recognized by the Group was RMB237.39 million (As at December 31, 2018: RMB1,399.43 million) and the carrying amount of continuing involvement liabilities was nil (As at December 31, 2018: RMB1,399.43 million), which were recognized in other assets and other liabilities respectively.

VI. EXPLANATORY NOTES (continued)

70. 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 businesses and other debt businesses and equity businesses related to distressed assets and distressed entities in comprehensive operation method; and (4) custody 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% of the Group's revenue.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Segment information (continued)

	Distressed asset management	Financial services	Elimination	Consolidated
Year ended December 31, 2019				
Income from distressed debt assets at amortized cost	16,403,571	–	–	16,403,571
Fair value changes on distressed debt assets	13,645,346	–	–	13,645,346
Fair value changes on other financial instruments	14,704,357	503,722	(367,997)	14,840,082
Investment income	(316,469)	783,163	(2,205)	464,489
Interest income	8,934,854	17,313,248	(846,476)	25,401,626
Revenue from sales of inventories	18,169,404	–	–	18,169,404
Commission and fee income	514,966	3,301,017	(279,425)	3,536,558
Net gains on disposal of subsidiaries, associates and joint ventures	879,080	2,524	–	881,604
Other income and other net gains or losses	2,719,228	139,447	(54,463)	2,804,212
Total	75,654,337	22,043,121	(1,550,566)	96,146,892
Interest expense	(35,941,760)	(9,452,412)	1,027,619	(44,366,553)
Employee benefits	(3,111,593)	(2,890,347)	–	(6,001,940)
Purchases and changes in inventories	(12,869,033)	–	263	(12,868,770)
Commission and fee expense	(313,728)	(428,910)	23,058	(719,580)
Taxes and surcharges	(493,721)	(83,306)	–	(577,027)
Depreciation and amortization expenses	(756,826)	(861,748)	59,901	(1,558,673)
Other expenses	(2,475,457)	(1,164,194)	98,666	(3,540,985)
Impairment losses on assets	(6,113,839)	(2,816,306)	5,912	(8,924,233)
Total	(62,075,957)	(17,697,223)	1,215,419	(78,557,761)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Segment information (continued)

	Distressed asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	(229,732)	(7,808)	–	(237,540)
Profit before share of results of associates and joint ventures and tax	13,348,648	4,338,090	(335,147)	17,351,591
Share of results of associates and joint ventures	1,888,914	31,935	–	1,920,849
Profit before tax from continuing operations	15,237,562	4,370,025	(335,147)	19,272,440
Income tax expense				(5,754,622)
Profit for the year from continuing operations				13,517,818
Profit after tax for the year from a discontinued operation				1,500,399
Capital expenditure	6,940,419	1,712,098	–	8,652,517
As at December 31, 2019				
Segment assets	945,229,023	535,673,814	(35,823,591)	1,445,079,246
Including: Interests in associates and joint ventures	72,612,763	393,526	–	73,006,289
Assets held for sale	–	61,394,178	–	61,394,178
Unallocated assets				6,756,583
Total assets				1,513,230,007
Segment liabilities	832,929,548	461,547,993	(31,985,719)	1,262,491,822
Liabilities held for sale	–	57,924,139	–	57,924,139
Unallocated liabilities				4,403,585
Total liabilities				1,324,819,546

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Segment information (continued)

	(Restated)			
	Distressed asset management	Financial services	Elimination	Consolidated
Year ended December 31, 2018				
Income from distressed debt assets at amortized cost	19,308,309	–	–	19,308,309
Fair value changes on distressed debt assets	11,451,465	–	–	11,451,465
Fair value changes on other financial instruments	15,242,757	862,119	(19,920)	16,084,956
Investment income	152,056	3,990	(3,148)	152,898
Interest income	9,667,989	16,018,169	(680,459)	25,005,699
Revenue from sales of inventories	17,446,425	–	–	17,446,425
Commission and fee income	551,330	3,492,910	(394,418)	3,649,822
Net gains on disposal of subsidiaries, associates and joint ventures	1,550,907	–	–	1,550,907
Other income and other net gains or losses	3,414,699	81,750	(43,551)	3,452,898
Total	78,785,937	20,458,938	(1,141,496)	98,103,379
Interest expense	(38,441,916)	(8,580,720)	736,141	(46,286,495)
Employee benefits	(2,757,211)	(2,613,308)	–	(5,370,519)
Purchases and changes in inventories	(11,389,890)	–	7,665	(11,382,225)
Commission and fee expense	(488,834)	(372,894)	11,484	(850,244)
Taxes and surcharges	(542,875)	(81,883)	–	(624,758)
Depreciation and amortization expenses	(580,664)	(359,094)	–	(939,758)
Other expenses	(2,331,038)	(1,606,754)	173,760	(3,764,032)
Impairment losses on assets	(5,716,334)	(2,439,844)	–	(8,156,178)
Total	(62,248,762)	(16,054,497)	929,050	(77,374,209)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

70. Segment information (continued)

	(Restated)			
	Distressed asset management	Financial services	Elimination	Consolidated
Change in net assets attributable to other holders of consolidated structured entities	(386,942)	(132,833)	–	(519,775)
Profit before share of results of associates and joint ventures and tax	16,150,233	4,271,608	(212,446)	20,209,395
Share of results of associates and joint ventures	2,457,675	30,773	–	2,488,448
Profit before tax from continuing operations	18,607,908	4,302,381	(212,446)	22,697,843
Income tax expense				(6,951,885)
Profit for the year from continuing operations				15,745,958
Profit/(loss) after tax for the year from a discontinued operation				(3,866,049)
Capital expenditure	2,850,171	641,459	–	3,491,630
As at December 31, 2018				
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	849,423,927	494,516,489	(32,889,726)	1,311,050,690
Unallocated liabilities				6,140,053
Total liabilities				1,317,190,743

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Related party transactions

(1) The MOF

Group

As at December 31, 2019, the MOF directly owned 58.00% (As at 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 had entered into the following transactions with the MOF in its ordinary course of business:

The Group had the following balances with the MOF:

	As at December 31	
	2019	2018
Financial assets at fair value through other comprehensive income	**23,418,637**	16,227,033
Financial assets at amortized cost	**3,787,218**	3,867,294
Accounts receivable	**1,597**	1,597
Financial assets at fair value through profit or loss	**–**	658,429

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

	Year ended December 31	
	2019	2018
Interest income	**779,012**	580,472
Investment income	**31,331**	17,154

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Related party transactions (continued)

(1) The MOF (continued)

Company

The Company had the following balances with the MOF:

	As at December 31	
	2019	2018
Accounts receivable	**1,597**	1,597

For the years ended December 31, 2019 and 2018, the Company had no transaction with the MOF.

(2) Subsidiaries

The Company had the following balances with its subsidiaries:

	As at December 31	
	2019	2018
Amounts due from subsidiaries	**44,912,818**	37,943,416
Financial assets at fair value through profit or loss	**2,485,202**	2,694,721
Financial assets at amortized cost	**689,375**	936,308
Lease liabilities	**671,681**	–
Right-of-use assets	**663,344**	–
Bonds issued	**378,751**	407,844
Other payables	**131,990**	129,491
Property and equipment	**16,254**	16,836
Accounts payable	**788**	1,633

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Related party transactions (continued)

(2) Subsidiaries (continued)

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

	Year ended December 31	
	2019	2018
Interest income	**1,468,572**	1,211,367
Fair value changes on other financial instruments	**298,159**	48,463
Interest expense	**149,597**	85,101
Depreciation expenses of right-of-use assets	**126,781**	–
Impairment losses on assets	**101,279**	143,554
Other expenses	**99,593**	238,516
Dividend income	**35,605**	1,269,735
Rental income	**29,559**	29,913
Fair value changes on distressed debt assets	**29,387**	38,383
Commission and fee expense	**18,980**	4,701
Depreciation and amortisation expenses	**582**	582
Other income and other net gains or losses	**–**	19,990

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

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

Group

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

	As at December 31	
	2019	2018
Loans and advances to customers	**9,720,108**	11,148,825
Other payables	**261,448**	271,135
Risk deposit	**188,664**	97,500
Other receivables	**49,810**	59,113
Dividend receivable	**21,940**	174,978
Deferred income related to leasing business	**21,839**	13,277
Accounts receivable	**2,480**	1,950

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

	Year ended December 31	
	2019	2018
Dividend income	**1,167,372**	371,422
Interest income	**901,057**	1,098,602
Commission and fee income	**23,380**	21,373
Rental income	**–**	32,707

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Related party transactions (continued)

(3) Associates and joint ventures (continued)

Company

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

	As at December 31	
	2019	2018
Dividend receivable	–	164,571

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

	Year ended December 31	
	2019	2018
Dividend income	**219,665**	200,025

(4) Government related entities

Other than those disclosed above, the Group also entered into transactions with other government related entities. These transactions are entered into under normal commercial terms and conditions.

Management considers that transactions with government related entities are activities conducted in the ordinary course of business, and that the dealings of the Group have not been significantly or unduly affected by the fact that both the Group and those entities are government related. The Group has also established pricing policies for products and services and such pricing policies do not depend on whether or not the customers are government related entities.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

71. Related party transactions (continued)

(5) Defined contribution plans

Group

The Group had the following transactions with the defined contribution plans set up by the Company:

	Year ended December 31	
	2019	2018
Contribution to defined contribution plans	**216,385**	197,225

Company

The Company had the following transactions with the defined contribution plans:

	Year ended December 31	
	2019	2018
Contribution to defined contribution plans	**91,578**	113,571

(6) Defined benefit plans

Group

Movements of retirement benefits of the Group due to its subsidiary, NCB:

	Year ended December 31	
	2019	2018
Current service cost	**2,235**	2,260

(7) During the year, the Group and the Company did not conduct any connected transactions or continuing connected transactions required to be reported, announced or approved by independent shareholders under Chapter 14A “Connected Transactions” of the Listing Rules.

VI. EXPLANATORY NOTES (continued)

72. Financial risk management

Overview

The Group's primary objectives of risk management are to ensure (1) the prudent operation and sound business development of the Group; (2) the execution of significant decisions to achieve business targets and ensure operational efficiency; and (3) that risks are managed within a range consistent with our strategies and business targets. Based on this, the Group has designed a series of risk management policies and set up controls to identify, analyze, monitor and report risks by means of relevant and up-to-date information systems. The Group regularly reviews and revises its risk management policies and systems to reflect changes in markets, products and emerging best practices.

The most significant types of risks to the Group are credit risk, market risk and liquidity risk. Market risk includes interest rate risk, currency risk and other price risk.

Risk Management Framework

The Board of Directors is responsible for establishing the overall risk appetite of the Group and reviewing and approving the risk management objectives and strategies. The Board has established the Risk Management Committee, which is responsible for developing and monitoring the Group's risk strategy and risk management policies and evaluating the Group's overall risk exposures regularly.

Within this framework, the Group's senior management has the overall responsibility for managing all aspects of risks, including implementing risk management strategies, initiatives and credit policies and approving internal policies, measures and procedures relating to risk management. The Risk Management Department and other relevant functional units are responsible for monitoring financial risks.

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk

72.1.1 Credit risk management

Credit risk represents the potential loss that may arise from a customer or counterparty's failure to meet its obligation. Credit risk can also arise from operational failures that result in an unauthorized or inappropriate advance, commitment or investment of funds. The Group's major credit risks arise from financial assets at amortized cost, loans and advance to customers and other guarantees. There is no significant difference of the credit risk of distressed debt assets at amortized cost and other debt assets. Risk management of other distressed debt assets at fair value through profit or loss is detailed in Note VI.72.4 Risk management of distressed assets.

The Group implements the following measures to mitigate credit risk:

- Referencing to internal and external credit rating information to manage the credit quality of counterparties, and selecting counterparties with acceptable credit quality and repayment ability to balance credit risk and return;

- Obtaining effective collateral from counterparties to mitigate risks.

In particular, credit risk relating to investment assets such as debt securities and trust products is managed by selecting counterparties with acceptable credit quality, balancing credit risk and return, referencing to both internal and external credit rating information where available and by applying appropriate limits.

72.1.2 Measurement of ECL

Refer to Note IV.7.4 Impairment of financial assets.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.3 Maximum exposure to credit risk before taking into account any collateral held or other credit enhancements

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

Group

	As at December 31	
	2019	2018
Balances with central banks	**18,424,560**	16,111,421
Deposits with banks and financial institutions	**70,837,593**	80,102,582
Deposits with exchanges and others	**1,323,359**	967,699
Placements with banks and financial institutions	**11,152,300**	18,470,497
Financial assets at fair value through profit or loss	**110,527,227**	134,400,443
Financial assets held under resale agreements	**13,212,454**	33,805,064
Financial assets at fair value through other comprehensive income	**132,575,402**	113,420,552
Financial assets at amortized cost	**227,645,067**	252,416,716
Loans and advance to customers	**337,859,064**	336,616,502
Accounts receivable	**2,402,725**	4,151,934
Other assets	**14,872,719**	14,341,340
Subtotal	**940,832,470**	1,004,804,750
Off-balance sheet		
Bank bill acceptance	**15,145,363**	16,025,796
Loan commitments	**16,427,261**	14,005,787
Letters of guarantee issued and other credit commitments	**7,361,277**	9,384,621
Subtotal	**38,933,901**	39,416,204
Total	**979,766,371**	1,044,220,954

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

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

Company

	As at December 31	
	2019	2018
Balances with central banks	**2,399**	2,381
Deposits with banks and financial institutions	**12,018,928**	11,466,189
Financial assets at fair value through profit or loss	**81,636,664**	81,957,718
Financial assets held under resale agreements	**10,479,747**	21,091,389
Financial assets at amortized cost	**187,365,891**	216,392,215
Accounts receivable	**552,805**	535,573
Amounts due from subsidiaries	**43,596,732**	36,794,063
Other assets	**3,992,197**	6,092,193
Total	**339,645,363**	374,331,721

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 December 31, 2019 amounted to RMB197,621.33 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)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

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

Group

	As at December 31	
	2019	2018
Distressed debt assets	**198,124,431**	227,906,360
Loans and advances to customers	**331,122,128**	333,662,931
Subtotal	**529,246,559**	561,569,291
Allowance for impairment losses		
Distressed debt assets	**(11,510,610)**	(12,887,465)
Loans and advances to customers	**(8,270,412)**	(7,661,600)
Subtotal	**(19,781,022)**	(20,549,605)
Net carrying amounts		
Distressed debt assets	**186,613,821**	215,018,895
Loans and advances to customers	**322,851,716**	326,001,331
Total	**509,465,537**	541,020,226

Company

	As at December 31	
	2019	2018
Distressed debt assets	**198,715,598**	228,859,955
Allowance for impairment losses	**(11,412,402)**	(12,904,752)
Net carrying amounts	**187,303,196**	215,955,203

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

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

By geographical area

Group

Area	As at December 31			
	2019		2018	
	Gross amount	**%**	Gross amount	%
Overseas	**181,852,321**	**34.3**	159,281,362	28.4
Central Region	**78,112,858**	**14.8**	89,430,989	15.9
Yangtze River Delta	**71,233,443**	**13.5**	94,447,354	16.8
Bohai Rim	**65,191,623**	**12.3**	67,963,286	12.1
Pearl River Delta	**63,336,690**	**12.0**	79,228,387	14.1
Western Region	**62,523,186**	**11.8**	62,676,447	11.2
Northeastern Region	**6,996,438**	**1.3**	8,541,466	1.5
Total	**529,246,559**	**100.0**	561,569,291	100.0

Company

Area	As at December 31			
	2019		2018	
	Gross amount	**%**	Gross amount	%
Central Region	**57,263,732**	**28.8**	59,838,564	26.1
Bohai Rim	**47,667,325**	**24.0**	43,459,529	19.0
Yangtze River Delta	**36,009,498**	**18.1**	49,589,843	21.7
Western Region	**30,503,536**	**15.4**	36,475,624	15.9
Pearl River Delta	**24,908,364**	**12.5**	35,465,226	15.5
Northeastern Region	**2,363,143**	**1.2**	4,031,169	1.8
Total	**198,715,598**	**100.0**	228,859,955	100.0

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

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

By geographical area (continued)

Notes:

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

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

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

By industry

Group

	As at December 31			
	2019		2018	
Industry	**Gross amount**	**%**	Gross amount	%
Corporate business				
Real estate	**200,997,143**	**38.0**	214,329,344	38.3
Manufacturing	**72,867,907**	**13.8**	71,054,990	12.7
Leasing and commercial services	**52,368,521**	**9.9**	61,944,527	11.0
Finance	**24,073,846**	**4.5**	32,203,821	5.7
Transportation, logistics and postal services	**17,707,176**	**3.3**	22,541,922	4.0
Production and supply of power, heat, gas and water	**15,940,369**	**3.0**	14,360,850	2.6
Mining	**15,143,210**	**2.9**	29,450,420	5.2
Construction	**14,849,816**	**2.8**	16,947,569	3.0
Others	**61,013,509**	**11.5**	53,612,902	9.5
Subtotal	**474,961,497**	**89.7**	516,446,345	92.0
Personal business				
Mortgage	**26,318,715**	**5.0**	25,355,662	4.5
Personal consumption loans	**20,507,932**	**3.9**	13,594,368	2.4
Subtotal	**46,826,647**	**8.9**	38,950,030	6.9
Loans to margin clients	**7,458,415**	**1.4**	6,172,916	1.1
Total	**529,246,559**	**100.0**	561,569,291	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

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

By industry (continued)

Company

Industry	As at December 31 2019 Gross amount	2019 %	2018 Gross amount	2018 %
Real estate	**97,974,379**	**49.3**	110,379,126	48.3
Manufacturing	**25,859,350**	**13.0**	26,423,028	11.5
Wholesale and retail trade	**19,143,834**	**9.6**	15,647,767	6.8
Mining	**12,642,255**	**6.4**	23,727,543	10.4
Leasing and commercial services	**10,717,913**	**5.4**	10,066,096	4.4
Construction	**8,918,543**	**4.5**	9,635,787	4.2
Transportation, logistics and postal services	**4,848,924**	**2.4**	8,691,354	3.8
Others	**18,610,400**	**9.4**	24,289,254	10.6
Total	**198,715,598**	**100.0**	228,859,955	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

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

By security type

Group

	As at December 31			
	2019		2018	
	Gross amount	%	Gross amount	%
Unsecured	**118,900,076**	**22.5**	115,608,682	20.6
Guaranteed	**69,657,240**	**13.2**	91,657,442	16.3
Mortgaged	**239,447,311**	**45.2**	251,224,086	44.7
Pledged	**101,241,932**	**19.1**	103,079,081	18.4
Total	**529,246,559**	**100.0**	561,569,291	100.0

Company

	As at December 31			
	2019		2018	
	Gross amount	%	Gross amount	%
Unsecured	**6,188,898**	**3.1**	7,204,880	3.1
Guaranteed	**20,111,948**	**10.1**	32,352,092	14.1
Mortgaged	**139,585,515**	**70.3**	145,810,672	63.8
Pledged	**32,829,237**	**16.5**	43,492,311	19.0
Total	**198,715,598**	**100.0**	228,859,955	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

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

Group

	Gross amount as at December 31, 2019					Gross amount as at December 31, 2018				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	8,392,430	4,139,551	13,779	541,852	13,087,612	7,299,782	1,492,118	3,598,955	705,498	13,096,353
Loans and advances to customers	4,728,498	966,062	1,490,807	1,381,315	8,566,682	1,234,180	1,871,500	4,338,209	681,171	8,125,060
Total	13,120,928	5,105,613	1,504,586	1,923,167	21,654,294	8,533,962	3,363,618	7,937,164	1,386,669	21,221,413

Company

	Gross amount as at December 31, 2019					Gross amount as at December 31, 2018				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	8,392,430	4,139,551	13,779	348,327	12,894,087	7,299,782	1,492,118	3,626,436	511,457	12,929,793

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

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

Group

	As at December 31	
	2019	2018
Neither past due nor impaired	**507,296,036**	540,347,878
Past due but not impaired (1)	**8,769,717**	6,823,058
Impaired (2)	**13,180,806**	14,398,355
Subtotal	**529,246,559**	561,569,291
Allowance for impairment losses	**(19,781,022)**	(20,549,065)
Net carrying amount	**509,465,537**	541,020,226

Company

	As at December 31	
	2019	2018
Neither past due nor impaired	**185,821,511**	215,930,162
Past due but not impaired (1)	**7,188,035**	5,772,437
Impaired (2)	**5,706,052**	7,157,356
Subtotal	**198,715,598**	228,859,955
Allowance for impairment losses	**(11,412,402)**	(12,904,752)
Net carrying amount	**187,303,196**	215,955,203

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

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

(1) Past due but not impaired

Group

	Gross amount as at December 31, 2019					Gross amount as at December 31, 2018				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	6,688,035	500,000	–	–	7,188,035	5,772,437	–	–	–	5,772,437
Loans and advances to customers	1,581,682	–	–	–	1,581,682	1,050,619	2	–	–	1,050,621
Total	8,269,717	500,000	–	–	8,769,717	6,823,056	2	–	–	6,823,058

Company

	Gross amount as at December 31, 2019					Gross amount as at December 31, 2018				
	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total	Up to 90 days (Including 90 days)	91 to 360 days (Including 360 days)	361 days to 3 years (Including 3 years)	Over 3 years	Total
Distressed debt assets	6,688,035	500,000	–	–	7,188,035	5,772,437	–	–	–	5,772,437

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

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

(2) Impaired

Group

	As at December 31, 2019		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	**5,899,577**	**(3,339,700)**	**2,559,877**
Loans and advances to customers	**7,281,229**	**(3,377,581)**	**3,903,648**
Total	**13,180,806**	**(6,717,281)**	**6,463,525**

	As at December 31, 2018		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	7,323,917	(4,301,300)	3,022,617
Loans and advances to customers	7,074,438	(3,034,137)	4,040,301
Total	14,398,355	(7,335,437)	7,062,918

Company

	As at December 31, 2019		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	**5,706,052**	**(3,190,972)**	**2,515,080**

	As at December 31, 2018		
	Gross amount	Allowance for impairment losses	Net carrying amount
Distressed debt assets	7,157,356	(4,183,277)	2,974,079

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

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

(2) Impaired (continued)

Group

	As at December 31	
	2019	2018
Distressed debt assets		
Impaired	**5,899,577**	7,323,917
– Portion covered	**5,876,865**	5,589,220
– Portion not covered	**22,712**	1,734,697
Impaired as % of total distressed debt assets	**3.0**	3.2
Fair value of collateral	**5,887,278**	7,043,338
Loans and advances to customers		
Impaired	**7,281,229**	7,074,438
– Portion covered	**5,598,368**	5,559,858
– Portion not covered	**1,682,861**	1,514,580
Impaired as % of total loans and advances to customers	**2.2**	2.1
Fair value of collateral	**6,451,349**	6,520,677

Company

	As at December 31	
	2019	2018
Distressed debt assets		
Impaired	**5,706,052**	7,157,356
– Portion covered	**5,683,340**	5,398,588
– Portion not covered	**22,712**	1,758,768
Impaired as % of total distressed debt assets	**2.9**	3.1
Fair value of collateral	**5,693,753**	6,997,458

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.6 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:

Distressed debt assets

Group

	As at December 31			
	2019		2018	
Area	Gross amount	%	Gross amount	%
Pearl River Delta	**3,332,824**	**56.5**	1,939,557	26.5
Yangtze River Delta	**1,285,313**	**21.8**	2,395,025	32.6
Bohai Rim	**507,669**	**8.6**	2,109,344	28.9
Northeastern Region	**438,151**	**7.4**	337,772	4.6
Western Region	**331,977**	**5.6**	542,219	7.4
Central Region	**3,643**	**0.1**	–	–
Total	**5,899,577**	**100.0**	7,323,917	100.0

Company

	As at December 31			
	2019		2018	
Area	Gross amount	%	Gross amount	%
Pearl River Delta	**3,332,824**	**58.4**	1,967,038	27.4
Yangtze River Delta	**1,285,313**	**22.5**	2,395,025	33.5
Northeastern Region	**438,151**	**7.7**	337,772	4.7
Western Region	**331,977**	**5.8**	542,219	7.6
Bohai Rim	**314,144**	**5.5**	1,915,302	26.8
Central Region	**3,643**	**0.1**	–	–
Total	**5,706,052**	**100.0**	7,157,356	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

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

(2) Impaired (continued)

Loans and advances to customers

Group

	As at December 31			
	2019		2018	
Area	Gross amount	%	Gross amount	%
Pearl River Delta	2,833,018	38.8	1,087,892	15.4
Overseas	1,191,407	16.4	1,699,703	24.0
Bohai Rim	1,133,474	15.6	540,354	7.6
Western Region	852,597	11.7	2,068,182	29.3
Northeastern Region	592,276	8.1	713,143	10.1
Central Region	448,066	6.2	588,601	8.3
Yangtze River Delta	230,391	3.2	376,563	5.3
Total	7,281,229	100.0	7,074,438	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.7 Credit quality of investment products

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

Group

	As at December 31	
	2019	2018
Neither past due nor impaired (1)	**267,230,444**	265,423,182
Past due but not impaired (2)	**11,969,437**	12,516,487
Impaired (3)	**6,554,016**	9,322,192
Subtotal	**285,753,897**	287,261,861
Allowance for impairment losses	**(1,441,574)**	(1,877,356)
Net carrying amounts	**284,312,323**	285,384,505

Company

	As at December 31	
	2019	2018
Neither past due nor impaired (1)	**67,498,577**	63,843,706
Past due but not impaired	**11,960,991**	12,502,951
Impaired	**2,476,767**	6,348,638
Subtotal	**81,936,335**	82,695,295
Allowance for impairment losses	**(58,528)**	(134,875)
Net carrying amounts	**81,877,807**	82,560,420

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.7 Credit quality of investment products (continued)

(1) Neither past due nor impaired

Group

	As at December 31, 2019				As at December 31, 2018			
	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	5,968,207	3,786,207	54,737,515	64,491,929	4,826,641	3,924,588	41,063,983	49,815,212
Public sector and quasi-government bonds	1,044	–	5,055,750	5,056,794	280,475	2,109,196	12,613,925	15,003,596
Financial institution bonds	501,428	1,776,449	48,995,192	51,273,069	541,504	3,717,371	41,427,553	45,686,428
Corporate bonds	5,086,983	579,971	23,786,945	29,453,899	5,697,048	2,461,838	18,300,577	26,459,463
Trust products and rights to trust assets	11,711,825	12,994,353	–	24,706,178	18,081,745	16,230,820	–	34,312,565
Wealth management products	1,475,898	–	–	1,475,898	2,962,501	–	–	2,962,501
Asset management plans	1,682,059	608,811	–	2,290,870	10,660,652	910,731	–	11,571,383
Asset-backed securities	564,133	–	–	564,133	927,070	708,787	–	1,635,857
Derivative financial assets	593,028	–	–	593,028	617,750	–	–	617,750
Embedded derivatives debts	744,665	–	–	744,665	1,709,681	–	–	1,709,681
Debt investments	17,607,515	18,781,385	–	36,388,900	9,952,213	6,096,157	–	16,048,370
Mixed fund investments	46,917,208	–	–	46,917,208	57,743,378	–	–	57,743,378
Interbank negotiate certificate of deposit	59,162	–	–	59,162	39,246	–	–	39,246
Others	3,214,711	–	–	3,214,711	1,345,657	472,095	–	1,817,752
Subtotal	96,127,866	38,527,176	132,575,402	267,230,444	115,385,561	36,631,583	113,406,038	265,423,182
Allowance for impairment losses	–	(491,353)	–	(491,353)	–	(550,156)	–	(550,156)
Total	96,127,866	38,035,823	132,575,402	266,739,091	115,385,561	36,081,427	113,406,038	264,873,026

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.7 Credit quality of investment products (continued)

(1) Neither past due nor impaired (continued)

Company

	As at December 31, 2019				As at December 31, 2018			
	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
Financial institution bonds	501,428	–	–	501,428	–	–	–	–
Corporate bonds	–	–	–	–	541,504	–	–	541,504
Trust plans and rights to trust assets	6,457,791	252,828	–	6,710,619	5,131,935	–	–	5,131,935
Asset management plans	495,159	–	–	495,159	1,187,880	–	–	1,187,880
Asset-backed securities	309,700	–	–	309,700	661,744	690,734	–	1,352,478
Debt investments	17,607,515	–	–	17,607,515	9,945,194	–	–	9,945,194
Mixed fund investments	38,979,278	–	–	38,979,278	43,815,761	–	–	43,815,761
Others	2,894,878	–	–	2,894,878	1,868,954	–	–	1,868,954
Subtotal	67,245,749	252,828	–	67,498,577	63,152,972	690,734	–	63,843,706
Allowance for impairment losses	–	(13,274)	–	(13,274)	–	(89,621)	–	(89,621)
Total	67,245,749	239,554	–	67,485,303	63,152,972	601,113	–	63,754,085

As at December 31, 2019, the gross amount of neither past due nor impaired investment products at fair value through other comprehensive income was RMB132,575.40 million, and the allowance of RMB60.19 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, and the allowance of RMB54.87 million was recognized in other comprehensive income.

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.7 Credit quality of investment products (continued)

(2) Past due but not impaired

As at December 31, 2019, investment products of the Group were financial assets at fair value through profit or loss. The gross amount of investment products was RMB11,969.44 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 December 31, 2019, the gross amount of the impaired investment products at fair value through profit or loss was RMB2,429.92 million, and the fair value loss of RMB1,329.85 million was recognized. The impairment of the impaired investment products at fair value through other comprehensive income has been fully accrued, and the allowance of RMB160.44 million was recognized in other comprehensive income. The gross amount of the impaired other debt instruments at amortized cost was RMB4,124.09 million, and the allowance of RMB950.22 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 the 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 the allowance of RMB1,317.20 million was recognized.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.8 Investment products analyzed by credit rating from reputable rating agencies

Group

	As at December 31, 2019						As at December 31, 2018					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Government bonds	4,557,937	38,054,765	588,810	-	21,290,350	64,491,862	5,171,912	27,726,385	15,747,952	1,168,801	–	49,815,050
Public sector and quasi-government bonds	2,205,304	-	-	-	2,851,490	5,056,794	8,314,326	3,478	6,569,963	–	115,824	15,003,591
Financial institution bonds	4,204,237	9,169,164	29,999,791	7,899,514	-	51,272,706	3,700,669	5,657,517	24,419,886	10,411,963	1,495,484	45,685,519
Corporate bonds	7,466,445	1,355,500	10,375,855	5,978,218	4,263,787	29,439,805	14,208,603	1,759,689	3,437,319	3,445,345	3,608,746	26,459,702
Trust products and rights to trust assets	-	-	-	239,554	27,800,736	28,040,290	642,061	–	–	1,436,840	37,930,629	40,009,530
Wealth management products	-	-	-	-	1,475,898	1,475,898	–	–	–	–	2,962,501	2,962,501
Asset management plans	-	-	-	-	2,280,276	2,280,276	–	–	733,602	–	10,813,733	11,547,335
Asset-backed securities	-	-	-	-	564,133	564,133	18,049	–	–	–	1,528,182	1,546,231
Debt investments	-	-	-	-	42,780,895	42,780,895	–	–	–	–	20,558,152	20,558,152
Mixed fund investments	-	-	-	-	54,111,022	54,111,022	–	–	–	–	67,610,903	67,610,903
Derivative financial assets	-	-	-	-	593,028	593,028	–	–	–	–	617,750	617,750
Embedded derivatives debts	-	-	-	-	744,665	744,665	–	–	–	–	1,709,681	1,709,681
Interbank negotiate certificate of deposit	-	-	-	-	59,162	59,162	–	–	–	–	39,246	39,246
Others	-	-	-	-	3,401,787	3,401,787	38,937	–	–	–	1,780,377	1,819,314
Total	18,433,923	48,579,429	40,964,456	14,117,286	162,217,229	284,312,323	32,094,557	35,147,069	50,908,722	16,462,949	150,771,208	285,384,505

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.1 Credit Risk (continued)

72.1.8 Investment products analyzed by credit rating from reputable rating agencies (continued)

Company

	As at December 31, 2019						As at December 31, 2018					
	AAA	AA	A	Below A	Unrated	Total	AAA	AA	A	Below A	Unrated	Total
Financial institution bonds	501,428	-	-	-	-	501,428	541,504	–	–	–	–	541,504
Trust products and rights to trust assets	-	-	-	239,554	6,932,547	7,172,101	–	–	–	1,436,840	8,291,041	9,727,881
Asset management plans	-	-	-	-	495,159	495,159	–	–	–	886,790	301,090	1,187,880
Asset-backed securities	-	-	-	-	309,700	309,700	–	–	–	–	1,262,857	1,262,857
Debt investments	-	-	-	-	24,144,373	24,144,373	–	–	–	–	14,483,068	14,483,068
Mixed fund investments	-	-	-	-	46,173,092	46,173,092	–	–	–	–	53,486,687	53,486,687
Others	-	-	-	-	3,081,954	3,081,954	–	–	–	–	1,870,543	1,870,543
Total	501,428	-	-	239,554	81,136,825	81,877,807	541,504	–	–	2,323,630	79,695,286	82,560,420

72.2 Market risk

Market risk is the risk of loss, in respect of the Group's on- and off-balance sheet activities, arising from movements in market rates including interest rates, foreign exchange rates, and commodity and equity prices.

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises from the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities.

The risk of fair value and cash flow changes due to interest rate changes is mainly related to the Group's fixed rate and floating rate financial instruments.

The Group manages its interest rate risk by:

- minimizing the mismatches between contractual maturities or repricing dates of interest-generating assets and interest-bearing liabilities;
- strictly controlling the length of the debt restructuring term and strengthening the matching of the Group's liabilities with the terms and interest rate structure of the restructured distressed assets; and
- regularly performing quantitative analysis, including periodic sensitivity analysis.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

Interest rate risk (continued)

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

Group

	As at December 31, 2019						
	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	14,285,356	–	–	–	–	4,716,695	19,002,051
Deposits with banks and financial institutions	59,750,485	7,040,042	2,845,194	170,983	–	1,030,889	70,837,593
Placements with banks and financial institutions	9,196,767	1,177,215	778,318	–	–	–	11,152,300
Deposits with exchanges and others	1,323,359	–	–	–	–	–	1,323,359
Financial assets at fair value through profit or loss	5,735,157	1,962,001	8,573,894	68,119,351	931,961	326,842,219	412,164,583
Financial assets at fair value through other comprehensive income	9,018,158	14,835,453	43,842,887	61,297,584	2,385,068	5,423,815	136,802,965
Loans and advances to customers	205,062,207	43,968,089	47,327,661	39,506,994	1,360,271	633,842	337,859,064
Financial assets at amortized cost	24,921,303	12,744,713	73,068,357	116,910,694	–	–	227,645,067
Accounts receivable	–	–	–	400,000	–	2,002,725	2,402,725
Financial assets held under resale agreements	11,870,687	–	129,050	461,994	–	750,723	13,212,454
Assets held for sale	5,774,791	2,035,931	5,142,616	17,036,291	10,881,121	18,084,650	58,955,400
Other financial assets	41,628	49,617	231,904	292,221	–	14,482,385	15,097,755
Total financial assets	346,979,898	83,813,061	181,939,881	304,196,112	15,558,421	373,967,943	1,306,455,316
Borrowings from central bank	–	–	(24,761)	–	–	(986,099)	(1,010,860)
Accounts payable to brokerage clients	(11,231,975)	–	–	–	–	(3,088,369)	(14,320,344)
Due to customers	(127,974,752)	(53,385,563)	(78,323,140)	(7,389,881)	(309,498)	(7,822,932)	(275,205,766)
Deposits from banks and financial institutions	(1,480,862)	(6,429,392)	(3,032,490)	(3,081,540)	(4,776)	(128,068)	(14,157,128)
Placements from banks and financial institutions	(7,292,129)	(3,759,010)	(3,013,811)	–	–	(19,869)	(14,084,819)
Financial liabilities at fair value through profit or loss	(3,394,627)	(818,294)	(309,478)	–	–	(542,857)	(5,065,256)
Financial assets sold under repurchase agreements	(9,212,051)	(1,125,131)	(6,849,966)	(500,000)	–	(1,808,442)	(19,495,590)
Borrowings	(14,978,533)	(76,909,729)	(320,986,602)	(99,623,212)	(21,087,227)	(3,006,001)	(536,591,304)
Bonds issued	(99,293)	(10,569,779)	(69,764,775)	(112,101,319)	(106,929,018)	(5,385,382)	(304,849,566)
Accounts payable	–	–	–	–	–	(5,050,797)	(5,050,797)
Liabilities held for sale	–	(1,078)	(3,235)	(5,717,873)	(7,946,077)	(1,880,074)	(15,548,337)
Other financial liabilities	(21,834)	(28,704)	(170,274)	(456,570)	(99,550)	(34,512,061)	(35,288,993)
Total financial liabilities	(175,686,056)	(153,026,680)	(482,478,532)	(228,870,395)	(136,376,146)	(64,230,951)	(1,240,668,760)
Interest rate gap	171,293,842	(69,213,619)	(300,538,651)	75,325,717	(120,817,725)	309,736,992	65,786,556

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

Interest rate risk (continued)

Group (continued)

	As at December 31, 2018						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	14,568,786	–	–	–	–	2,083,125	16,651,911
Deposits with banks and financial institutions	61,986,509	5,458,000	11,145,421	208,665	318,151	985,836	80,102,582
Placements with banks and financial institutions	14,314,428	3,652,328	501,928	–	–	1,813	18,470,497
Deposits with exchanges and others	961,993	–	–	–	–	5,706	967,699
Financial assets at fair value through profit or loss	8,273,935	2,906,550	22,985,762	64,239,806	6,750,269	323,634,714	428,791,036
Financial assets at fair value through other comprehensive income	10,359,373	16,867,423	30,544,213	48,416,813	7,232,730	3,407,026	116,827,578
Loans and advances to customers	182,735,632	66,599,250	48,788,605	37,304,410	1,166,182	22,423	336,616,502
Financial assets at amortized cost	24,351,034	13,604,030	76,780,296	133,566,198	4,115,158	–	252,416,716
Accounts receivable	–	445,524	2,606,894	–	–	1,099,516	4,151,934
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	328,637	2,073,211	–	11,986,817	14,534,912
Total financial assets	349,046,006	110,050,947	195,424,898	286,005,114	19,582,490	343,226,976	1,303,336,431
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Accounts payable to brokerage clients	(7,545,306)	–	–	–	–	(2,770,536)	(10,315,842)
Due to customers	(131,079,098)	(44,431,958)	(61,453,814)	(9,935,398)	(194,399)	(7,005,251)	(254,099,918)
Deposits from banks and financial institutions	(4,797,082)	(8,605,059)	(6,099,571)	(2,721,933)	(100,104)	(57,000)	(22,380,749)
Placements from banks and financial institutions	(6,972,698)	(5,841,736)	(7,079,012)	–	–	(325,204)	(20,218,650)
Financial liabilities at fair value through profit or loss	(1,460,884)	(1,703,091)	(1,044,656)	–	–	(314,718)	(4,523,349)
Financial assets sold under repurchase agreements	(9,172,327)	(1,606,631)	(1,315,049)	–	–	(876,200)	(12,970,207)
Investment contract liabilities for policyholders	–	(214)	(2,149)	(1,931,380)	(11,272,273)	–	(13,206,016)
Borrowings	(23,062,521)	(52,131,454)	(299,673,093)	(177,999,831)	(17,998,317)	(4,934)	(570,870,150)
Bonds issued	(145,383)	(10,343,733)	(50,211,869)	(112,584,846)	(104,225,161)	(5,604,074)	(283,115,066)
Accounts payable	–	–	(142,926)	–	–	(5,160,887)	(5,303,813)
Other financial liabilities	(6,073,933)	(18,868)	(2,161,229)	(2,784,764)	(478)	(25,012,749)	(36,052,021)
Total financial liabilities	(190,309,232)	(124,682,744)	(429,183,368)	(307,958,152)	(133,790,732)	(48,117,611)	(1,234,041,839)
Interest rate gap	158,736,774	(14,631,797)	(233,758,470)	(21,953,038)	(114,208,242)	295,109,365	69,294,592

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

Interest rate risk (continued)

Company

	As at December 31, 2019						
	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	2,399	–	–	–	–	399	2,798
Deposits with banks and financial institutions	10,957,760	1,061,168	–	–	–	–	12,018,928
Financial assets at fair value through profit or loss	2,447,981	153,667	2,733,090	59,647,247	501,428	258,025,020	323,508,433
Accounts receivable	–	–	–	400,000	–	152,805	552,805
Financial assets held under resale agreements	10,477,172	–	–	–	–	2,575	10,479,747
Amounts due from subsidiaries	3,084,025	12,555,309	16,183,089	11,527,458	–	246,851	43,596,732
Financial assets at fair value through other comprehensive income	–	–	–	–	–	4,199,647	4,199,647
Financial assets at amortized cost	19,207,256	11,820,799	67,451,293	88,886,543	–	–	187,365,891
Interests in consolidated structured entities	–	1,205,059	1,190,736	11,878,496	545,468	3,571,235	18,390,994
Other financial assets	35,200	46,800	92,762	–	–	3,817,435	3,992,197
Total financial assets	46,211,793	26,842,802	87,650,970	172,339,744	1,046,896	270,015,967	604,108,172
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(717,977)	(717,977)
Borrowings	(13,900,000)	(66,490,000)	(278,289,000)	(65,000,000)	–	(2,407,925)	(426,086,925)
Bonds issued	–	(1,258,847)	(52,641,066)	(38,286,132)	(59,693,617)	(3,037,154)	(154,916,816)
Other financial liabilities	–	–	–	–	–	(6,308,063)	(6,308,063)
Total financial liabilities	(13,900,000)	(67,748,847)	(330,930,066)	(103,286,132)	(59,693,617)	(13,457,177)	(589,015,839)
Interest rate gap	32,311,793	(40,906,045)	(243,279,096)	69,053,612	(58,646,721)	256,558,790	15,092,333

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

Interest rate risk (continued)

Company (continued)

	As at December 31, 2018						
	Less than1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Non-interest-bearing	Total
Cash and balances with central banks	2,381	–	–	–	–	511	2,892
Deposits with banks and financial institutions	9,337,114	–	2,129,075	–	–	–	11,466,189
Financial assets at fair value through profit or loss	3,642,112	–	9,915,740	52,114,027	5,129,179	241,862,710	312,663,768
Financial assets at fair value through other comprehensive income	–	–	–	–	–	3,379,133	3,379,133
Financial assets at amortized cost	20,653,875	13,450,172	74,473,682	107,814,486	–	–	216,392,215
Accounts receivable	–	445,524	10,000	–	–	80,049	535,573
Financial assets held under resale agreements	21,091,389	–	–	–	–	–	21,091,389
Amounts due from subsidiaries	1,557,112	17,258,830	14,929,652	2,809,597	–	238,872	36,794,063
Interests in consolidated structured entities	1,000,908	54,129	8,570,302	8,288,678	534,485	2,247,677	20,696,179
Other financial assets	–	–	–	–	–	6,092,193	6,092,193
Total financial assets	57,284,891	31,208,655	110,028,451	171,026,788	5,663,664	253,901,145	629,113,594
Borrowings from central bank	–	–	–	–	–	(986,058)	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(739,392)	(739,392)
Borrowings	(19,609,452)	(40,169,952)	(257,718,153)	(138,964,678)	–	–	(456,462,235)
Bonds issued	–	(10,331,344)	(27,414,485)	(44,276,253)	(59,662,337)	(3,571,424)	(145,255,843)
Accounts payable	–	–	–	–	–	(168,760)	(168,760)
Other financial liabilities	–	–	–	–	–	(6,851,558)	(6,851,558)
Total financial liabilities	(19,609,452)	(50,501,296)	(285,132,638)	(183,240,931)	(59,662,337)	(12,317,192)	(610,463,846)
Interest rate gap	37,675,439	(19,292,641)	(175,104,187)	(12,214,143)	(53,998,673)	241,583,953	18,649,748

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

Interest rate risk (continued)

The following tables illustrate the potential impact of a parallel upward or downward shift of 100 basis points in the yield rates of all financial instruments on the Group's profit before tax and other comprehensive income, based on the Group's positions of interest-generating assets and interest-bearing liabilities at the end of each reporting period.

Interest rate sensitivity analysis

Group

	As at December 31			
	2019		2018	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
+ 100 basis points	**(62,234)**	**(1,536,577)**	522,702	(1,959,345)
– 100 basis points	**62,234**	**1,584,092**	(522,702)	2,047,503

Company

	As at December 31			
	2019		2018	
	Profit before tax	**Other comprehensive income**	Profit before tax	Other comprehensive income
+ 100 basis points	**(943,526)**	**–**	(456,356)	–
– 100 basis points	**943,526**	**–**	456,356	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

Foreign exchange risk

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

At the end of each reporting period, a breakdown of the assets and liabilities analyzed by currency is as follows:

Group

	As at December 31, 2019				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central banks	12,972,424	1,206,396	4,786,904	36,327	19,002,051
Deposits with banks and financial institutions	62,380,986	5,406,720	2,378,390	671,497	70,837,593
Placements with banks and financial institutions	2,721,743	6,954,649	780,937	694,971	11,152,300
Deposits with exchanges and others	1,315,107	1,884	6,368	–	1,323,359
Financial assets at fair value through profit or loss	370,119,094	30,962,869	9,218,225	1,864,395	412,164,583
Financial assets at amortized cost	226,289,655	445,976	861,378	48,058	227,645,067
Financial assets at fair value through other comprehensive income	22,516,260	38,979,865	62,032,783	13,274,057	136,802,965
Loans and advances to customers	144,869,164	61,208,348	123,663,333	8,118,219	337,859,064
Accounts receivable	2,146,879	28,123	227,723	–	2,402,725
Financial assets held under resale agreements	13,212,454	–	–	–	13,212,454
Assets held for sale	58,955,400	–	–	–	58,955,400
Other financial assets	5,867,064	4,649,590	4,577,405	3,696	15,097,755
Total financial assets	923,366,230	149,844,420	208,533,446	24,711,220	1,306,455,316

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

Foreign exchange risk (continued)

Group (continued)

	As at December 31, 2019				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Borrowings from central bank	(1,010,860)	–	–	–	(1,010,860)
Accounts payable to brokerage clients	(14,053,843)	(89,314)	(177,187)	–	(14,320,344)
Due to customers	(70,424,176)	(58,729,789)	(140,643,516)	(5,408,285)	(275,205,766)
Deposits from banks and financial institutions	(13,158,511)	(631,904)	(359,188)	(7,525)	(14,157,128)
Placements from banks and financial institutions	(7,020,316)	(3,487,979)	(928,905)	(2,647,619)	(14,084,819)
Financial liabilities at fair value through profit or loss	(159,071)	(180,796)	(4,724,331)	(1,058)	(5,065,256)
Financial assets sold under repurchase agreements	(9,997,280)	(1,171,378)	(2,008,720)	(6,318,212)	(19,495,590)
Borrowings	(488,982,718)	(7,569,702)	(40,038,884)	–	(536,591,304)
Bonds issued	(222,401,934)	(82,400,467)	(47,165)	–	(304,849,566)
Accounts payable	(3,946,431)	(468,906)	(625,238)	(10,222)	(5,050,797)
Liabilities held for sale	(15,548,337)	–	–	–	(15,548,337)
Other financial liabilities	(24,548,963)	(491,365)	(10,243,498)	(5,167)	(35,288,993)
Total financial liabilities	(871,252,440)	(155,221,600)	(199,796,632)	(14,398,088)	(1,240,668,760)
Net exposure	52,113,790	(5,377,180)	8,736,814	10,313,132	65,786,556

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

Foreign exchange risk (continued)

Group (continued)

	As at December 31, 2018				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Cash and balances with central banks	13,619,767	907,679	2,095,077	29,388	16,651,911
Deposits with banks and financial institutions	63,818,930	13,600,321	1,436,599	1,246,732	80,102,582
Placements with banks and financial institutions	5,634,019	10,537,272	1,500,315	798,891	18,470,497
Deposits with exchanges and others	959,176	1,853	6,670	–	967,699
Financial assets at fair value through profit or loss	388,571,679	34,092,723	4,365,308	1,761,326	428,791,036
Financial assets at amortized cost	248,941,372	1,142,165	2,210,101	123,078	252,416,716
Financial assets at fair value through other comprehensive income	46,030,550	17,027,927	49,644,603	4,124,498	116,827,578
Loans and advances to customers	156,169,963	63,582,239	110,813,196	6,051,104	336,616,502
Accounts receivable	4,018,587	618	129,716	3,013	4,151,934
Financial assets held under resale agreements	33,805,064	–	–	–	33,805,064
Other financial assets	11,630,505	403,846	2,500,553	8	14,534,912
Total financial assets	973,199,612	141,296,643	174,702,138	14,138,038	1,303,336,431

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

Foreign exchange risk (continued)

Group (continued)

	As at December 31, 2018				
	RMB	USD (RMB equivalent)	HKD (RMB equivalent)	Other currencies (RMB equivalent)	Total (RMB equivalent)
Borrowings from central bank	(986,058)	–	–	–	(986,058)
Accounts payable to brokerage clients	(10,178,362)	(100,198)	(37,282)	–	(10,315,842)
Due to customers	(71,312,190)	(50,863,235)	(124,748,866)	(7,175,627)	(254,099,918)
Deposits from banks and financial institutions	(21,644,103)	(389,493)	(339,612)	(7,541)	(22,380,749)
Placements from banks and financial institutions	(3,487,648)	(4,642,890)	(9,595,885)	(2,492,227)	(20,218,650)
Financial liabilities at fair value through profit or loss	(230,085)	(155)	(4,293,109)	–	(4,523,349)
Financial assets sold under repurchase agreements	(12,970,207)	–	–	–	(12,970,207)
Investment contract liabilities for policy holders	(13,206,016)	–	–	–	(13,206,016)
Borrowings	(528,179,761)	(4,733,487)	(37,787,804)	(169,098)	(570,870,150)
Bonds issued	(206,912,025)	(76,147,997)	(55,044)	–	(283,115,066)
Accounts payable	(4,788,517)	(350,785)	(160,724)	(3,787)	(5,303,813)
Other financial liabilities	(30,677,031)	(603,985)	(4,762,854)	(8,151)	(36,052,021)
Total financial liabilities	(904,572,003)	(137,832,225)	(181,781,180)	(9,856,431)	(1,234,041,839)
Net exposure	68,627,609	3,464,418	(7,079,042)	4,281,607	69,294,592

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

Foreign exchange risk (continued)

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

Group

	As at December 31	
	2019	2018
5% appreciation	**(683,638)**	(33,349)
5% depreciation	**683,638**	33,349

As the Company's operations are mainly denominated in RMB, directors of the Company are of the view that the Company's foreign exchange risk is insignificant and therefore do not present such analysis.

Price risk

Price risk is the risk that the fair values of equity investments fluctuate as a result of changes in the levels of equity indices and the value of relative securities. The risk is reflected as the variation of the Group's profit or loss and net assets arising from fair value changes of financial assets measured at fair value changes, and also the variation of the Group's other comprehensive income and net assets arising from the fair value changes of financial assets measured at other comprehensive income.

The following tables illustrate the potential impact of an increase or decrease of 1 percent in price of equity investments classified as financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income on profit before tax and equity.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.2 Market risk (continued)

Foreign exchange risk (continued)

Group

	As at December 31			
	2019		2018	
	Profit before tax	**Equity**	Profit before tax	Equity
+1 percent	**1,040,160**	**42,276**	1,052,767	34,070
– 1 percent	**(1,040,160)**	**(42,276)**	(1,052,767)	(34,070)

72.3 Liquidity risk

Liquidity risk is the risk that funds will not be available to meet liabilities as they fall due. This may arise from cash flows or maturity mismatches of assets and liabilities.

The Group manages its liquidity risk by:

- optimizing assets and liabilities structure;
- implementing a centralized liquidity management system by pooling Group-wide funds and maintaining an efficient internal fund transfer mechanism within the Group; and
- regularly performing quantitative analysis.

The tables below present the cash flows of non-derivative financial assets and financial liabilities by remaining contractual maturity at the end of each reporting period. The amounts disclosed in the tables are the undiscounted contractual cash flows.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.3 Liquidity risk (continued)

Group

	As at December 31, 2019							
	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	14,282,968	4,719,083	–	–	–	–	–	19,002,051
Deposits with banks and financial institutions	225,157	53,322,345	7,742,837	7,077,806	2,878,550	172,296	–	71,418,991
Placements with banks and financial institutions	–	–	10,038,274	1,178,496	789,744	–	–	12,006,514
Deposits with exchanges and others	1,323,359	–	–	–	–	–	–	1,323,359
Financial assets at fair value through profit or loss	314,149,501	8,215,331	2,881,024	4,452,634	14,293,074	82,843,927	1,436,453	428,271,944
Loans and advances to customers	4,238,615	21,041,993	13,184,025	25,917,915	80,741,496	175,952,409	64,987,104	386,063,557
Accounts receivable	1,253,545	553,021	30,112	150,401	14,705	441,601	–	2,443,385
Financial assets held under resale agreements	746,068	–	11,898,840	–	130,964	471,383	–	13,247,255
Financial assets at fair value through other comprehensive income	4,227,563	–	9,054,914	14,978,895	44,605,167	65,991,149	8,728,017	147,585,705
Financial assets at amortized cost	16,103,312	2,312,590	13,074,001	13,563,498	81,202,152	146,642,305	–	272,897,858
Assets held for sale	18,226,322	260,051	5,023,850	2,234,612	5,803,534	19,973,013	15,194,148	66,715,530
Other financial assets	5,455,473	1,905,655	3,351,778	3,956,872	742,838	121,784	239,052	15,773,452
Total financial assets	380,231,883	92,330,069	76,279,655	73,511,129	231,202,224	492,609,867	90,584,774	1,436,749,601
Borrowings from central bank	(986,058)	–	–	–	(25,040)	–	–	(1,011,098)
Accounts payable to brokerage clients	–	(3,086,905)	(11,236,844)	–	–	–	–	(14,323,749)
Due to customers	–	(93,941,836)	(41,530,831)	(53,780,903)	(79,659,993)	(14,824,434)	(365,109)	(284,103,106)
Deposits from banks and financial institutions	–	(978,458)	(507,576)	(6,496,080)	(3,122,944)	(3,195,744)	(4,823)	(14,305,625)
Placements from banks and financial institutions	–	–	(7,305,821)	(3,782,400)	(3,014,120)	–	–	(14,102,341)
Financial liabilities at fair value through profit or loss	(16,941)	(77,572)	(3,445,263)	(972,209)	(399,194)	(154,077)	–	(5,065,256)
Financial assets sold under repurchase agreements	–	(1,791,560)	(9,308,489)	(1,136,864)	(6,930,046)	(505,671)	–	(19,672,630)
Borrowings	–	–	(16,256,368)	(80,360,737)	(332,129,868)	(122,735,798)	(27,688,312)	(579,171,083)
Bonds issued	–	–	(102,319)	(10,969,067)	(72,108,118)	(124,642,253)	(153,386,288)	(361,208,045)
Accounts payable	(34,011)	(4,749,307)	(120,925)	(121,335)	(25,219)	–	–	(5,050,797)
Liabilities held for sale	(1,799,310)	–	–	(1,078)	(3,235)	(5,733,039)	(8,731,346)	(16,268,008)
Other financial liabilities	(3,772,588)	(12,945,698)	(9,644,781)	(190,809)	(5,005,133)	(3,161,603)	(612,948)	(35,333,560)
Total financial liabilities	(6,608,908)	(117,571,336)	(99,459,217)	(157,811,482)	(502,422,910)	(274,952,619)	(190,788,826)	(1,349,615,298)
Net position	373,622,975	(25,241,267)	(23,179,562)	(84,300,353)	(271,220,686)	217,657,248	(100,204,052)	87,134,303

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.3 Liquidity risk (continued)

Group (continued)

	As at December 31, 2018							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	14,561,102	2,090,809	–	–	–	–	–	16,651,911
Deposits with banks and financial institutions	231,108	54,022,721	10,618,159	5,502,620	11,396,423	397,261	–	82,168,292
Placements with banks and financial institutions	–	–	14,316,859	2,443,585	1,785,559	–	–	18,546,003
Deposits with exchanges and others	967,699	–	–	–	–	–	–	967,699
Financial assets at fair value through profit or loss	299,702,238	4,445,579	7,571,857	3,249,503	27,372,072	79,630,464	21,707,243	443,678,956
Loans and advances to customers	5,872,673	18,358,332	13,819,929	23,832,766	86,059,312	179,829,274	49,683,707	377,455,993
Accounts receivable	2,446,400	479,910	8,518	446,123	1,069,733	–	–	4,450,684
Financial assets held under resale agreements	–	–	31,443,566	558,866	2,166,357	260,545	–	34,429,334
Financial assets at fair value through other comprehensive income	3,408,357	455	7,521,807	9,748,268	32,812,106	63,901,441	5,552,588	122,945,022
Financial assets at amortized cost	17,964,858	1,978,251	13,297,774	14,354,755	86,449,209	166,114,284	10,812,329	310,971,460
Other financial assets	3,911,180	4,289,696	1,776,309	264,184	2,929,203	129,762	1,401,852	14,702,186
Total financial assets	349,065,615	85,665,753	100,374,778	60,400,670	252,039,974	490,263,031	89,157,719	1,426,967,540
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(10,316,531)	–	–	–	–	–	(10,316,531)
Due to customers	(930,892)	(52,909,466)	(84,274,008)	(45,344,533)	(62,012,664)	(10,659,857)	(237,557)	(256,368,977)
Deposits from banks and financial institutions	–	(878,403)	(3,975,679)	(8,605,059)	(6,101,933)	(3,253,930)	(127,131)	(22,942,135)
Placements from banks and financial institutions	–	(1,734)	(6,353,486)	(5,857,053)	(7,683,794)	–	(470,838)	(20,366,905)
Financial liabilities at fair value through profit or loss	–	(77,761)	(1,533,661)	(1,743,265)	(1,126,492)	(54,632)	–	(4,535,811)
Financial assets sold under repurchase agreements	–	(876,200)	(9,172,801)	(1,609,700)	(1,423,298)	–	–	(13,081,999)
Investment contract liabilities for policy holders	–	–	–	(214)	(2,149)	(1,931,380)	(11,272,273)	(13,206,016)
Borrowings	–	(86,703)	(23,264,036)	(57,599,703)	(313,990,832)	(189,901,671)	(20,126,058)	(604,969,003)
Bonds issued	–	–	(150,026)	(10,539,014)	(52,455,831)	(125,192,814)	(150,811,045)	(339,148,730)
Accounts payable	(66,294)	(4,699,488)	(238,254)	(130,225)	(169,552)	–	–	(5,303,813)
Other financial liabilities	(3,136,139)	(16,049,801)	(5,196,231)	(126,337)	(3,207,180)	(7,866,624)	(477,511)	(36,059,823)
Total financial liabilities	(5,119,383)	(85,896,087)	(134,158,182)	(131,555,103)	(448,173,725)	(338,860,908)	(183,522,413)	(1,327,285,801)
Net position	343,946,232	(230,334)	(33,783,404)	(71,154,433)	(196,133,751)	151,402,123	(94,364,694)	99,681,739

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.3 Liquidity risk (continued)

Company

	As at December 31, 2019							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,798	–	–	–	–	–	2,798
Deposits with banks and financial institutions	–	10,957,760	–	1,065,458	–	–	–	12,023,218
Financial assets at fair value through profit or loss	262,713,167	2,517,905	121,285	1,360,729	5,435,354	63,198,808	501,428	335,848,676
Accounts receivable	1,605	1,200	–	150,000	–	440,660	–	593,465
Financial assets held under resale agreements	–	–	10,485,873	–	–	–	–	10,485,873
Amounts due from subsidiaries	4,673	1,665,229	1,662,316	12,609,381	16,437,791	12,921,921	–	45,301,311
Financial assets at fair value through other comprehensive income	4,199,647	–	–	–	–	–	–	4,199,647
Financial assets at amortized cost	12,762,483	–	12,960,852	12,089,923	73,231,233	114,731,143	–	225,775,634
Interests in consolidated structured entities	3,804,365	–	–	1,274,098	1,266,807	14,087,611	581,076	21,013,957
Other financial assets	2,781,205	798,838	35,200	46,800	92,762	–	237,392	3,992,197
Total financial assets	286,267,145	15,943,730	25,265,526	28,596,389	96,463,947	205,380,143	1,319,896	659,236,776
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	(106,876)	(267,978)	(343,123)	–	(717,977)
Borrowings	–	–	(15,170,332)	(69,696,345)	(285,743,863)	(67,006,110)	–	(437,616,650)
Bonds issued	–	–	–	(1,281,273)	(54,434,865)	(41,370,489)	(84,467,055)	(181,553,682)
Other financial liabilities	(536,971)	(5,559,592)	–	–	(211,500)	–	–	(6,308,063)
Total financial liabilities	(1,523,029)	(5,559,592)	(15,170,332)	(71,084,494)	(340,658,206)	(108,719,722)	(84,467,055)	(627,182,430)
Net position	284,744,116	10,384,138	10,095,194	(42,488,105)	(244,194,259)	96,660,421	(83,147,159)	32,054,346

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.3 Liquidity risk (continued)

Company (continued)

	As at December 31, 2018							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,892	–	–	–	–	–	2,892
Deposits with banks and financial institutions	–	9,337,114	–	–	2,129,075	–	–	11,466,189
Financial assets at fair value through profit or loss	237,877,800	361,922	2,252,876	–	11,276,769	54,514,934	12,791,221	319,075,522
Accounts receivable	80,049	–	–	445,524	10,000	–	–	535,573
Financial assets held under resale agreements	–	–	21,114,252	–	–	–	–	21,114,252
Financial assets at fair value through other comprehensive income	3,379,133	–	–	–	–	–	–	3,379,133
Financial assets at amortized cost	12,810,946	–	13,132,951	13,852,944	81,268,197	136,862,459	–	257,927,497
Amounts due from subsidiaries	–	1,629,334	166,744	17,351,645	15,367,574	3,167,244	–	37,682,541
Interests in consolidated structured entities	3,182,634	–	136,748	55,289	8,247,714	10,544,832	1,014,051	23,181,268
Other financial assets	2,738,119	1,954,640	–	–	–	–	1,399,434	6,092,193
Total financial assets	260,068,681	13,285,902	36,803,571	31,705,402	118,299,329	205,089,469	15,204,706	680,457,060
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(739,392)	–	(739,392)
Borrowings	–	–	(19,679,192)	(44,675,986)	(269,173,563)	(143,693,936)	–	(477,222,677)
Bonds issued	–	–	–	(10,526,624)	(28,821,679)	(48,722,141)	(87,465,776)	(175,536,220)
Accounts payable	–	–	–	–	(168,760)	–	–	(168,760)
Other financial liabilities	(472,113)	(4,679,051)	–	–	(89,460)	(1,610,934)	–	(6,851,558)
Total financial liabilities	(1,458,171)	(4,679,051)	(19,679,192)	(55,202,610)	(298,253,462)	(194,766,403)	(87,465,776)	(661,504,665)
Net position	258,610,510	8,606,851	17,124,379	(23,497,208)	(179,954,133)	10,323,066	(72,261,070)	18,952,395

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.3 Liquidity risk (continued)

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

Group

	As at December 31, 2019							
	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	14,282,968	4,719,083	–	–	–	–	–	19,002,051
Deposits with banks and financial institutions	225,157	52,819,805	7,734,218	7,042,236	2,845,194	170,983	–	70,837,593
Placements with banks and financial institutions	–	–	9,196,767	1,177,215	778,318	–	–	11,152,300
Deposits with exchanges and others	1,323,359	–	–	–	–	–	–	1,323,359
Financial assets at fair value through profit or loss	308,932,315	6,718,282	2,740,196	3,446,859	11,633,424	77,756,863	936,644	412,164,583
Loans and advances to customers	2,789,490	21,037,238	12,279,822	23,689,184	73,428,974	155,886,832	48,747,524	337,859,064
Accounts receivable	1,253,545	553,021	30,112	150,401	14,705	400,941	–	2,402,725
Financial assets held under resale agreements	738,682	–	11,877,389	–	129,667	466,716	–	13,212,454
Financial assets at fair value through other comprehensive income	4,227,563	–	9,047,658	14,943,583	44,107,086	62,056,815	2,420,260	136,802,965
Financial assets at amortized cost	12,304,831	2,312,590	10,303,881	12,744,714	73,068,357	116,910,694	–	227,645,067
Assets held for sale	18,208,998	260,051	4,914,502	2,037,270	5,008,764	17,435,691	11,090,124	58,955,400
Other financial assets	5,455,473	1,905,655	3,194,443	3,847,532	360,071	95,993	238,588	15,097,755
Total financial assets	369,742,381	90,325,725	71,318,988	69,078,994	211,374,560	431,181,528	63,433,140	1,306,455,316
Borrowings from central bank	(986,058)	–	–	–	(24,802)	–	–	(1,010,860)
Accounts payable to brokerage clients	–	(3,086,905)	(11,233,439)	–	–	–	–	(14,320,344)
Due to customers	–	(93,941,836)	(41,405,382)	(53,517,292)	(78,641,877)	(7,389,881)	(309,498)	(275,205,766)
Deposits from banks and financial institutions	–	(978,458)	(502,550)	(6,429,782)	(3,090,727)	(3,150,835)	(4,776)	(14,157,128)
Placements from banks and financial institutions	–	–	(7,301,734)	(3,769,192)	(3,013,893)	–	–	(14,084,819)
Financial liabilities at fair value through profit or loss	(16,941)	(77,572)	(3,445,263)	(972,209)	(399,194)	(154,077)	–	(5,065,256)
Financial assets sold under repurchase agreements	–	(1,791,560)	(9,216,325)	(1,125,608)	(6,861,432)	(500,665)	–	(19,495,590)
Borrowings	–	–	(15,192,423)	(77,424,457)	(322,986,601)	(99,781,056)	(21,206,767)	(536,591,304)
Bonds issued	–	–	(102,137)	(10,879,118)	(70,407,570)	(113,752,923)	(109,707,818)	(304,849,566)
Accounts payable	(34,011)	(4,749,307)	(120,925)	(121,335)	(25,219)	–	–	(5,050,797)
Liabilities held for sale	(1,799,310)	–	–	(1,078)	(3,235)	(5,733,039)	(8,011,675)	(15,548,337)
Other financial liabilities	(3,772,588)	(12,930,919)	(9,643,807)	(189,011)	(4,997,731)	(3,142,732)	(612,205)	(35,288,993)
Total financial liabilities	(6,608,908)	(117,556,557)	(98,163,985)	(154,429,082)	(490,452,281)	(233,605,208)	(139,852,739)	(1,240,668,760)
Net position	363,133,473	(27,230,832)	(26,844,997)	(85,350,088)	(279,077,721)	197,576,320	(76,419,599)	65,786,556

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.3 Liquidity risk (continued)

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

Group (continued)

	As at December 31, 2018							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	14,561,102	2,090,809	–	–	–	–	–	16,651,911
Deposits with banks and financial institutions	231,108	52,812,945	10,247,504	5,457,596	11,144,765	208,664	–	80,102,582
Placements with banks and financial institutions	–	–	14,311,769	2,425,371	1,733,357	–	–	18,470,497
Deposits with exchanges and others	967,699	–	–	–	–	–	–	967,699
Financial assets at fair value through profit or loss	295,165,831	4,445,579	7,261,702	2,941,829	24,998,627	73,781,975	20,195,493	428,791,036
Loans and advances to customers	4,633,260	18,250,607	12,554,513	20,965,152	75,032,689	165,435,840	39,744,441	336,616,502
Accounts receivable	2,147,652	479,908	8,518	446,123	1,069,733	–	–	4,151,934
Financial assets held under resale agreements	–	–	31,408,385	457,526	1,743,142	196,011	–	33,805,064
Financial assets at fair value through other comprehensive income	3,407,026	–	7,412,346	9,566,753	31,508,462	60,347,458	4,585,533	116,827,578
Financial assets at amortized cost	9,831,021	1,978,251	12,541,762	13,653,889	77,182,677	133,113,958	4,115,158	252,416,716
Other financial assets	3,911,180	4,242,485	1,748,942	252,537	2,879,463	98,453	1,401,852	14,534,912
Total financial assets	334,855,879	84,300,584	97,495,441	56,166,776	227,292,915	433,182,359	70,042,477	1,303,336,431
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Accounts payable to brokerage clients	–	(10,315,842)	–	–	–	–	–	(10,315,842)
Due to customers	(930,892)	(52,909,466)	(84,232,814)	(45,073,503)	(60,989,667)	(9,726,019)	(237,557)	(254,099,918)
Deposits from banks and financial institutions	–	(878,403)	(3,975,679)	(8,605,059)	(6,099,571)	(2,721,933)	(100,104)	(22,380,749)
Placements from banks and financial institutions	–	(1,734)	(6,351,027)	(5,841,736)	(7,553,315)	–	(470,838)	(20,218,650)
Financial liabilities at fair value through profit or loss	–	(77,761)	(1,532,167)	(1,739,081)	(1,119,708)	(54,632)	–	(4,523,349)
Financial assets sold under repurchase agreements	–	(876,200)	(9,172,327)	(1,606,631)	(1,315,049)	–	–	(12,970,207)
Investment contract liabilities for policyholders	–	–	–	(214)	(2,149)	(1,931,380)	(11,272,273)	(13,206,016)
Borrowings	–	–	(23,062,848)	(52,136,061)	(299,673,093)	(177,999,831)	(17,998,317)	(570,870,150)
Bonds issued	–	–	(149,681)	(10,430,580)	(51,138,518)	(114,418,191)	(106,978,096)	(283,115,066)
Accounts payable	(66,294)	(4,699,488)	(238,254)	(130,225)	(169,552)	–	–	(5,303,813)
Other financial liabilities	(3,136,139)	(16,041,999)	(5,196,231)	(126,337)	(3,207,180)	(7,866,624)	(477,511)	(36,052,021)
Total financial liabilities	(5,119,383)	(85,800,893)	(133,911,028)	(125,689,427)	(431,267,802)	(314,718,610)	(137,534,696)	(1,234,041,839)
Net position	329,736,496	(1,500,309)	(36,415,587)	(69,522,651)	(203,974,887)	118,463,749	(67,492,219)	69,294,592

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.3 Liquidity risk (continued)

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

Company

	As at December 31, 2019							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,798	–	–	–	–	–	2,798
Deposits with banks and financial institutions	–	10,957,760	–	1,061,168	–	–	–	12,018,928
Financial assets at fair value through profit or loss	259,452,145	1,020,855	–	153,667	2,733,090	59,647,247	501,429	323,508,433
Accounts receivable	1,605	1,200	–	150,000	–	400,000	–	552,805
Financial assets held under resale agreements	–	–	10,479,747	–	–	–	–	10,479,747
Amounts due from subsidiaries	4,673	1,665,229	1,660,974	12,555,309	16,183,089	11,527,458	–	43,596,732
Financial assets at fair value through other comprehensive income	4,199,647	–	–	–	–	–	–	4,199,647
Financial assets at amortized cost	8,964,002	–	10,243,254	11,820,799	67,451,294	88,886,542	–	187,365,891
Interests in consolidated structured entities	3,571,236	–	–	1,205,059	1,190,735	11,878,497	545,467	18,390,994
Other financial assets	2,781,205	798,838	35,200	46,800	92,762	–	237,392	3,992,197
Total financial assets	278,974,513	14,446,680	22,419,175	26,992,802	87,650,970	172,339,744	1,284,288	604,108,172
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	(106,876)	(267,978)	(343,123)	–	(717,977)
Borrowings	–	–	(14,108,225)	(66,928,875)	(279,905,632)	(65,144,193)	–	(426,086,925)
Bonds issued	–	–	–	(1,270,857)	(53,067,368)	(38,688,619)	(61,889,972)	(154,916,816)
Other financial liabilities	(536,971)	(5,559,592)	–	–	(211,500)	–	–	(6,308,063)
Total financial liabilities	(1,523,029)	(5,559,592)	(14,108,225)	(68,306,608)	(333,452,478)	(104,175,935)	(61,889,972)	(589,015,839)
Net position	277,451,484	8,887,088	8,310,950	(41,313,806)	(245,801,508)	68,163,809	(60,605,684)	15,092,333

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.3 Liquidity risk (continued)

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

Company (continued)

	As at December 31, 2018							
	Past due/ undated	On demand	Less than 1 month	1-3 months	3-12 months	1-5 years	Over 5 years	Total
Cash and balances with central banks	–	2,892	–	–	–	–	–	2,892
Deposits with banks and financial institutions	–	9,337,114	–	–	2,129,075	–	–	11,466,189
Financial assets at fair value through profit or loss	236,634,752	361,922	2,084,869	–	10,643,095	51,101,692	11,837,438	312,663,768
Accounts receivable	80,049	–	–	445,524	10,000	–	–	535,573
Financial assets held under resale agreements	–	–	21,091,389	–	–	–	–	21,091,389
Financial assets at fair value through other comprehensive income	3,379,133	–	–	–	–	–	–	3,379,133
Financial assets at amortized cost	8,165,973	–	12,487,903	13,450,172	74,473,682	107,814,485	–	216,392,215
Amounts due from subsidiaries	–	1,629,334	166,650	17,258,830	14,929,652	2,809,597	–	36,794,063
Interests in consolidated structured entities	2,934,829	–	126,100	54,129	7,140,344	9,505,681	935,096	20,696,179
Other financial assets	2,738,119	1,954,640	–	–	–	–	1,399,434	6,092,193
Total financial assets	253,932,855	13,285,902	35,956,911	31,208,655	109,325,848	171,231,455	14,171,968	629,113,594
Borrowings from central bank	(986,058)	–	–	–	–	–	–	(986,058)
Financial liabilities at fair value through profit or loss	–	–	–	–	–	(739,392)	–	(739,392)
Borrowings	–	–	(19,609,452)	(40,169,952)	(257,718,153)	(138,964,678)	–	(456,462,235)
Bonds issued	–	–	–	(10,418,190)	(27,980,837)	(44,998,123)	(61,858,693)	(145,255,843)
Accounts payable	–	–	–	–	(168,760)	–	–	(168,760)
Other financial liabilities	(472,113)	(4,679,051)	–	–	(89,460)	(1,610,934)	–	(6,851,558)
Total financial liabilities	(1,458,171)	(4,679,051)	(19,609,452)	(50,588,142)	(285,957,210)	(186,313,127)	(61,858,693)	(610,463,846)
Net position	252,474,684	8,606,851	16,347,459	(19,379,487)	(176,631,362)	(15,081,672)	(47,686,725)	18,649,748

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.4 Risk management of distressed assets

(i) Overview

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

Such distressed assets include acquisition-operation distressed assets, restructured distressed assets and equity instruments obtained through debt-to-equity swap.

(ii) Risk management of distressed debt assets

The Group exercises standardized management procedures, including project initiation, due diligence investigation, design and approval of recovery plan and continuous monitoring and management. The Group enhances its risk management by strengthening investigation, review and approval procedures before the recovery of distressed assets, and monitoring measures after the recovery of distressed assets; enhancing risk mitigation effect through collateral; and continuously upgrading the management system of distressed assets.

Specifically, the risks to which distressed debts financial assets at fair value through profit or loss mainly comprise valuation risk, legal title risk and to certain extent credit risk; while the risks to which distressed debts at amortized cost mainly comprise credit risk.

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.4 Risk management of distressed assets (continued)

(ii) Risk management of distressed debt assets (continued)

(1) Valuation risk

Valuation risk is the risk of negative impact arising from the difference between actual results and value estimations that the Group would use in its management of distressed debt assets at fair value through profit or loss, due to variance in factors such as future cash flows, collection period, discount rate, and disposal cost. Measures the Group takes to minimize the valuation risk include:

- Perform investigation strictly on the parties involved in the transaction (including the debtors and the guarantors), collateral provided, repayment sources, etc.; and

- Adopt conservative estimation on incurrence rate, discount rate, and disposal cost when performing valuation and review the difference between actual results and estimation after the completion of the disposal of distressed assets to improve the accuracy of future estimations.

(2) Legal title risk

Legal title risk is the risk of loss, arising from the decrease of recoverable amount when the legal rights to claim was partially or entirely lost due to inappropriate daily management of distressed assets such as expiry of claim period without taking proper legal actions on time. Measures the Group takes to minimize the legal title risk include:

- Set up alert management system to ensure the expiry of legal claim periods related to distressed assets is managed effectively;

- Set up periodic revisiting mechanism to interview debtors and monitor the conditions of collateral. Maintain regular investigation report properly to ensure the Group has access to the most updated information; and

- Set up reporting mechanism of significant events to ensure immediate recovery action be taken when certain risk elements emerge.

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.4 Risk management of distressed assets (continued)

(ii) Risk management of distressed debt assets (continued)

(3) Credit risk

In addition to distressed debt assets at amortized cost, certain distressed debt assets at fair value through profit or loss may be subject to credit risk. Depending on the status of the obligor of distressed debt assets as at fair value through profit or loss, the Group may decide to pursue repayment from the obligor instead of disposing it to third party, credit risk arises in such situation. Credit risk represents the potential loss that may arise from the failure of a customer or counterparty's failure to meet its obligation. Characters of the credit risk management system of the Group include:

- Applying centralized policy and procedures throughout the Group;
- Enforce strict management system on the credentials of authorized supervisors; and
- Apply more stringent risk management rules and procedures, which include customer investigation, project evaluation, investigation and approval, project execution and post-event management for distressed assets at amortized cost.

Measures the Group takes to minimize the credit risk of distressed assets include:

- Manage the creditworthiness of counterparties using independent credit rating on the counterparties as reference;
- Select counterparties with appropriate creditworthiness and repayment capability; and
- Require counterparties to provide collateral which fully covers the credit exposure.

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.4 Risk management of distressed assets (continued)

(iii) Risk management of assets obtained through debt-to-equity swap

Risk related to these equity instruments is the risk of loss arising from movements in the value of equity shares due to price changes or decline in value of the investees.

The measures the Group takes to minimize the risk related to these equity instruments include:

- Strengthen continuous monitoring, analysis and management of equity values;
- Gain better understanding of macro-economic policies reinforced by the government and assess their impact on the equity investments; and
- Track the value changes dynamically and identify the appropriate timing for disposal to realize the maximum value of equity shares.

(iv) Determination of fair value

The Group uses valuation techniques for financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, Comparable listed company method, option pricing models or other valuation methods as appropriate. In practical applications, only observable data are used in the models. However, areas such as credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of the financial instruments.

(v) Impairment assessment

The Group performs impairment assessment on distressed debt assets at amortized cost. Assessment procedures for distressed debt assets at amortized cost are similar to those set out in Note VI.72.1 Credit Risk.

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.5 Insurance risk

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

(i) Types of insurance risks

Insurance risks could arise in various situations, including the difference between the actual and estimated frequency of insurance events incurred (frequency risk), the difference between the actual and estimated cost of a risk event (severity risk) and the change of the amount of obligations to policyholders at maturity of the insurance contract (developing risk).

The business scope of the Group's insurance operation includes long-term life and savings insurance and property and casualty insurance. For insurance contracts covering death benefits, factors like infectious diseases enormous changes of lifestyles and natural disasters could increase the overall claim ratio. Actual insurance payments and timing of the payments may be much higher or earlier than expected. For insurance contracts covering survival benefits, most important factors that may have an impact on insurance risk are the continuous improvement of the medical treatment level and social welfare which lead to a longer lifetime. For property and casualty insurance contract, claims are usually affected by natural disasters and catastrophe.

Specifically, insurance risks comprise pricing risk, insurance reserve risk and reinsurance risk.

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.5 Insurance risk (continued)

(i) Types of insurance risks (continued)

(1) Pricing risk

Pricing risk is the negative impact arising from the difference between the actual results and estimations used in the assumptions relating to the mortality ratio, morbidity ratio, lapse rate, investment yield and cost ratio. Measures that the Group undertakes to minimize the risks include:

- Use a conservative incurrence rate and a margin for product pricing; closely monitor the performance of the products after launched; adjust the product price based on the difference between actual results and pricing assumptions;

- Set up a plan for strategic asset allocation and set a pricing margin based on the long-term investment yield associated with the strategic asset allocation; and

- Set up a plan for business planning and expense budgeting and reinforce a rigorous expense management system.

(2) Insurance reserve risk

Insurance reserve risk is the risk that the insurance reserve provided is not sufficient that fulfill the obligation for claims due to the use of an inappropriate standard or method. Measures the Group takes to minimize the risk include:

- Calculate the insurance reserve based on reasonable estimation of obligations to claims and perform adequacy testing at the end of each reporting period, that covers long-term life insurance contract liabilities and short-term insurance contract liabilities which include unearned premium reserves and claim reserves; and

- Assess solvency adequacy of the Group based on the solvency policy reserves and carry out supervisory measures on solvency.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.5 Insurance risk (continued)

(i) Types of insurance risks (continued)

(3) Reinsurance risk

Reinsurance risk is the risk of loss arising from unexpected severe insurance payment due to inappropriate reinsurance arrangement on the allocation of the risk ceded and retained. At the same time, the Group still has direct obligation to policyholders although there is reinsurance arrangement in place. Therefore, the Group is exposed to credit risks arising from the reinsurers' default on reinsurance contacts. Measures that the Group takes to minimize the risk include:

- Allocate insurance risks ceded and retained appropriately and make adjustment dynamically according to the business development of the Group;

- Arrange reinsurance properly and select reinsurers with good creditworthiness to share risks. Selection criteria adopted by the Group include financial capability, service quality, reinsurance terms, claim handling efficiency and prices, etc.

(ii) Concentration of insurance risk

All insurance operations of the Group are located in the PRC. There are no significant differences among the regions where the Group underwrites insurance contracts.

(1) The table below summarizes the Group's gross written premiums by the major type of insurance contract:

	Year ended December 31			
	2019		2018	
	Amount	**%**	Amount	%
Life insurance	**8,246,525**	**100.0**	9,165,684	100.0
Total	**8,246,525**	**100.0**	9,165,684	100.0

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.5 Insurance risk (continued)

(ii) Concentration of insurance risk (continued)

(2) The table below summarizes the Group's major types of insurance contract liability:

	Year ended December 31			
	2019		2018	
	Amount	**%**	Amount	%
Life insurance	**40,440,025**	**96.2**	36,500,450	97.1
Health insurance contract	**1,493,017**	**3.6**	1,011,049	2.7
Others	**85,586**	**0.2**	95,075	0.2
Total	**42,018,628**	**100.0**	37,606,574	100.0

(iii) Key assumptions and sensitivity analysis

(1) Property and casualty insurance contract and short-term life insurance contract

The primary assumption that has an impact on the property and casualty insurance contract and short-term life insurance contract of the Group is the historical claim ratio. Other assumption is mainly about delay in payment. The table below illustrates the potential impact of a reasonable change of the insurance claim ratio on the Group's profit before tax and equity, when other assumptions remain unchanged.

	As at December 31			
	2019		2018	
	Profit before tax	**Equity**	Profit before tax	Equity
+1%	**(26,184)**	**(26,184)**	(27,234)	(27,234)
-1%	**26,184**	**26,184**	27,234	27,234

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.5 Insurance risk (continued)

(iii) Key assumptions and sensitivity analysis (continued)

(2) Long-term life and health insurance contract

For long-term life and health insurance contract, key assumptions include the mortality ratio, morbidity ratio, lapse rate, discount rate, cost rate, etc. The Group bases its mortality assumptions on China Life Insurance Mortality Table (2000-2003), adjusted where appropriate to reflect the Group's recent historical mortality experience. The Group bases its morbidity assumptions for critical illness products on the analysis of information provided by reinsurance companies and historical experience. Cost rate assumptions of the Group reflect the current and expected future operating results. All these assumptions mentioned above are consistent with market practice or other publicly available information.

For insurance contract that the future insurance benefits are not linked to the investment returns of the associated asset portfolios, the Group bases its discount rate assumptions on the interest rate appropriate for the cash flow period and risk characteristics of the associated liabilities. For those that are linked to the investment returns, the Group bases its discount rate assumptions on the expected future investment yield of the associated asset portfolios.

The table below illustrates the potential impact of a 10 basis points' change of the discount rates on the Group's profit before tax and equity, when other assumptions remain unchanged.

	As at December 31			
	2019		2018	
	Profit before tax	**Equity**	Profit before tax	Equity
+10bps	**19,599**	**19,599**	20,470	20,470
-10bps	**(20,128)**	**(20,128)**	(20,999)	(20,999)

The table below illustrates the potential impact of a 10% change of expense rates on the Group's profit before tax and equity, when other assumptions remain unchanged.

	As at December 31			
	2019		2018	
	Profit before tax	**Equity**	Profit before tax	Equity
+10%	**(161,264)**	**(161,264)**	(140,920)	(140,920)
-10%	**161,264**	**161,264**	140,920	140,920

VI. EXPLANATORY NOTES (continued)

72. Financial risk management (continued)

72.6 Capital management

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

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

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

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

In accordance with the requirements of Off-site Supervision Reporting Index System on Financial Asset Management Companies (Yinjianbanfa [2016] No. 38), issued by the CBIRC in 2016, the Company is required to maintain a minimum core Tier I, common Tier I and Tier II Capital Adequacy Ratio ("CAR") at 9%, 10% and 12.5% respectively. CAR is calculated by dividing the corresponding qualified capital of the Company by its risk-weighted assets. As at December 31, 2019 and 2018, the Company complied with the regulatory requirements on the minimum CAR.

VI. EXPLANATORY NOTES (continued)

73. 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 techniques using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly, including bond prices, equity and stock prices, interest rates, foreign exchange rates; and

- Level 3: The management obtains valuation quotations from counterparties or uses valuation techniques to determine the fair value, including the discounted cash flow analysis, net asset value, market comparison approach, etc. The fair value of these financial instruments may be based on unobservable inputs which may have a 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 an impact on the valuation include weighted average cost of capital, liquidity discount, price to book ratio, etc.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

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

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

Group

	As at December 31			
	2019		2018	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	**186,435,373**	**181,988,931**	214,853,205	212,848,831
– Other debt investments	**41,209,694**	**41,185,327**	37,563,511	37,563,511
Accounts receivable	**2,402,725**	**2,368,981**	4,151,934	4,150,221
Total	**230,047,792**	**225,543,239**	256,568,650	254,562,563
Financial liabilities				
Borrowings	**(536,591,304)**	**(536,982,325)**	(570,870,150)	(573,323,035)
Bonds issued	**(304,849,566)**	**(310,212,174)**	(283,115,066)	(285,145,053)
Total	**(841,440,870)**	**(847,194,499)**	(853,985,216)	(858,468,088)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

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

Group (continued)

	As at December 31, 2019			
	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	**–**	**–**	**181,988,931**	**181,988,931**
– Other debt investments	**2,791,417**	**545,262**	**37,848,648**	**41,185,327**
Accounts receivable	**–**	**–**	**2,368,981**	**2,368,981**
Total	**2,791,417**	**545,262**	**222,206,560**	**225,543,239**
Financial liabilities				
Borrowings	**–**	**–**	**(536,982,325)**	**(536,982,325)**
Bonds issued	**–**	**(216,832,097)**	**(93,380,077)**	**(310,212,174)**
Total	**–**	**(216,832,097)**	**(630,362,402)**	**(847,194,499)**

	As at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets				
Financial assets at amortized cost				
– Distressed debt assets	–	–	212,848,831	212,848,831
– Other debt investments	3,075,150	5,803,613	28,684,748	37,563,511
Accounts receivable	–	–	4,150,221	4,150,221
Total	3,075,150	5,803,613	245,683,800	254,562,563
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)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

73.2 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.

Group

Financial assets/ financial liabilities	Fair value as at December 31 2019	Fair value as at December 31 2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
1) Financial assets classified as at fair value through profit or loss	**412,164,583**	428,791,036				
Debt securities	**11,566,108**	11,359,204				
– Traded in stock exchanges	**3,208,331**	4,566,686	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in the inter-bank markets	**1,871,434**	2,515,534	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	**5,968,207**	4,158,723				
– Traded in inactive markets	**518,136**	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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31 2019	2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity investments listed or traded on exchanges	**9,565,812**	9,262,107				
Unrestricted listed equity investments	**6,962,603**	6,016,773	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Manufacturing	**2,734,171**	1,412,653				
– Finance	**1,056,873**	1,282,102				
– Leasing and commercial services	**111,172**	189,799				
– Mining	**566,009**	785,699				
– Transportation, warehousing and postal services	**523,789**	559,631				
– Information transmission, software and information technology services	**37,521**	327,662				
– Culture, sports and entertainment	**491,174**	500,761				
– Health and social security industry	**351,561**	221,160				
– Real estate	**255,868**	234,223				
– Others	**834,465**	503,083				
Preference shares	**–**	460,647	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Financial service	**–**	460,647				
Restricted listed equity investments	**2,603,209**	2,784,687	Level 3	• Option Pricing Model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Manufacturing	**56,387**	640,615				
– Culture, sports and entertainment	**12,090**	234,600				
– Mining	**1,922,423**	1,723,797				
– Others	**612,309**	185,675				

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31 2019	2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Equity investments in unlisted companies	**55,791,190**	56,426,584				
	52,281,069	52,745,526	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.
	3,510,121	3,681,058	Level 3	• Income approach.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value.
Mutual funds	**91,214,796**	104,243,300				
– Mutual fund with open or active quotations	**4,709,575**	10,410,470	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	8,367,469	4,195,827	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**62,133,128**	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.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31 2019	2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
– Investing in unrestricted listed equity	**–**	63,151	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Investing in restricted listed equity	**531,089**	697,844	Level 3	• Option Pricing Model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
– Investing in other equity instruments	**15,473,535**	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.
Debt instruments	**28,148,647**	17,458,309				
– Other debt instruments	**27,403,982**	15,748,628	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31 2019	2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
– Embedded derivative debts	**744,665**	1,709,681	Level 3	• Discounted cash flow for the debt component and binomial option pricing model for the option component.	• Expected future cash flow. • Discount rates that correspond to the expected risk level. • 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	**619,316**	620,429				
	483,894	553,874	Level 1	• Quoted bid prices in an active market.	N/A	N/A
	135,422	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	**59,162**	39,246	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
Distressed debt assets	**197,621,332**	189,113,890	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected recoverable amounts. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the recoverable amounts, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rates, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31 2019	Fair value as at December 31 2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Wealth management products	**1,475,898**	3,072,818	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value. • The lower the discount rate, the higher the fair value.
Asset management plans	**2,371,544**	11,561,633				
– Asset management plans with open or active quotations	**–**	3,583,304	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Investing in the portfolio with open or active quotations	**597,354**	835,279	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**495,159**	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	**1,279,031**	1,446,205	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier. • Discount for lack of marketability (DLOM).	• The higher the market multiplier, the higher the fair value. • The lower the DLOM, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31 2019	2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Asset-backed securities	**564,133**	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.
Trust products and rights to trust assets	**13,088,236**	24,214,547				
– Investing in the portfolio with open or active market quotations	**104,716**	4,868	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**11,862,077**	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. • 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	**1,121,443**	3,087,115	Level 3	• Comparable listed company method, comparable transaction cases, etc.	• Market multiplier. • Discount for lack of marketability (DLOM).	• The higher the market multiplier, the higher the fair value. • The lower the DLOM, the higher the fair value.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31 2019	2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Others	**78,409**	73,229				
– Investing in the portfolio with open or active market quotations	**8,229**	8,049	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Investing in debt instruments	**70,180**	65,180	Level 3	• Discounted cash flow with future cash flows that are estimated based on expected recoverable amounts, discounted at rates that reflect management's best estimation of the expected risk level.	• Expected future cash flow. • Expected recovery date. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The earlier the recovery date, the higher the fair value • The lower the discount rate, the higher the fair value.
2) Loans and advances to customers at fair value through profit or loss						
– Loans and advances	**15,007,348**	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	**136,802,965**	116,827,578				
Debt investments at fair value through other comprehensive income	**132,575,402**	113,420,552				

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

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

Group (continued)

Financial assets/ financial liabilities	Fair value as at December 31 2019	2018	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
Debt securities	**132,575,402**	113,420,552				
– Traded on stock exchanges	**18,278,609**	21,138,110	Level 1	• Quoted bid prices in an active market.	N/A	N/A
– Traded in inter-bank markets	**32,854,503**	32,918,490	Level 2	• Quoted market prices from dealers or independent pricing service vendors.	N/A	N/A
– Traded over the counter	**81,442,290**	59,363,952				
Equity instruments designated as at fair value through other comprehensive income	**4,227,563**	3,407,026				
Restricted listed equity investments	**4,199,647**	3,379,133				
– Manufacturing	**4,199,647**	3,379,133	Level 3	• Option pricing model.	• Stock volatility.	• The lower the stock volatility, the higher the fair value.
Unlisted equity instruments	**27,916**	27,893				
– Financial service	**27,916**	27,893	Level 3	• Income approach.	• Expected future cash flow. • Discount rates that correspond to the expected risk level.	• The higher the future cash flow, the higher the fair value. • The lower the discount rate, the higher the fair value.
4) Financial liabilities at fair value through profit or loss	**(5,065,256)**	(4,523,349)				
The OTC derivative financial liabilities	**(542,857)**	(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	**(4,522,399)**	(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)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

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

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

Group

	As at December 31, 2019			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	15,364,403	17,111,993	379,688,187	412,164,583
Loans and advances to customers	–	–	15,007,348	15,007,348
Financial assets at fair value through other comprehensive income	18,278,609	114,296,793	4,227,563	136,802,965
Total assets	33,643,012	131,408,786	398,923,098	563,974,896
Financial liabilities at fair value through profit or loss	–	(5,065,256)	–	(5,065,256)
Total liabilities	–	(5,065,256)	–	(5,065,256)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

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

Group (continued)

	As at December 31, 2018			
	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss	25,194,258	12,284,728	391,312,050	428,791,036
Loans and advances to customers	–	–	10,615,171	10,615,171
Financial assets at fair value through other comprehensive income	21,138,110	92,282,442	3,407,026	116,827,578
Total assets	46,332,368	104,567,170	405,334,247	556,233,785
Financial liabilities at fair value through profit or loss	–	(4,523,349)	–	(4,523,349)
Total liabilities	–	(4,523,349)	–	(4,523,349)

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

The fair values of the financial assets and financial liabilities included in the level 2 and level 3 categories above have been determined in accordance with generally accepted pricing models based on a discounted cash flow analysis, with the most significant inputs being the future cash flows and discount rates that reflect the credit risk of counterparties.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

73.3 Reconciliation of Level 3 fair value measurements

Group

	Financial assets at FVTPL	Financial assets at FVOCI	Financial liabilities at FVTPL
As at January 1, 2019	391,312,050	3,407,026	–
Recognized in profit or loss	5,894,746	–	–
Recognized in other comprehensive income	–	820,537	–
Purchases	103,129,638	–	–
Settlements/disposals at cost	(120,111,571)	–	–
Transfer out from Level 3	(536,676)	–	–
As at December 31, 2019	379,688,187	4,227,563	–
Changes in unrealized gains or losses for the year included in profit or loss for assets held at the end of the year	3,013,414	–	–

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

73. Fair values of financial instruments (continued)

73.3 Reconciliation of Level 3 fair value measurements (continued)

Group (continued)

	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
As at December 31, 2018	391,312,050	3,407,026	–
Changes in unrealized gains or losses for the year included in profit or loss for assets held at the end of the year	(835,698)	–	–

During the year ended December 31, 2019, certain restricted equity investments became tradable and quoted prices were available in active markets, these equity investments were transferred from Level 3 to Level 1 of the fair value hierarchy at the reporting period.

Total gains or losses for the years ended December 31, 2019 and 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 December 31, 2019 and 2018 are presented in "unrealized gains are included in fair value changes on distressed debt assets", "fair value changes on other financial assets", "impairment losses on assets" depending on the nature or category of the related financial instruments.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

74. Acquisition of subsidiaries

During the year, the Group acquired some subsidiaries, none of these acquisitions were individually significant, and their aggregated information is set out below:

Consideration paid:

	Year ended December 31 2019
Cash consideration paid	**106,121**
Other consideration paid	**674,527**

Analysis of assets and liabilities of the subsidiaries acquired:

	Year ended December 31 2019
Current assets	**2,612,914**
Non-current assets	**2,421,946**
Current liabilities	**1,497,442**
Non-current liabilities	**2,284,552**

Net cash flows arising on acquisition:

	Year ended December 31 2019
Cash consideration paid	**106,121**
Cash and cash equivalents acquired	**337,426**
Net cash inflows	**231,305**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

75. Disposal of subsidiaries

During the year, the Group disposed some subsidiaries, none of these disposals were individually significant, and their aggregated information is set out below:

Consideration received:

	Year ended December 31 2019
Cash consideration received	**84,889**

Analysis of assets and liabilities of the subsidiaries disposed of:

	Year ended December 31 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:

	Year ended December 31 2019
Cash consideration received	**84,889**
Less: Cash and cash equivalents disposed of	**1,811**
Net cash inflows	**83,078**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

76. Discontinued operation

On November 19, 2019, the Group publicly announced the decision of its Board of Directors to sell Happy Life, a wholly owned subsidiary, which represented the Group's insurance businesses. The Group decided to discontinue insurance businesses and focus on distressed asset management. At December 31, 2019, the Company had signed a legally binding agreement and classified Happy Life as held for sale. With Happy Life being classified as held for sale, the insurance businesses are no longer presented in the Group's segment note. Happy life constitutes a discontinued operation.

76.1 Profit/(loss) from the discontinued operation

	Year ended December 31	
	2019	2018
Fair value changes on other financial instruments	**2,475,453**	(1,016,029)
Investment income	**17,661**	1,510
Net insurance premiums earned (1)	**8,205,596**	9,128,643
Interest income	**913,090**	749,475
Commission and fee income	**36,882**	67,823
Other income and other net gains or losses	**(14,814)**	(8,770)
Total	**11,633,868**	8,922,652
Interest expense	**(322,114)**	(188,476)
Insurance costs (2)	**(9,015,980)**	(10,543,544)
Commission and fee expense	**(987,951)**	(921,245)
Employee benefits	**(653,977)**	(776,584)
Taxes and surcharges	**(7,105)**	(5,892)
Depreciation and amortization expenses	**(93,520)**	(63,172)
Other expenses	**(268,503)**	(331,652)
Impairment losses on assets	**(38,525)**	(2,799)
Total	**(11,387,675)**	(12,833,364)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

76. Discontinued operation

76.1 Profit/(loss) from the discontinued operation

	Year ended December 31	
	2019	2018
Change in net assets attributable to other holders of consolidated structured entities	**298**	(7,056)
Profit before share of results of associates and joint ventures and tax	**246,491**	(3,917,768)
Share of results of associates and joint ventures	**26,733**	8,471
Profit/(loss) before tax from the discontinued operation	**273,224**	(3,909,297)
Income tax credit from the discontinued operation (3)	**1,227,175**	43,248
Profit/(loss) for the year from the discontinued operation	**1,500,399**	(3,866,049)
Earnings per share attributable to equity holders of the Company from the discontinued operation (Expressed in RMB Yuan per share)		
– Basic	**0.03**	(0.05)
– Diluted	**0.03**	(0.05)

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

76. Discontinued operation

76.1 Profit/(loss) from the discontinued operation

(1) Net insurance premiums earned

	Year ended December 31	
	2019	2018
Gross written premiums	**8,246,525**	9,165,684
Less: Premiums ceded to reinsurers	**36,096**	20,666
Change of unearned premium reserves	**4,833**	16,375
Total	**8,205,596**	9,128,643

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

	Year ended December 31	
	2019	2018
Life insurance	**8,246,525**	9,165,684
Total	**8,246,525**	9,165,684

(2) Insurance costs

	Year ended December 31	
	2019	2018
Reserves for insurance contracts	**(4,264,855)**	2,301,578
Interest credited and policyholder dividends	**(666,832)**	(1,112,969)
Refund of reinsurance premiums	**19,417**	9,034
Other insurance expenses	**(4,103,710)**	(11,741,187)
Total	**(9,015,980)**	(10,543,544)

(3) Income tax credit from the discontinued operation

In 2019, Happy Life was classified as held for sale, and the Group recognized deferred tax asset of approximately RMB1.2 billion due to deductible temporary difference resulted from cumulative losses of Happy Life.

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

76. Discontinued operation

76.2 Net cash flows from the discontinued operation

	Year ended December 31	
	2019	2018
Operating	**(4,099,742)**	(12,378,292)
Investing	**8,590,617**	2,879,605
Financing	**(4,533,478)**	7,033,168
Net cash outflow	**(42,603)**	(2,465,519)

76.3 Assets and liabilities held for sale

	As at December 31, 2019
Assets	
Cash and balances with central banks	**27**
Deposits with banks and financial institutions	**626,574**
Deposits with exchanges and others	**11,466**
Financial assets at fair value through profit or loss	**31,499,440**
Financial assets held under resale agreements	**3,034,522**
Financial assets at fair value through other comprehensive income	**6,595,976**
Financial assets at amortized cost	**14,432,893**
Accounts receivable	**157,527**
Investment properties	**2,555**
Interests in associates and joint ventures	**798,552**
Property and equipment	**223,323**
Other intangible assets	**42,624**
Deferred tax assets	**1,279,149**
Other assets	**2,689,550**
Total	**61,394,178**
Liabilities	
Accounts payable	**30,020**
Investment contract liabilities for policyholders	**7,668,791**
Insurance contract liabilities	**42,018,628**
Bonds issued	**6,015,639**
Deferred tax liabilities	**68,710**
Other liabilities	**2,122,351**
Total	**57,924,139**

(Amounts in thousands of RMB, unless otherwise stated)

VI. EXPLANATORY NOTES (continued)

76. Discontinued operation

76.4 Other comprehensive income from the discontinued operation

	As at December 31, 2019
Other comprehensive income	**(51,216)**

77. Comparative amounts

77.1 The comparative consolidated statement of profit or loss has been re-presented as if the operation discontinued during the current year had been discontinued at the beginning of the comparative period.

77.2 The Group has adopted IFRS 16 from January 1, 2019 and applied the modified retrospective approach without restating comparative figures. The comparative figures continued to be reported under the requirements of the previous standard, IAS 17, and related interpretations.

VII. EVENTS AFTER THE REPORTING PERIOD

1. Pursuant to the meeting of the Board of Directors on March 31, 2020, the proposal of the profit appropriations of the Company for the year ended December 31, 2019 is set out as follows:

(1) An appropriation of RMB652,264 thousand to the statutory surplus reserve;

(2) No general reserve to be appropriated basing on risk assets as at December 31, 2019; and

(3) A cash dividend distribution of RMB1.026 per 10 shares (tax inclusive), which is RMB3.916 billion in total in respect of the year.

As at December 31, 2019, the statutory surplus reserve had been recognized as appropriation. The dividend will be recognized on the Company's and the Group's financial statements after the approval by shareholders in the forthcoming general meeting.

VII. EVENTS AFTER THE REPORTING PERIOD (continued)

2. The Company successfully completed issuance of the first tranche of financial bonds in an aggregate amount of RMB10 billion and the second tranche of financial bonds in an aggregate amount of RMB15 billion in the national interbank bond market in China on March 3, 2020 and March 18, 2020 respectively. Principal terms of financial bonds as following:

   (1) RMB10 billion of first tranche of financial bonds will expire in 2030, with coupon rate of 3.90%, payable annually;

   (2) RMB5 billion of second tranche of financial bonds will expire in 2023, with coupon rate of 2.85%, payable annually;

   (3) RMB10 billion of second tranche of financial bonds will expire in 2030, with coupon rate of 3.90%, payable annually.

3. Since the outbreak of the novel coronavirus disease 2019 ("COVID-19") in January 2020, the prevention and control of the COVID-19 has been going on throughout the country. The Group will earnestly implement the requirements of the Notice on Further Strengthening the Financial Support for Prevention and Control of the COVID-19, which was jointly issued by the PBOC, the MOF, the CBIRC, the China Securities Regulatory Commission and the State Administration of Foreign Exchange, and strengthen support for the prevention and control of the COVID-19 epidemic.

   At present, the Group's operation is generally stable, while the COVID-19 epidemic has taken a phased toll on the economy, and thus likely has impacted the quality or the yields of the assets of the Group to a certain extend. The magnitude of the impact depends on the situation of the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies. The ECL of the Group at 31 December 2019 was estimated based on a range of forecast economic conditions as at that date.

   The Group will continuously and closely monitor the developments of the COVID-19 epidemic as well as various regulatory policies, evaluate and proactively address its impacts on the Group's financial position and performance of the Group. As of the date of this report, such evaluation is still in progress.

VIII. APPROVAL OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements are approved and authorized by the Board of Directors on March 31, 2020.

Branches and Major Subsidiaries

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3. Platforms for Financial Service and Asset Management Businesses

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  Tel. No.: (021) 38566666
  Fax No.: (021) 68879800
  Postal code: 200120

▲Cinda Securities Co., Ltd.
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National customer service hotline: 95321, 400-800-8899
Tel. No.: (010) 63080918
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Website: www.cindasc.com

• Cinda Futures Co., Ltd.
Address: 19-20/F, Tian Ren Building, 188 Liyi Road, Ningwei Street, Xiaoshan District, Hangzhou, Zhejiang
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National customer service hotline: 4006-728-728
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Fax No.: (0571) 28132560
Website: www.cindaqh.com

• First State Cinda Fund Management Co., Ltd.
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Postal code: 518054
National customer service hotline: 400-8888-118, 86-755-83160160
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• Cinda Innovation Investment Co., Ltd.
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▲Cinda Financial Leasing Co., Ltd.
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▲Happy Life Insurance Co., Ltd.
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National customer service hotline: 95560, 4006-688-688
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Fax No.: (010) 66271700
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• Cinda Capital Management Co., Ltd.
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▲Zhongrun Economic Development Co., Ltd.
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Note: "▲" represents a branch or a tier-one subsidiary and "•" represents a subsidiary of a tier-one subsidiary

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